



PUBLIC MINUTES
of the Audit and Risk Assurance Committee (ARAC) meeting
on Monday 24 February at 1100
FG47, 2 Marsham Street, London

Members

Liz Butler (LB)	Chair
Richard Hughes (RH)	
Ceri Richards (CR)	

Invited officers

Fiona MacGregor (FM)	Chief Executive
Richard Peden (RBP)	Interim Director, Finance and Corporate Services
Emma Tarran (ERT)	Assistant Director, Head of Legal Services and Company Secretary
Maria Craig (MC)	Director of Internal Audit, Homes England
Paul Scott (PS)	Head of Internal Audit, Homes England
Sarah Dickinson (SD)	NAO
Tom Onion (TO)	NAO
John O'Mahony (JOM)	Assistant Director, Corporate Services and Performance (item 5)
Althea Houghton (AH)	Assistant Director Registration and New Entrants (item 6)
Will Perry (WP)	Director of Strategy (item 6)

In attendance

Christine Kitchen (CK)	Committee Secretary
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1 Welcome and apologies

01/02/20 The Chair welcomed everyone to the meeting. No one was available to represent MHCLG at the meeting.

2 Declarations of Interest

02/02/20 CR declared that she has accepted a NED position with Mutual Energy. CK to update the DoI records accordingly.

3 Minutes of previous meeting – 21 October 2019

03/02/20 The confidential and public minutes were APPROVED.

4 Matters Arising

04/02/20 All actions have been completed or are on the forward planner for a future meeting.

5 Strategic Risk Register (SRR)

- 05/02/20 JOM joined the meeting and RBP presented the paper. Updates on the risks were discussed.
- 09/02/20 The three risks outside our risk appetite remain unchanged from the last register. Risk #3 and #4 relate to the policy environment and the scores will be kept under review. Risk #9 is improving as the RSH HR team are more settled and the recruitment to many of the resource review roles are well underway.
- 10/02/30 Members discussed the performance and risk reporting timetable for 2020/21 and since the volatility of the SRR is lessening, there were no problems envisaged with the proposed schedule. There was a request that management build into the forward planner, a session for some “blue sky thinking” on the RSH SRR for Board/ARAC. FM advised that this will be scheduled in once there is more clarity on the outcome of the White Paper.

FM

6 Assurance on Registration

- 11/02/20 Althea Houghton joined the meeting by voice link and presented the paper with WP who explained the purpose of the paper was to provide members with assurance of the registration process and the risks and controls in place. Processes are in place to manage risk – good QA with decisions made only after robust discussions about the applicant and their application.
- 12/02/20 Members NOTED in the paper the process for registration, and there was a discussion about the “intention to become a provider of social housing”. Guidance provides applicants with the information they need to be considered for registration. Where the application is from an intending provider, we question the extent to which the provider can evidence their intention to provide social housing. There is some challenge to the extent to which providers are able to evidence their intent. This is less of a problem for an existing provider than for a new/intending provider. Members were assured of the standard process to look for evidence that the business plans supporting these applications are robust and where registration is granted on the basis of intent, the providers are flagged and will be followed up for evidence of progress within the required timescale.
- 13/02/20 If on checking, there is no evidence of the provision of social housing, within the prescribed timescale, they can be de-registered and the registration team takes this decision.
- 14/02/20 There was a discussion about the reasons providers applied to be registered and this can vary but can be because of access to S106, accessing grant programmes from Government, etc.
- 15/02/20 Members NOTED the high volume of applications received each year and that the team were currently carrying several vacancies, but the situation is improving.
- 16/02/20 Members thanked AH for a very informative paper.

7 Internal Audit Update Report

- 17/02/20 PS presented Internal Audit's report. Five IA reviews have been included in the work plan for 2019/20
- 18/02/20 Fieldwork in relation to the review of Consumer Regulation is complete awaiting management responses. Fieldwork is also underway for the review of the IDA Quality Assurance process and the team are in the planning stages of the review of Risk Management with fieldwork due to commence imminently. The work in relation to the Service Level Agreement and Contingency arrangements with Homes England in relation to IT provision is currently yet to start. Reports from all of these reviews are likely to be reported to the April 2020 ARAC.
- 19/02/20 There was a discussion about the need for there to be a process for when IA reports are reported to ARAC. The IA team to give this consideration and agree a timetable/process with the Director of F&CS.

**PS/MC/
RBP**

8 Internal Audit Self-Assessment

- 22/02/20 MC explained that IA are required to evaluate themselves for conformance with the Code of Ethics and Standards using the HM Treasury Internal Audit Quality Assessment Framework tool. This report related to the IA service specifically in relation to RSH. Members NOTED the outcome of the assessment The Chair confirmed that the level of service the RSH receives was excellent and thanked MC and her team.

9 NAO – Audit Planning report on the 2019-20 financial statement audit

- 23/02/20 Tom Onions was introduced as the RSH Engagement Lead. Sarah Dickinson will be the Engagement Director and Emily Nardini the Engagement Manager. Sajid Rafiq remains as the Portfolio Director.
- 24/02/20 The report set out actions for ARAC and it was requested that these areas were responded to in writing either by way of a letter to the NAO or as part of the minutes. Members and NAO officers agreed to have them minuted. In the order that they were set out on page 2 of the NAO report:
- 25/02/20 ARAC members and officers confirmed that the financial statements cover all key risks and those risks are low in context of our balance sheet.
- 26/02/20 The business plan will pick up the organisation's objectives and strategies and address any associated business risks that may result in material misstatements.
- 27/02/20 It was confirmed that ARAC members were not aware of any cases of fraud and that there are good and robust methods of checking. There are good controls in place over expenditure and budgetary control and forecasting is strong.
- 28/02/20 ARAC members are content that internal controls are strong and linked to the Strategic Risk Register and staff are well trained to monitor and address any issues.

- 29/02/20 ARAC members are not aware of any cases of non-compliance in any areas of law or regulation.
- 30/02/20 Policy and procedures for recording non-compliance with law, regulations and internal policies would be board discussions and any non-compliance will have been reported go Board.
- 32/02/20 ARAC members noted that the NAO report stated that >99% of RSH income came from fees from registered providers. RBP confirmed that GIA is not treated as income, and members NOTED the two audit risks:
- Presumed risk of management override of controls
 - Defined benefit pension schemes
- 33/02/20 Members noted the plan to get assurance on the management override of controls point. In respect of the pension schemes the chair asked what assurance the NAO were looking for as the figures provided will reflect the numbers provided to the actuaries. NAO advised that they will be considering the management challenges to the actuaries' numbers so will be carrying out some benchmarking.
- 34/02/20 NAO noted the levels of materiality which will apply to the audit of the pension scheme balances and separately to other balances in the financial statements

10 ARAC Self-Assessment

- 36/02/20 The members of ARAC, internal audit, NAO and members of management had responded to the self-assessment questionnaire. The results were discussed and were generally in a good place. The NAO offered to send in an example of an assessment they have used.

11 Forward Planner

- 37/02/20 There were some amendments to the timing of some of the audit reports. The register was NOTED.

12 Any Other Business

- 38/02/20 There were no other items for discussion.

Date of next meeting: 27 April 2020