



PUBLIC MINUTES

**of the Audit and Risk Assurance Committee (ARAC) meeting
on Monday 27 April 2020 at 1100**

Skype Meeting (no members were together, and the meeting was deemed to have been held in Beckenham, Kent, the location of the Chair).

4 Remote and virtual participation

4.1 *Any member may validly participate in a meeting through the medium of conference telephone, video conferencing or similar form of communication equipment, provided that all persons participating in the meeting are able to hear and speak to each other throughout such meeting, or relevant part thereof. A member so participating shall be deemed to be present in person at the meeting, and shall accordingly be counted in a quorum and entitled to vote.*

4.2 *A meeting shall be deemed to take place where the largest group of those members participating is assembled or, if there is no group which is larger than any other group, where the Chair of the meeting is.*

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
Harold Brown (HB)	Senior Assistant Director, Investigation and Engagement
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
Emily Nardini (EN)	NAO
Abi Kudus (AK)	MHCLG
John O'Mahony (JOM)	Assistant Director, Corporate Services and Performance – item 5
Angela Holden (AH)	Assistant Director, Investigation and Engagement – item 6

In attendance

Christine Kitchen (CK)	Committee Secretary
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1 Welcome and apologies

01/04/20 The Chair welcomed everyone to the meeting. There were no apologies.

2 Declarations of Interest

02/04/20 There were no new declarations of interest.

3 Minutes of previous meeting – 24 February 2020

03/04/20 The confidential and public minutes were APPROVED, subject to a slight change to the wording of 35/02/20.

4 Matters Arising

04/04/20 Members NOTED the updates provided by management on the matters arising.

5 Strategic Risk Register (SRR)

05/04/20 JOM joined the meeting and RBP introduced the paper. Richard advised that the report was the first the committee had received since the start of the pandemic. RBP outlined that the impact of C-19 on the organisation had been considered in the context of the existing risks on the register, their inherent and mitigated risk scoring and the further actions that were being undertaken. Updates on the following risks were discussed.

06/04/20 **Risk rank 1 and 2:** These risks remain above appetite, and proposed mitigating actions remain relevant.

07/04/20 **Risk rank 3:** also remains above appetite. Recruitment to new positions created in the resource review has continued notwithstanding the C- 19 crisis. The impact of C-19 response action, notably additional caring responsibilities on staff, will reduce overall organisational capacity. As such it is not appropriate to reduce the risk score at this time. The description articulates the presenting risk and further actions have been put in place to manage capacity, and these are working well so far and are being monitored regularly. The transition to working from home has been smooth and there are no major issues being reported from staff.

08/04/20 **Risk rank 4 to 7:** management had agreed to increasing **both** the inherent and controlled scores, with one exception - to risk rank 6 where the inherent scores were already high. Changes to our regulatory approach i.e. extension to submission deadlines for FFR, halting of IDAs, remedial action on consumer regulation and the Coronavirus Operating Risks/Review Survey (CORS) are helping us keep pace with changes in the sector and we are monitoring and maintaining our planning to respond to any potential adverse consequences.

09/04/20 **Risk rank 8 to 14:** these are mainly internal risks so no changes to the current scores which are all at appetite.

10/04/20 Members were given assurance that although there was no separate risk for the impact of C-19 on the regulated sector added to the register, it is part of our overall regulation which is focussing on both financial and operational risks. No major problems which require support from the regulator are currently being reported by the sector and the feedback from CORS will give us a clearer picture. There are no current indications that there are immediate short-term financial risks either, as RP's currently continue to be able to access finance. It was acknowledged that the sales market has been impacted It is likely that wider impacts will start to be seen over the coming months.

11/04/20 There was a suggestion from the Chair that it would be helpful to consider re-assessing our risk appetite as our perception of risks could change after the end of the pandemic. RBP confirmed that the October ARAC meeting will do a full review of the SRR which will incorporate this.

6 In-depth Assessment – Consumer Regulation

- 13/04/20 AH joined the meeting and HB gave an overview of the paper, which set out for members, the legal framework through which we deliver our consumer regulation objective and how we address the key risks we face.
- 14/04/20 AH was asked to explain the level of frequency that we pass complaints onto another Ombudsman and how time consuming the process was of deciding which cases to forward. AH explained that we signpost every case to the Ombudsman via correspondence to the complainant and this is done mainly by the RRE team. We regularly update our advice on the website so tenants are clear about our remit and how we will consider their referrals.
- 15/04/20 AH was asked if we get any assurance about consumer compliance through the IDA programme. AH advised how RPs manage their risks is a clear focus for IDAs, and therefore issues around keeping tenants safe are often identified as one of the most significant risks a provider manages. The consumer regulation team therefore do get referrals from the operations team if they uncover any areas of concern during an IDA. Self-referral from RPs is also another route following our notification of an IDA, while RPs are testing their systems for compliance. About 1/3 of CRP referrals come to us through these routes. AH was also asked about our engagement with LAs which has increased this year. AH explained that LAs have less engagement with the regulator and less familiarity with how we work, and therefore there can be challenges around understanding why we are investigating. We have been pro-active in our engagement with LAs and have recently written to all LAs to remind them of their responsibilities to ensure compliance and to talk to us if they have concerns or are unsure. We have also spoken at a number of events and stakeholder panels and this engagement is having a positive impact. Where issues/concerns have been uncovered, our experience is that LAs have been willing to take difficult decisions about how their services will be delivered and to work with us to ensure the issues are addressed.
- 16/04/20 Members NOTED the steps we take to mitigate potential reputational damage when engaging with the public and the steps we take to avoid potential challenge of our decision making. Members NOTED the current workload and the steps being taken to work through the cases, including addressing the resource pressures.
- 17/04/20 The Chair thanked AH and HB for a very comprehensive and insightful report.

7 Internal Audit Update Report

- 18/04/20 PS presented Internal Audit's report. Five IA reviews have been included in the work plan for 2019/20. Of the five, three have been finalised and reported on in line with the reporting process. Fieldwork on the IDA quality assessment has been completed and the remaining audit on IT/SLA which had been temporarily paused to assess any Coronavirus impacts, will now commence following a discussion with the Chief Executive as Accounting Officer.
- 19/04/20 PS gave an overview on the completed audits:
- *Consumer Regulation*: substantial assurance. There were three low level recommendations all of which are being addressed.
 - *Risk Management*: substantial assurance. The review gave very positive assurance on the quality of the discussions and reporting within the RSH

and shows the high level of dependence placed on risk management via the risk register by the RSH. PS stated that this was reflected by the quality of the discussion held earlier in the agenda in terms of the RSH response to C-19 and it was excellent to see an organisation with such strong risk management processes in place.

- *Budget monitoring*: moderate assurance. The key recommendation of the review has now been addressed via a paper to the Board.

Members NOTED the full reports on each of these audits.

20/04/20 **2020/2021 Internal Audit Plan:** PS advised that the internal audit team had done a review against the assurance map and identified some potential areas for the 2020/21 IA plan. Management are discussing potential audit areas and these will feed into the plan presented to ARAC at the June meeting. The CEO confirmed that this timing is appropriate as the normal audit year runs from July to June each year, ending with the annual assurance report that supports the annual report and accounts. The CEO also confirmed that it was not considered necessary to halt the audit timetable because of C-19, but it would be necessary to review the timing of the audits to ensure they fit in with the business.

8 **NAO – Audit Interim progress report on the 2019-20 financial statement audit**

21/04/20 SD introduced the paper. She reported that the interim audit work was complete. The NAO have met with the CEO, DF&CS and Head of Finance to discuss the impact of C-19 on the RSH and any potential impact on the Annual Report and Accounts. The current NAO reporting plan is to lay the accounts post the summer recess, however SD flagged that the impact of C-19 is having a widespread impact across all government and a number of departments will be impacted on, which could in turn impact on the timing of our audit. This is not confirmed as yet, but SD assured us that we will be kept informed. The Chair acknowledged the difficult situation, however stressed that we would like to be given as much notice of any change in timing of the audit to allow staff and management to manage the process and to recognise the need for staff to have annual leave.

22/04/20 EN advised that the report was for noting and took members through the highlights of the report. As stated earlier the interim audit work has been completed as planned and there have been no audit findings and no adjustments.

23/04/20 **Presumed risk of management override of controls:** there were no findings of management override found from the review carried out on the records for the first 11 months of the financial year. There is one remaining month of journal testing to be carried out before the final audit report.

24/04/20 **Defined benefits pension scheme:** Based on the interim audit work undertaken the NAO have not identified any concerns. Implementation of defined benefit pensions controls will be assessed at final audit, and substantive testing of pension schemes will be carried at final audit once actuarial reports are available.

27/04/20 EN advised that the implementation of the new IFRS16 standard has been deferred to 2020/21 and so there were nothing to report on.

28/04/20 The Chair thanked both SD and EN for the report and thanked them for the useful information in Annex 2 to the report.

9 Forward Planner

29/04/20 In light of the accounts not being laid until September, there was a discussion about the date of the June meeting. The NAO confirmed that their final audit work will not be completed by then. It was AGREED to change the June meeting to 22 June. RBP confirmed that the draft of the accounts and an early draft of the annual report will be ready for review by then. CR advised that she will confirm her availability closer the time. **POST MEETING NOTE: date for ARAC meeting was confirmed for 19 June and CR confirmed her availability.**

CR

12 Any Other Business

30/04/20 RBP advised the committee that there has been a minor breach of the procurement policy in respect of a subscription to a media monitoring service. The last contract had rolled over as we had missed the renewal date by a small number of days. We are happy with the service provided, and had appointed them in 2019 following a formal procurement, but need to flag this to committee. RBP assured committee that the approach to contracts register is being reviewed to ensure this does not happen again. Committee NOTED this.

Date of next meeting: 19 June 2020