

PUBLIC MINUTES

of the Homes England Audit & Risk Committee meeting
held at 10.00am on Thursday 26 April 2018 at
Windsor House, London

Present:

Stephen Bell Chairman
Teresa O'Neill
Simon Dow

In attendance:

Nick Walkley Chief Executive
Chantal Geall Chief Risk Officer
Maria Craig Head of Internal Audit
Bayo Dosunmu Executive Director of the Homes England Development
Programme
Isabella Freeman General Counsel
Jane Castor General Manager, Finance & Performance
Paul Scott Deputy Head of Internal Audit
Liz Butler Regulation Committee
Sid Sidhu Engagement Director, National Audit Office
Philip Wherry Lead Auditor, National Audit Office
Joanne Chiverton ALB Sponsorship, MHCLG
Adam Cooper Head of Help to Buy Accounting

Demetrios Georgiou Head of Approvals
Jason Essenhigh Head of Operational Risk
Ed White Head of Research, Development and Strategy

Rory Smith Assistant Board Secretary

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01/04/18 The Chair welcomed Simon Dow, attending his first meeting as a Member of Audit & Risk Committee and Liz Butler, Regulation Committee Member, who was attending her first meeting as an observer. He also welcomed Joanne Chiverton from MHCLG.

Item 1 Minutes of previous meeting – 25 January 2018

02/04/18 The minutes from the 25 January 2018 meeting were **AGREED** as a correct record.

Item 2 Matters Arising / Forward Planner

03/04/18 The Chief Executive Officer updated the Committee on recruitment.

04/04/18 The Chair drew Members attention to the items for “Noting” on the agenda. The Committee agreed this was a useful mechanism for managing Audit & Risk business. It was agreed that any comments from Members on these particular matters should be sent to the Chair and Assistant Board Secretary and would be collated and discussed at an appropriate time.

Item 3 *Withdrawn Item*

Item 4 IFRS9 Update

05/04/18 The General Manager, Finance & Performance and Head of Help to Buy Accounting presented the paper which gave an update to the Committee on progress with the IFRS 9 project to date, issues identified and agreed short-term solutions to support disclosures required at 2017/18 year-end.

06/04/18 The organisation was now in a position where it fully understood the requirements of the new standards and the data required to support the 2018/19 disclosures. Members noted that the agency would not need to implement the accounting standard changes for 2017/18, but would need to disclose what impact the revised standard would have had on YE provisions. .

The Committee **NOTED** the update.

Item 5 Risk Report/Update

07/04/18 The Head of Approvals presented the paper which updated the Committee on the proposed approach to Credit Risk Measurement through the development of Internal Based Risk Rating Models. Two types were being developed by the team

08/04/18 Members were encouraged that the two types of risk rating model would, over time, allow the agency to assess and aggregate the risks it was running in a more accurate way.

09/04/18 The Committee **NOTED** the update.

Item 6 Quarterly Risk Assurance Report

10/04/18 The Head of Operational Risk presented the paper which gave a progress update in relation to Homes England’s risk management activity since the January ARC meeting; and provided Members with an opportunity to review

the new Investment Directorate's Risk and Control Assessment (RACA) and the Corporate Controls Fraud RACA . The Committee considered the Investment Directorate's RACA and initial feedback was positive. However, the Chair recommended a number of content and presentational improvements to RACA and general risk reporting.

11/04/18

12/04/18 Members believed the RACAs were an important tool to mitigate the risks facing the agency as it transformed into a new organisation. The RACAs encouraged a process of continual documentation and discussion of risk, which in turn will help to mitigate the risks of large scale expansion.

13/04/18 The Committee **NOTED** the paper.

Item 7 Update on Stress Testing and Early Warning Indicators / Contingency Planning

14/04/18 The Chief Risk Officer presented the results of the 2017/18 stress testing exercise undertaken by Homes England on the Homebuilding Fund (HBF) portfolio and by MHCLG on the Help to Buy portfolio (including legacy programmes).

15/04/18

16/04/18 The Head of Research, Development and Strategy presented the paper which provided an update and next steps for contingency planning across financial instruments. Homes England had been working with MHCLG risk to define the agency's set of plans at an operational and practical level to be triggered in the event of a downturn.

17/04/18 The Chief Executive explained the organisation was aiming to become smarter and more sensitive to economic indicators and that the industry was supportive of this as they were reliant on official stats and researchers. It was agreed that Homes England should be in a position where it could share its intelligence and best practice with the industry.

18/04/18 An Indicative EWI report would be brought to the next Audit & Risk Committee meeting

EW

19/04/18 The Committee **NOTED** the papers.

Item 8 *Withdrawn Item*

Item 9 Help to Buy Accounting Valuation follow up

20/04/18 The General Manager – Finance & Performance presented the paper which

gave the Committee information on the key assumptions which informed the valuation of the Help to Buy portfolio and proposals to amend the valuation methodology for 2017-18 year-end.

21/04/18

22/04/18 The Committee **NOTED** the paper and **AGREED** Finance's proposal to refine the valuation methodology and **REQUESTED** that appropriate discussions took place with MHCLG.

Item 10 GDPR Update

23/04/18 The General Counsel, Legal presented the paper which provided an update on internal progress relating to work surrounding the General Data Protection Regulations (GDPR)

24/04/18 The Chair asked how the organisation was going to supply confirmation that its processes for GDPR were fit for purpose. The Chief Executive advised Members that there was an emerging strategy from the government on how as a whole it would sign off on GDPR compliance. As such the agency would wait to see how this developed. A report would go to the Governance, Risk and Resources meeting on the agency's readiness for GDPR and this would be circulated to the Committee.

IF

25/04/18 The Chair requested that a brief update be sent to members around 25 May and that GDPR was on the agenda at the next Audit & Risk Committee.

IF

26/04/18 The Committee **NOTED** the report

Item 11 VFM Studies (verbal update)

27/04/18 Engagement Director, National Audit Office gave a further update on the NAO homelessness report. MHCLG had been recalled for another session by the PAC.

28/04/18 The NAO had previously produced a Help to Buy report and now had plans to do a follow up. This work was in its infancy. The NAO was currently having meetings to consider the scope and scale of the work and they were looking at a publication date of February 2019.

29/04/18 The Committee **NOTED** the update.

Item 12 Interim Findings

30/04/18 The Lead Auditor, NAO presented the paper which summarised the key matters from the NAO's 2017-18 interim audit. He suggested that the Committee should see a draft governance statement earlier than it did currently, between January and March. The Committee noted the recommendation.

31/04/18

Members agreed that it would be important that the agency had effective succession planning. On this point, the Chief Executive updated the Committee of the recent hiring of 8 graduates.

32/04/18 The Committee **NOTED** the report.

Item 13 Internal Audit Update Report

33/04/18 The Head of Internal Audit presented a report which updated on Internal Audit activity. The majority of the 2017/18 reviews had been completed and the completion of the remaining audits (cross agency reviews) had been dependent on operational staff availability in the final quarter of the year. There were a significant number of draft reports in the pipeline and finalisation of these was a priority for the team. Due an unanticipated staffing resource issue in Quarter 4, with the agreement of the Accounting Officer, two reviews had been extended into 2018/19 and 2 had been rescheduled to be considered as part of the Internal Audit Work Plan for 2018/19. The team establishment had recently expanded from 5 staff to 9 so future resource pressure would be addressed The Chief Executive Officer was keen for the team to expand and recognised the importance of the third line of defence as the organisation expanded at pace.

34/04/18

35/04/18 The Committee **NOTED** the paper and **REQUESTED** an update on progress at the next meeting.

Item 14 Internal Audit Work Plan Report

36/04/18 The Head of Internal Audit presented the paper which updated the Committee on the proposed Internal Audit Work Plan for 2018/19. The plan had been drafted with consultation from internal and external stakeholders.

37/04/18

38/04/18 This additional analysis was welcomed and the Committee considered the key corporate risks and the level of assurance the planned reviews provided in relation to these. The Chair asked that the Executive consider thematically whether the key risks were receiving adequate coverage within the current Audit Plan. In the light of the repeated discussions at this meeting, he asked that the Executive specifically consider strengthening assurance provided in relation to 'People' risk. The Head of Internal Audit agreed to consider this further.

39/04/18 The Committee **AGREED** the Internal Audit Work Plan

Item 15 Any Other Business

40/04/18 There was none.

Item 16 Matters for Future Meetings (e.g. Black Swan Events)

41/04/18 There were no new risks concerning the Committee.

Item 17 Matters to be raised at the Homes England Board

42/04/18 The Committee discussed which matters they wished to raise at the next Board meeting

Chairman's signature:

Date:

WITHDRAWN