

PUBLIC MINUTES

**of the Homes England Audit & Risk Committee meeting
held at 5.00pm on Monday 9 July 2018 by teleconference
and 5.2, Windsor House, London.**

Present:

Stephen Bell (by phone) Chairman
Teresa O'Neill (by phone)
Keith House (by phone)
Teresa O'Neill (by phone)

In attendance:

Chantal Geall	Chief Risk Officer
Maria Craig	Head of Internal Audit
Bayo Dosunmu	Executive Director of the Homes England Development Programme
Jane Castor	General Manager, Finance & Performance (by phone)
Steve Fox	Head of Financial Reporting
Paul Scott	Deputy Head of Internal Audit (by phone)
Sid Sidhu	Engagement Director, National Audit Office
Philip Wherry	Lead Auditor, National Audit Office (by phone)
Jo Chiverton	ALB Sponsorship, MHCLG
Rory Smith	Assistant Board Secretary

01/07/18 There were apologies from Nick Walkley and Simon Dow

Item 1 NAO Audit Completion Report

02/07/18 The Engagement Director, National Audit Officer presented the NAO Audit Completion Report. The report anticipated recommending to the Comptroller and Auditor General (C&AG) that he should certify the 2017-18 financial statements with an unqualified audit opinion, without modification.

03/07/18 He drew the Committee's attention to the Management proposal to not adjust for the misstatements identified through audit. The Committee agreed the recommendation not to adjust.

04/07/18 At the previous meeting the Committee had been informed that the NAO had selected a sample of 30 transactions from March 2018 relating to affordable housing providers and would be writing to them to request further supporting evidence to confirm that the relevant grant payment milestones had been met. He informed Members that of the 30, 1 had still yet to provide sufficient evidence. However, the NAO had extrapolated the results and confirmed that the results would have no impact on their audit opinion. The NAO's observations and recommendations fell into two areas. The first that there was an inherent risk to Homes England as it paid out large amounts of money towards the end of the financial year using the standard programme parameters of self-certification. He suggested that Homes England could

decide to look at this aspect of the design of the programme and consider what evidence it requires for a grant payment and when it should be received by the agency. The second area identified was the use of waivers and whether the agency was sufficiently clear on the totality of waivers issued. The Engagement Director informed Members that the NAO would share the evidence provided by the affordable housing providers with the executive.

05/07/18 The General Manager, Finance & Performance responded to the points raised. She welcomed that the NAO would share the evidence with Homes England so the agency could fully understand the issue. She confirmed to the Committee that Homes England operated the originally designed self-certification approach for Affordable Housing grant claims and gained assurance from a rolling programme of independent compliance audits. She committed to work with the Executive and the Affordable Homes team to ascertain whether any additional controls were required once Homes England were provided with the detailed results from the sample tested. She suggested that if the issue related solely to year end cut off risk then one possible response would be for Internal Audit to replicate the work far earlier in the accounts production process.

06/07/18 The Chair reflected on the findings of the report. He was glad that the 30 sample review did not show a systemic issue and confirmed that members were happy to close the issue for the purpose of the accounts and for the executive to consider the evidence and take suitable action. The Head of Internal Audit offered her team's support to help the first and second line teams with this issue and could incorporate it into the work plan towards the end of the year. The Committee agreed the report was a helpful prompt to undertake more work to move away from the 'hockey stick' approach to the end of the financial year. The Chair asked that a report on this matter was presented to the September ARC meeting.

JC

09/07/18 The Engagement Director drew the Committee's attention to the amendment in the governance statement that detailed the risk exposure arising from the weighting of transactions very close to the year and that management proposed to take appropriate action.

10/07/18 The Engagement Director felt the agency was in a reasonable position for the implementation of IFRS 9 but believed it would be a major challenge for the accounts to be complete and laid before Parliament by 30 June 2019 given the complexity of the standard and its impact on Homes England. He also updated Members that the NAO would be engaging with the Chief Executive Officer to see how it could assist with the transformation work being undertaken at Homes England.

10/07/18 The Committee **NOTED** the findings of the NAO Audit Completion Report.

Item 2 The Homes and Communities Agency Annual Report And Financial Statements Year Ended 31 March 2018

11/07/18 The General Manager, Finance & Performance presented the paper which showed members what amendments had been made to the Annual Report and

Financial Statements Year Ended 31 March 2018.

12/07/18 The Committee **NOTED** the paper.

Item 3 Any Other Business

13/07/18 The Chair thanked both Homes England and NAO staff for their hard work and felt that this situation should be used as a learning opportunity.

WITHDRAWN