

PUBLIC MINUTES

**of the Homes England Audit & Risk Committee meeting
held at 10.00am on Thursday 25 April 2019 at Windsor House, London**

Present:

Stephen Bell	Chairman
Teresa O'Neill	
Simon Dudley	
Ceri Smith	

In attendance:

Ed Lister	Homes England Chair	
Nick Walkley	Chief Executive	
Chris Kinsella	Interim Chief Finance Officer	
Paul Murphy	Deputy Chief Risk Officer	
Maria Craig	Interim General Manager - Internal Audit	
Paul Scott	Head of Internal Audit	
Isabella Freeman	General Counsel	
Jane Castor	General Manager, Finance & Performance	
Rory Smith	Assistant Board Secretary	
Demetrios Georgiou	General Manager - Guarantees	Items 3 - 5
Adam Cooper	Head of Help to Buy Accounting	Items 3 - 5
Evelyn Thomas	Head of Risk Framework	Items 8 - 9
Mark Holmes	General Manager – Financial Crime Compliance and MRLO	Items 8 - 9
Aileen Murphie	Director, National Audit Office	
Sarah Dickinson	Audit Manager, National Audit Office	

01/04/19 There were apologies from Mark Gray, Chief Risk Officer.

02/04/19 The Chair welcomed those in attendance to the meeting. It had been planned that proposals on how Help to Buy would have Board oversight would be brought to the Board meeting in May. However, after discussions with the Executive it had become apparent that this could not realistically happen until the September Board. As a consequence, the Special Help to Buy Audit & Risk Committee meetings would continue until September or October. The Chair was hopeful that this would tie in with the appointment of new Board Members to widen the pool of available Directors.

Item 1 Minutes of the meeting of 31 January 2019 and Special Help to Buy ARC on 28 March 2019.

03/04/19 The minutes of the meeting on 31 January and Special Help to Buy ARC meeting on 28 March 2019 were **AGREED** as a true and accurate record.

Item 2 Matters arising

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

Item 3 & 4 IFRS9 Implementation / IFRS9 – Expected Credit Loss Model

- 05/04/19 The Head of Help to Buy Accounting presented a paper which provided the Committee with an overview of the impact of the implementation of IFRS9 on the agency and a further paper which gave the Committee an overview of the agency's work to implement the new Expected Credit Loss allowance model.
- 06/04/19
- 07/04/19 The Head of Help to Buy Accounting updated members on IFRS9 readiness for 2018-19 year-end.
- 08/04/19 The Head of Help to Buy Accounting summarised the anticipated impact of the first adoption of IFRS9 for the agency.
- 09/04/19 The Head of Help to Buy Accounting brought the Committee's attention to the budget risks from IFRS9 expected credit losses.
- 10/04/19 The Chair considered whether the Board would want additional oversight of the adoption of IFRS9 due to its complexities and impact on the accounts. The General Manager – Finance & Performance offered to provide training to the Board, in-between a future Audit & Risk Committee and Board meeting, on how to interpret the accounts under the new standard.
- 11/04/19 The Head of Help to Buy Accounting then discussed the Expected Credit Loss Model for IFRS9. He highlighted that the agency was confident that each Directorate knew what was required and would provide all the data and assumptions needed to support the calculation of materially accurate Expected Credit Loss allowances.
- 12/04/19 The Head of Help to Buy Accounting then highlighted how the agency had gained assurance over the classification of assets under IFRS9, loan & receivables data for the opening position on first adoption of IFRS9 and loan & receivables data for the 2018-19 position.
- 13/04/19 The Committee **NOTED** the papers.

JC

Item 5 Help to Buy accounting valuation

- 14/04/19 The Head of Help to Buy Accounting presented the paper which provided the impact of adopting IFRS9 on Help to Buy; the performance of Help to Buy redemptions against portfolio valuations during 2018-19; the key assumptions which informed the portfolio valuation; and the proposed changes to the accounting valuation at 2018-19 year-end. The paper also updated Members on the progress with system development and assurance over input data. He added that the Finance team would be undertaking

extended assurance testing with the Help to Buy team to gain assurance on data received for redemptions.

15/04/19

16/04/19 The Committee **NOTED** the update.

Item 6 CRO Report

17/04/19 The Deputy Chief Risk Officer presented a paper outlining the Chief Risk Officer's view on the key risks facing Homes England.

18/04/19 The Deputy Chief Risk Officer discussed the Digital Transformation Programme.

19/04/19 The Deputy Chief Risk Officer updated the Committee on the position in relation to an earlier request it had made to consider where Homes England was outside of its Risk Appetite for its primary risks.

20/04/19 The Deputy Chief Risk Officer highlighted the Chief Risk Officer's comments on Help to Buy.

21/04/19 The Chief Risk Officer's report also noted concerns related to procurement.

22/04/19 The Deputy Chief Risk Officer discussed the agency's relationship with MHCLG. The Chief Risk Officer had been in conversation with his counterpart at MHCLG to determine the best way forward for both bodies to manage Risk.

23/04/19 The Chief Risk Officer's Report also confirmed he was evaluating the best structure for the Risk team at Homes England. He was undertaking a rebalancing exercise and wanted a stronger focus on enterprise and operational risk. The team was currently having internal debate on the best way to configure the team to achieve this.

24/04/19

25/04/19 The Committee **NOTED** the report.

Item 7 MI Risk Update

26/04/19 The Deputy Chief Risk Officer gave an update on Risk activity since the last meeting. The Chief Executive Officer noted that there had been positive progress made on Land Risk and the Land Risk Framework. He was pleased that some of this had now been embedded into the Land Business. The Chair echoed this sentiment and praised the team for their efforts. The Deputy Chief Risk Officer acknowledged the comments on behalf of the Land Risk team and noted that further work was continuing with the Central Land team to fully embed the framework.

27/04/19 The Chair asked that future iterations of the report focused primarily on developments between the first and second line.

MG

28/04/19 The Committee **NOTED** the update.

Item 8 Embedding the Risk Management Framework

29/04/19 The Head of Risk Framework presented the paper which gave the Committee an update on the progress made embedding the Risk Management Framework across the agency since the Committee and Board approved it earlier in the year. At present it was being rolled out so it could be applied by colleagues across the agency. The target date for all business specific risk frameworks to be fully rolled out was October. She explained that the Committee would be informed if there were any delays or potential problems which would lead to this date slipping. Members agreed that this would be helpful. They also asked that they were routinely informed on whether plans were still on target and whether the team had sufficient resource to successfully embed the Risk Management Framework.

ET

31/04/19 The Committee **NOTED** the paper.

Item 9 Financial Crimes Compliance Update

32/04/19 The General Manager – Financial Crime Compliance and MRLO presented the paper which gave the Committee an update on the issues identified by the Internal Audit on the Transaction Monitoring review and sought endorsement to amend the existing Anti Money Laundering (AML) Policy. He explained to the Committee that in May 2018 an internal audit review was undertaken to provide assurance on the adequacy and effectiveness of the control framework in place to ensure that Homes England complied with the current Money Laundering Regulations.

33/04/19 The Committee **NOTED** the update and **ENDORSED** the amendments suggested in the paper to the existing AML policy.

Item 10 Internal Audit Update Report

34/04/19 The Committee **NOTED** the report

Item 11 Internal Audit Work Plan

35/04/19 The Interim General Manager – Internal Audit presented the proposed Internal Audit Work Plan for 2019/20. The current approach was to create a firm plan for the next 6 months, with a longlist of further reviews to be formalised for the remainder of the year. She believed that working on a six monthly basis would give the Executive a more regular opportunity during the year to input and inform the Internal Audit team's work and that this approach had emerged from discussions with key stakeholders. The intention was to bring back a further report in November with the next 6 months Internal Audit work. She noted that topics discussed in the ARC meeting already, appeared in the draft work plan for 2019-20. She also highlighted the intent to link the work of the team to the recent exercise to review and update the organisation's strategic risks.

36/04/19

37/04/19

38/04/19 The Committee **NOTED** and agreed the draft work plan for the period June to November 2019.

Item 12 Annual Results – Interim Findings

39/04/19 The Audit Manager, NAO presented the paper which gave the National Audit Office's interim update on its audit work of Homes England to date and summarised the key matters arising. In general, the report was positive. There was a significant amount of work to still be done, but this was to be expected at this stage. She was confident that the agency would be able to deliver to the audit timetable.

40/04/19 The Audit Manager, NAO drew the Committee's attention to the NAO's audit of the agency's implementation of IFRS9. She reported that after having high level conversations with Finance, the NAO was content that the approach being taken by the agency was correct. The Chair asked whether the NAO had any concerns from the PwC report into the agency's IFRS9 implementation. She noted that a significant amount of the recommendations were future looking and that currently there were no areas of concern for the NAO.

41/04/19 The Audit Manager, NAO drew the Committee's attention to the ethical safeguards put in place as a result of the high number of NAO staff who had recently joined Homes England.

42/04/19 The Chair believed that the note that accompanied the report from the NAO was helpful and if anything else emerged that the Finance team or NAO believed the Committee should know about, a prompt note would be welcomed.

43/04/19 The Committee **NOTED** the update.

Item 13 Update on VfM and other work

44/04/19 The Director, National Audit Office presented an update on Value for Money work and informed the Committee of the forward programme of VfM work. She discussed the Planning for New Homes Report. This was the first time that the NAO had looked at this area. The report concluded that the current planning system could not be considered good value for money.

45/04/19 The Committee **NOTED** the update.

Item 14 Escalation of items Matters to the Board

- 46/04/19 The Committee agreed to raise the following to the Board;
- (i) there had been positive progress with the preparation of the final accounts,
 - (ii) that the implementation of IFRS9 was a good teaching opportunity for the agency
 - (iii) there had been significant work undertaken to embed the Risk Management Framework throughout the agency.
 - (iv) the Chief Risk Officer had advised the Committee that in his view the risk of not proceeding with the Digital Transformation programme exceeded the risks associated with proceeding.

Item 15 2019 Forward planner review

- 47/04/19 The Chair requested that an update on the Risk Management Framework and Risk Appetite came to every meeting going forward.

ET/MG

- 48/04/19 The Committee **NOTED** the 2019 Forward planner.

Item 16 Any other business

- 49/04/19 There was no other business.

Date of next meeting: 25 June 2019

Chairman's signature:

Date: