

PUBLIC MINUTES

**of the Homes England Audit & Risk Committee meeting
held at 10.45am on Tuesday 25 June 2019 at Windsor House, London**

Present:

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| Stephen Bell | Chairman |
| Teresa O'Neill | |
| Simon Dudley | |

In attendance:

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| Nick Walkley | Chief Executive (by telephone) | |
| Chris Kinsella | Interim Chief Finance Officer | |
| Mark Gray | Chief Risk Officer | |
| Maria Craig | Director of Internal Audit | |
| Paul Scott | Head of Internal Audit | |
| Isabella Freeman | General Counsel | |
| Jane Castor | Finance Director | |
| Adam Cooper | Head of Help to Buy Accounting | |
| Rory Smith | Assistant Board Secretary | |
| Isabella Pateman | Director Enterprise Risk | Item 4 |
| Mark Holmes | Director Financial Crime Compliance | Item 5 |
| Justin Oldham | Head of Governance | Item 7 |
| Sajid Rafiq | Director, National Audit Office | |
| Sarah Dickinson | Audit Manager, National Audit Office | |
| Benedict Roth | Chief Risk Officer, MHCLG (<i>Items 1 – 5</i>) | |
| Joanne Chiverton | The Head of Finance: Homes England Corporate Sponsorship and Housing Delivery, MHCLG | |

01/06/19 There were apologies from Ceri Smith and Aileen Murphie

02/06/19 Teresa O'Neill and Simon Dudley declared that they were Trustees of the HCA Pension Fund which was discussed in the Annual Report & Accounts Executive Summary as part of item 7. The Committee were content that this did not constitute a conflict of interest.

Item 1 Minutes of the meeting of 25 April 2019 and Special Help to Buy ARC on 30 May 2019.

03/06/19 The minutes of the meeting on 31 January were **AGREED** as a true and accurate record subject to an amendment suggested by the Chief Risk Officer. The Special Help to Buy ARC meeting on 28 March 2019 were **AGREED** as a true and accurate record.

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Item 2 Matters arising

04/06/19 The Committee **NOTED** the matters arising.

Item 3 CRO Report & MI Pack

05/06/19 The Chief Risk Officer introduced his report.

06/06/19

07/06/19

08/06/19 The Chief Risk Officer discussed his concerns over the delivery of the Change Programme. Members considered whether, during this time of change, it would be prudent for the agency to create an aggregate view of all the activities underway and what parts of the agency they were impacting. The Chief Risk Officer commented that the agency was going through a major programme of organisational redesign and that a review of staff skillsets had been a part of this. The Interim Chief Finance Officer advised that as part of this process all roles in the new operating model had been through a process of design authority.

09/06/19 The Chief Risk Officer discussed Help to Buy and the approach being taken to the development of the successor Help to Buy product.

10/06/19

11/06/19 The Chief Risk Officer discussed the Risk MI pack and drew Members' attention to the list of strategic risks that had been developed at Directors' Group. This would be brought to the Board meeting to allow the Board's feedback to be captured and incorporated.

12/06/19 The Committee **NOTED** the paper.

Item 4 Integrated Assurance Proposal

13/06/19 The Director Enterprise Risk presented the paper which updated Members on the progress being made in the requested development of an Integrated Assurance Framework and the preferred delivery option for it. She added that the overall objective was to provide internal and external stakeholders with more coordinated and comprehensive assurance of the successful delivery of the Homes England strategic plan. The Chair welcomed the paper and requested that later iterations of the Integrated Assurance Framework make recommendations to Members on what they should conclude from it and be given adequate time on future agendas.

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14/06/19 The Committee **NOTED** the paper.

Item 5 Counter Fraud Action Plan – 6 Month Update

15/06/19 The Director Financial Crime Compliance presented the paper which informed Members of progress made after six months into the Counter Fraud Action Plan for 2018. The Chair praised the quality of reporting being brought to the Committee by the team.

16/06/19 The Committee **NOTED** the paper.

Item 6 Financial & Land Impairments

17/06/19 The Head of Help to Buy Accounting presented the Land Impairments paper which highlight land and property asset impairment charges and reversals in excess of £1m together with an impairment and valuation variance review with annexes. The Head of Help to Buy Accounting also presented the Financial Impairments paper which provided an overview of impairments which have arisen during 2018/19 against Homes England's portfolio of financial assets. Both papers had gone to the June Investment Committee and were coming to the Audit & Risk Committee for information and review given the role of the Audit & Risk Committee in recommending the Annual Report & Accounts.

18/06/19 The Committee **NOTED** the papers.

Item 7 Annual Report & Accounts

19/06/19 The Finance Director presented an executive summary of the Annual Report & Accounts. The summary had been designed to draw Members' attentions to the key issues and movements in the accounts. The Chair asked whether the Executive and NAO were confident that there would not be any "last-minute" issues with the accounts this year. Both agreed that they could not foresee any such issues.

20/06/19 The Finance Director drew the attention's committee to the impact of IFRS9 on the accounts. This had been a substantial project over the last 24 months. It had taken significant effort from the Finance, Risk, Land and Investment directorates to conclude on the impact of IFRS9. The General Manager – Finance & Performance then led the Committee through the Expected Credit Loss (ECL) Model and the scenarios that the team had modelled. The Chair reminded the Committee that at the last meeting they had discussed whether gradings in the model had been sufficiently granular to detect shifts. He enquired whether this was something that the Committee should be concerned about at this stage. The Finance Director advised that this would require continued review but was not significant to this year as the Agency had focussed on "a minimal viable product" as a platform for improvement going forward.

21/6/19 The Chair asked whether the Finance team had sufficient resource to develop this work for next year. The Interim Chief Finance Officer explained that a considerable level of thought had been given to the trying to establish the optimum level of resourcing for the Finance team as part of the new operating model at the agency. The Chief Risk Officer added that as well as sufficient resourcing, there was also a governance consideration. The Executive needed to be sure that the right people were at the right meetings below the Executive level so that the Audit & Risk Committee could get adequate assurance. The Committee thanked those involved for their efforts to date and commended their extensive efforts.

21/06/19 The Head of Help to Buy Accounting discussed Help to Buy, which was a significant part of the organisation's balance sheet at £3.5 billion worth of expenditure.

22/06/19 The Finance Director remarked that the agency had successfully transferred out the Regulator for Social Housing without incident. The Committee commended this achievement.

23/06/19 The Head of Governance discussed the review process the annual report had been subjected to and highlighted changes that had been made since the last iteration had been considered at the June meeting. The Chair reflected that as Homes England, the agency now had a more interventionist remit. At some point the agency would need to be able to demonstrate the consequence of its additional powers. As such a view would need to be formed over time as to how the agency would measure the success of its interventions in future governance statements.

24/06/19 The Director, NAO suggested that in the future Homes England and MHCLG compare and contrast their governance statements early on in their drafting.

The Head of Finance: Homes England Corporate Sponsorship and Housing Delivery echoed this sentiment and added that MHCLG's accounts team wanted to emphasise the strong working relationship they had with, and strong engagement they had received from, Homes England.

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25/06/19 The Committee commended staff involved in the preparation of the 2018/19 Annual Report & Accounts, noting the quality of the work completed throughout an inherently challenging process.

26/06/19 The Committee RECOMMENDED the Annual Report & Accounts were APPROVED by the Board.

Item 8 Internal Audit Annual Report & Opinion

27/06/19 The Director of Internal Audit presented the Internal Audit Annual Report & Opinion for 2018/19. This paper informed the Committee of the overall opinion of the Director of Internal Audit on the arrangements put in place by management in respect of governance, risk management and control for the period ending 31 May 2019. The opinion was moderate overall meaning that some improvements were required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.

28/06/19 The Director of Internal Audit discussed Risk Management. The Committee had received multiple documents over the year documenting and articulating progress made within the Risk team. She noted that this area was still a work in progress, but there had been positive movement in this space over the year. An aspiration was for the Integrated Assurance Work to come to fruition and allow the 3LOD to work collectively to provide the highest standard of assurance to the Accounting Officer and the Audit & Risk Committee. This was an ambitious project that would have a positive impact on the internal control environment.

29/06/19 The Chair asked whether the agency's ambition was to stay moderate or aspire to a substantial rating. It was confirmed that this was an area that the Executive would need to consider. In an established steady state organisation then the aspiration would be to be substantial. However, for an organisation in a state of change that may need to be considered in greater detail.

30/06/19 The Director of Internal Audit concluded that a large proportion of the narrative of the report was observation based. This wasn't a sustainable position and that a greater level of assurance activity would be required, resourcing plans to provide this had however

been approved. The Chair summarised the conversation believing that good work had taken place over the year.

31/06/19 The Committee **NOTED** the paper.

Item 9 Draft Audit Progress Report

32/06/19 The Executive Director, NAO presented the Draft Audit Progress Report which gave the Committee an update, as of 19 June 2019, of the NAO's audit work to date and summarised key matters arising. The Audit Manager, NAO informed Members that since drafting the report, substantial work had been undertaken. The NAO were not anticipating any requirement for adjustment and were expecting it to be within tolerable difference.

33/06/19 The Executive Director, NAO informed Members that the findings so far had been positive from an audit perspective. He remarked that the audit of Homes England was complex and it had required substantial effort from both organisations. He drew Member's attentions to the audit of the regularity of grant testing. This was now concluded and had a positive outcome. The Director of Internal Audit informed Members that they had undertaken additional testing of the year end process to provide further assurance. The Chair asked whether there had been any change to the year end process. The Director of Finance explained that the only change had introduced a compliance audit process which ended in May which helped the NAO to assess cut off. She added that this had helped the year end process, but that the team had reached the conclusion that there was no need for a fundamental restructuring of the programme. The Executive Director, NAO believed that there would always be an inherent risk due to the cyclical nature of grants.

34/06/19 The Chair observed that next week the Committee would have the opportunity to undertake a full retrospective on the NAO's audit. His impression was that the planning and engagement between the NAO and Homes England had been a fundamental contributor to an incident free audit. The Chief Executive Officer endorsed this adding that engagement from the NAO and the project team had been exemplary. The Executive and the Committee thanked all of those involved.

35/06/19 The Committee **NOTED** the paper.

Item 10 Update on VfM and other work

36/06/19 The Committee **NOTED** the report

Item 11 Escalation of Matters to the Board

37/06/19 There no matters escalated to the Board.

Item 12 Any Other Business

38/06/19 There was no other business.

Date of next meeting: 4 July 2019

Chairman's signature:

Date:

WITHDRAWN