



PUBLIC MINUTES

**of the Audit and Risk Assurance Committee (ARAC) meeting
on Monday 19 June 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
Emma Tarran (ERT)	Assistant Director, Head of Legal Services and Company Secretary
Paul Scott (PS)	Head of Internal Audit, Homes England
Sarah Dickinson (SD)	NAO
Jo Chiverton (JC)	Head of Finance, MHCLG
James Dunbar (JD)	Head of Finance, RSH

In attendance

Christine Kitchen (CK)	Committee Secretary
------------------------	---------------------

1 Welcome and apologies

01/0620 The Chair welcomed everyone to the meeting. There were apologies from Maria Craig (MC).

2 Declarations of Interest

02/06/20 There were no new declarations of interest.

3 Minutes of previous meeting – 27 April 2020

03/06/20 The confidential and public minutes were APPROVED.

4 Matters Arising

04/06/20 Members NOTED the updates provided by management on the matters arising, including assurance on Dynamics, which will be picked up as part of the Digital Strategy.

5 Annual Accounts 2019/20

05/06/20 JD joined the meeting and RBP presented the draft accounts. RBP confirmed that the accounts had been drafted in compliance with the NAO's disclosure check list. As members were aware the audit has now been rescheduled by NAO until the autumn.

06/06/20 RBP sought approval from members to apply a new capitalisation threshold for fixed assets which currently is set at £200. The current low level is resource intensive to administer and catches many, very small, items. We have reviewed the levels in use amongst other MHCLG family organisations of similar size to the RSH and most have a threshold of £5k. Members were asked to consider the request to amend the accounting policy. Members agreed to recommend increasing the threshold to £5k to the Board.

07/06/20 In response to a query on the position of the pension liabilities, JD confirmed that is always some volatility in pension figures, however there are no concerns currently on contribution levels. In response to a query, JD confirmed that corporate bond rates are not yet at a negative level, however JD confirmed that we can benchmark and take advice if levels get to a negative position. It was very likely that there will be some reassessments in the current climate. SD queried whether valuations are based on actuals as at 31 March or on figures from an earlier date rolled forward. JD confirmed that he understood them to be actuals but that he would check with actuaries for each scheme.

JD

08/06/20 JC queried the increase in expenditure relating to staff costs between the 2019 and 2020 accounting periods. JD explained that the 2019 prior year comparatives were for a six month period although the increase remained when grossed up to a full year. A large component of the increase relates to accounting entries for the pension schemes and is offset by figures presented elsewhere in the Statement of Comprehensive Net Expenditure. The calculation of staff and pension costs are explained in Note 2. JD AGREED to review the narrative to ensure the explanation is clear.

JD

09/06/20 RBP explained the situation in respect of the disclosure of lease liabilities which were linked to implicit leases within the SLA with Homes England. We have now entered into direct leases with landlords in Manchester and are in discussion with the Government Property Agency for other offices. It was AGREED that there will be clearer explanation in the Note relating to this entry.

JD

10/06/20 Members queried why there was nothing in the accounts relating to the impact of Covid-19. RBP responded that currently there was nothing to report, however as the accounts are being delayed, consideration will be given to adding something into the annual report. SD added that the NAO would expect to see something within annual reports and suggested management would benefit from reviewing the guidance on their website for Audit and Risk Committees on Financial Reporting and Management during COVID-19, which sets out examples of good practice on proportional disclosures. As the accounts are a March year end, the timing might not necessitate any reporting

RBP/JD

in the accounts. Management AGREED to take advice on this and review the paper recommended by the NAO.

11/06/20 Members NOTED this early draft of the accounts and thanked the team for the work done.

6 Internal Audit Report

12/06/20 PS introduced the paper which provided a summary for the Committee of progress against the schedule of IA work from 2019-20, the final report in relation to the review of the IDA QA process and planned activity for 2020-21.

13/06/20 Members NOTED that of the five reviews in the plan for 2019-20 one (SLA IT Contingency) remains in progress although fieldwork has been completed and the review is being finalised and would be completed by the end of June and will be included in the next ARAC pack. In the unlikely event that there were any negative reports, these would be flagged earlier than the next scheduled ARAC meeting. Currently it appears to be achieving a MODERATE rating as there are there are no major issues.

14/06/20 The IDA QA process has been given a SUBSTANTIAL rating and the team found there were well defined processes in place which were operating effectively and understood by RSH staff. Three low priority findings were raised which were not deemed as weaknesses and a number of actions have already been implemented to address these issues.

20-21 Work Plan

15/06/20 PS reported that the IA team in 2019 had, in conjunction with management, looked at the assurance map to determine the potential areas of work which could be undertaken in the period 2020-21. The planning has been delayed due to the unprecedented situation with Covid-19, however management have now reviewed their assurance requirements against the assurance map and areas have been identified for the Internal Audit workplan for 2020-21

17/06/20 FM gave members assurance that she meets regularly with the IA team and the work plan is kept under review as she uses it as a tool for her as the Accounting Officer to get assurance and the IA reviews are a good test and often, a validation.

18/06/20 PS advised when asked about the impact on the team of being able to continue to work during the lockdown, that it has been working well and actually made processes more efficient with the reduction in travel and has highlighted some good practices as well. So overall there are no issues to report.

19/06/20 Members NOTED the IA review on the IDA QA process and the annexes and thanked PS for this update.

7 National Audit Office (NAO) update

20/06/20 SD advised that as no further audit work had been completed since the previous ARAC meeting a formal report had not been presented. She reiterated the change to the audit timetable which will now be completed mid-September and thanked management and the Committee for accommodating

this delay, which was in part due to the impact of Covid-19 and staffing issues at the NAO. The September commencement will however allow for consistency of the audit team. FM added that she has raised this delay with the MHCLG policy team who were advising the accounts team, and no issues have been raised. JC confirmed this to be the case.

21/06/20 RBP advised members that as a consequence of the timetable moving, there will be a need to schedule an additional meeting of the Committee in October for the sign-off of the accounts, with a proposed date for this meeting being the 26 October. SD confirmed that NAO do not envisage and problems of meeting this timetable as their staff are quite used to working remotely and complimented the RSH finance team for always being very quick to respond to queries.

22/06/20 The Chair asked if there were any other emerging risks for the sector that the NAO and colleagues had picked up. None were added other than those arising from Covid-19. She enquired if there were any HR related issues in the RSH and FM advised that no RSH staff have been furloughed and the shift to all staff working remotely continues to be working well. She reported that it will be a while before staff would be expected to return to office working, and we are adhering to Government guidelines at each stage. The organisation will continue to be flexible in its approach to this and should any HR type issues arise, they would be dealt with on an individual case basis.

23/06/20 The Chair thanked SD for the update and requested early notification of any further delays to the finalisation of the accounts.

8 Forward Planner

23/06/20 Members noted the forward planner and RBP confirmed that the meeting scheduled for the 19 October will be a routine ARAC meeting and based on the current timescale for the accounts, an additional meeting on 26 October for the sole purpose of signing off the accounts. Members were content with these arrangements. The NAO will give a verbal update on progress at the 19 October meeting.

12 Any Other Business - none

Date of next meeting: 19 October 2020