

## PUBLIC MINUTES

of the Homes England Audit & Risk Committee meeting  
held at 11.45am on Thursday 27 September 2018 the Manor County House  
Hotel, Weston on the Green, Oxfordshire

### Present:

Stephen Bell                      Chair  
Teresa O'Neill  
Ed Lister  
Simon Dudley

### In attendance:

Nick Walkley	Chief Executive	
Chantal Geall	Chief Risk Officer	
Paul Scott	Deputy Head of Internal Audit	
Bayo Dosunmu	Executive Director of the Homes England Development Programme	
Isabella Freeman	General Counsel	
Jane Castor	General Manager, Finance & Performance	
Duncan Sutherland	Observer	
Paul Murphy	Interim Senior Risk Advisor and GM Land Risk	Item 6
Nick Ward	Head of Corporate Strategy, Land	Item 6
Demetrios Georgiou	Head of Credit Risk	Item 7
Jo Chiverton	Head of Homes England Corporate Sponsorship and Land, MHCLG	
Sid Sidhu	Engagement Director, National Audit Office	
Sajid Rafiq	Director, National Audit Office	
Susan McNair	PWC	Items 3 - 5
Patrick Roche	BCG	Items 3 - 5
Duncan Martin	BCG	Items 3 - 5
Jaehyuck Kang	BCG	Items 3 - 5
Rory Smith	Assistant Board Secretary [have changed this whole minute into Arial 11 point - Mary]	

- 01/09/18    There were apologies from Maria Craig, Head of Internal Audit.
- 02/09/18    The Chair thanked Simon Dudley and Ed Lister for attending to ensure the Committee was quorate.
- 03/09/18    The Chair welcomed: Duncan Sutherland who was observing the meeting and would be joining Homes England as a Board Member in October, Patrick Roche, Duncan Martin and Jaehyuck Kang from the Boston Consultancy Group and Sarah McNair from PWC.
- 04/09/18    The Chair reflected that he expected the meeting to focus on the first line and how the Committee could give it additional support to allow the second line to function purely as a second line. The Risk directorate should act as a centre of excellence and not purely function as an overseeing entity.

## Minutes of previous meetings

05/09/18 The minutes from the meeting of 12 June, 21 June and 9 July and the Help to Buy teleconference on 20 June were **AGREED** via email outside of the meeting.

### Item 1 Lessons learnt from and Management Response to the Audit Completion Report and Year End Issue

06/09/18 The General Manager, Finance & Performance presented the paper which updated the Committee on management's response to recommendations in the NAO Audit Completion Report and asked Members to consider the impact of the year-end audit issue on the Affordable Homes Programme (AHP). The Committee **NOTED** that management had accepted the non AHP recommendations by the NAO in the paper.

07/09/18 The General Manager, Finance & Performance explained the origins of the year-end audit issue. Namely that of the 30 AHP grants the NAO had sampled, there was one case identified where there was concern that the grant had been claimed before the relevant milestone conditions had been met. She explained that after investigation by the Affordable Housing team the evidence supplied to the NAO had been incorrect and that in fact the grant had been claimed after the relevant milestone conditions had been met. This confirmed management's view that the AHP was a good and well assured programme. Members noted that the findings in the NAO report did not suggest that the programme needed a full scale redesign, but that additional cut off testing would provide extra assurance the executive and the Committee.

08/09/18 The Chair acknowledged the inherent risk with the programme and welcomed the additional testing as an extra level of assurance. He reflected that his main concern and reason behind requesting this paper had been to ascertain whether the year-end issue arrived because of how the programme was designed or how management had applied the programme. The Committee agreed that it was the former and recognised the importance of having robust controls to back up a self-certification programme.

09/09/18

10/09/18 The Committee **NOTED** the paper.

### Item 2 Internal Audit Update Report

11/09/18 The Deputy Director of Internal Audit presented the paper which updated the Committee on the delivery of Internal Audit Work for 2017-18. There had been a material increase in overdue actions and there were 6 high priority actions that had been overdue for greater than 12 months.

12/09/18 The Chief Executive Officer informed Members that at the last Governance, Risk and Resources meeting Directors had noted the Head of Internal Audit's concern about the increase in high priority overdue actions. He had instructed Directors to update and review the list of overdue actions ahead of the next Audit & Risk Committee meeting. He would be using their mid-year reviews to mechanically go through the actions in their portfolios.

13/09/18 The Committee **NOTED** the update report.

### **Item 3 Risk Management Report**

14/09/18 The Deputy Head of Internal Audit explained that Risk Management was an annual area of independent assurance review. Due to long term sickness within the Internal Audit team, PWC had been procured through the Government Internal Audit Agency panel to undertake the review for 2017/18. Susan McNair from PWC introduced the report leading Members through the key findings which recognised the improvements made to date, but also identified a number of findings to further develop the risk management process at Homes England.

16/09/18 The Chief Executive Officer believed the BCG risk taxonomy work would give corporate clarity around Risk language and help to empower the first line.

17/09/18 The Chief Executive Officer asked how the agency compared to other public sector organisations in terms of risk arrangements. Susan McNair felt that generally the agency was not as strong as other public sector organisations. However, the agency's remit was more complicated than the average public sector organisation particularly its financial services element. Members agreed it was hard to compare the agency to other financial services organisations due to the restraints in resources for a public sector organisation.

18/09/18

19/09/18 The Committee **NOTED** the paper.

### **Item 4 Risk Transformation**

20/09/18 BCG presented the paper which gave a high level outline of the future risk management framework at Homes England. It was based on the findings of a seven-week diagnostic and road mapping exercise conducted in July and August. Over time, an expansion of this document would replace the Homes England Risk Management Framework document agreed in December 2017.

24/09/18 The Committee **NOTED** the paper.

### **Item 5 Risk Update and MI**

25/09/18 The Chief Risk Officer presented the Risk Update and MI paper which provided an overview of the agency's risk profile and recent activity of the Risk Team. She discussed the PWC and BCG work. There were overlaps between the two approaches, but they also had different conceptions of approaches. PWC was more aligned to the traditional public sector view of Risk, delivering an

overarching assurance piece. The BCG work was more aligned to her expectations around what an organisation like Homes England needed. The agency was in an unusual position as it was a public sector organisation that effectively had a bank at the heart of it. The priority for the team now was to develop an integrated action plan and have discussions with Directors about their priorities. It was important the PWC and BCG work was built on and lead to change.

26/09/18 She explained to Members that the Risk team was historically set up to serve the Investments team. For only a year the team has had the mandate to provide enterprise risk support to the agency. In November an integrated action plan would come back to ARC. In parallel with this a business case would be built with the Chief Digital Officer to build a system that could handle the data for this work. Without this digital work it would be a huge manual task. The Chief Risk Officer updated Members on staffing. The team was currently at 30 staff and would look to double within the approved budget. To deliver the scale of work needed the team would have to upscale significantly.

CG

27/09/18 The Chair believed that a number of risks were outside of the agency's risk appetite and were reliant on conditions being benign and the assumption that the agency would continue to get significant levels of funding from the government. Members believed there were actions the executive could put into place now that would improve risk awareness of all staff before the action plan work started.

30/09/18 The Committee **NOTED** the paper.

**Item 6 Land Risk Management Framework**

31/09/18 The Head of Corporate Strategy, Land and the Interim Senior Risk Advisor and GM Land Risk presented the paper which sought approval of the Land Risk Management Framework. The document set out the process of how risk was managed and controlled within the Land business. The framework document was designed to be concise and signpost to other control documents which were used within the business to avoid the duplication of information held elsewhere. The majority of the signposted information had been created by the first line and was used in the day to day management and control of the Land business. The Land Risk Management framework document was supported by a Land Risk Management Guidance document.

32/09/18 The Interim Senior Risk Advisor and GM Land Risk explained that this document was a result of a collaborative approach between the Land and Risk directorates with the aim to manage and mitigate the Land Business' risk more effectively. Subject to approval, the next step would be to engage with the operating areas to introduce a new way of working and to help them strengthen their controls and systems. They stressed the importance that the framework worked for the front line business. The nature of the Land business meant that significant risk mitigation and control was undertaken by the first line. To ensure the relevance of the document, a significant proportion of the content had been contributed by the Land directorate. The Chair welcomed this work and fully

supported the approach taken by the Land and Risk directorates.

35/09/18 Members noted a key part of this work was the Land Risk Appetite Statement and that this would be presented to the Audit & Risk Committee in November before being inserted into the framework document. The Chair noted that this conversation with Committee ought to provide useful insights as to what the Risk Appetite Statement should include.

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36/09/18 The Committee **APPROVED** the Land Risk Management Framework document and the contents of annex 1 of the paper.

**Item 7 IFRS9 Progress Update & Risk Update**

37/09/18 The Head of Credit Risk presented the IFRS9 Risk Update which updated the Committee on progress made towards implementation of IFRS9, highlighting a number of key risks facing the organisation and expected weaknesses that may arise from an Internal Audit due to be conducted in November 2019. The General Manager - Finance & Performance presented a paper which gave an update to the Committee on progress with the IFRS 9 project since April 2018.

[three line gap is all that is required]

40/09/18 The Committee **NOTED** both papers.

**Item 8 AOB & Matters to refer to the Board**

41/09/18 There was no other business and as the meeting followed the Board, no matters were referred.

**Following the meeting, a private session was held between members and the NAO.**

Date of next meeting: 25 October 2018

**Chairman's signature:**

**Date:**

WITHDRAWN