



**PUBLIC MINUTES**

**of the Audit and Risk Assurance Committee (ARAC) meeting  
on Monday 18 October 2021 at 1100**

**MS Teams Meeting (no members were together, and the meeting was deemed to have been held in Beckenham, Kent, the location of the Chair).**

**4 Remote and virtual participation**

4.1 *Any member may validly participate in a meeting through the medium of conference telephone, video conferencing or similar form of communication equipment, provided that all persons participating in the meeting are able to hear and speak to each other throughout such meeting, or relevant part thereof. A member so participating shall be deemed to be present in person at the meeting, and shall accordingly be counted in a quorum and entitled to vote.*

4.2 *A meeting shall be deemed to take place where the largest group of those members participating is assembled or, if there is no group which is larger than any other group, where the Chair of the meeting is.*

**Members**

Liz Butler (LB)	Chair
Richard Hughes (RH)	
Kalpesh Brahmabhatt (KB)	

**Invited officers**

Fiona MacGregor (FM)	Chief Executive
Richard Peden (RBP)	Director, Finance and Corporate Services
Sarah Dickinson (SD)	NAO
Emily Nardini (EN)	NAO
Paul Scott	Head of Internal Audit, Homes England (HE)
Rachael Oyedeggi (RO)	DLUHC

**In attendance**

Mark Smith (MS)	Solicitor – attended as substitute for Emma Tarran
John O'Mahony (JOM)	AD Corporate Services & Performance – for item 5
James Dunbar (JD)	Head of Finance – for item 6

**Minutes**

Christine Kitchen (CK)	Committee Secretary
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**1 Welcome and apologies**

01/10/21 The Chair welcomed everyone to the meeting and to KB as the newest member of ARAC. There were apologies from Maria Craig (HE-IA).

**2 Declarations of Interest**

02/10/21 There were no new declarations of interest.

### 3 Minutes of the last meeting

03/10/21 The minutes from the previous meeting on 28 June 2021 were reviewed and both confidential and public minutes were APPROVED.

### 4 Matters Arising

04/10/21 Members NOTED the updates to the matters arising, in particular:

*10/06/21:* RBP confirmed that the completion date for this action has been moved to March 2022.

*12/06/21:* benchmarking exercise has shown that the GIAA rates for internal audit services are comparable with those of HE-IA and more competitive than those of the major accounting firms on the relevant CCS framework. The Chair was content with the update and confirmed the request for benchmarking had been to ensure the GIAA would be fair value.

*05/04/21:* RBP advised that the exception to procurement had only been used once. The CEO has unlimited powers for procurement by exception and has only been triggered previously for the SLA payments to HE. This reporting will be brought into routine reporting to ARAC going forward.

### 5 Strategic Risk Register (SRR)

05/10/21 JOM joined the meeting and with RBP advised members that two risks had revised scores since the last time ARAC had reviewed the SRR. The SRR attached was an abbreviated version as previously discussed with ARAC.

06/10/21 *Risk rank 3 - we are not able to keep pace with changes to the structure, diversification and operating environment of the sector and public expectations within our remit:* The inherent likelihood has increased from 3 to 4, but our mitigated score is as presented. In response to a further question about how we will manage the risk around our powers under the new legislation, FM advised that there are some new powers under discussion, but we may need to keep requirements to support the regulation of for profit providers under review.

07/10/21 *Risk rank 4 - we are unable to secure our budget:* The current likelihood has increased from 2 to 3: this is specifically in reference to the uncertainty around the Spending Review outcome.

08/10/21 The scores for the four risks above appetite, were shown in red in the register and discussed.

09/10/21 *Stakeholder risk:* members found the annex very informative and the new control in respect of the stakeholder risk was to confirm a reactive approach to wider media interest as needed. In addition, FM advised that our stakeholder engagement is well managed by the communications team and there is a well-functioning routine of quarterly engagement meetings, regular speaking engagements which are both a core part of the role for CEO and DCEO. The resources to manage this has recently been increased, and we drive a lot of the engagement. In respect of use of social media, FM confirmed that as an organisation we are cautious on the use of social media particularly by individuals,, however the communications team monitor and manage our responses and a policy on the use of social media is under review. It was AGREED that the annex on stakeholder engagement will be shared with the Board.

JOM

JOM

- 10/10/21 To help KB get a fuller understanding of the proximity of risks and our mitigations, it was AGREED to share with him the full SRR and some of the in-depth reviews that ARAC had previously received which would give him a fuller picture of how we manage strategic risks.
- 11/10/21 In response to the challenge from the Chair about why we do not take a similar approach to reducing impact scores as we do to likelihood scores, it was explained that if risks were to crystallise, the impact would likely be as set out, so we try and reduce the likelihood of this happening. However, the challenge was a fair one and it was AGREED that the team would look at risks were we could reduce both the likelihood and impact scores.
- 12/10/21 The Chair thanked JOM and RBP for a very clear report and added her appreciation for the work put into providing ARAC with an abbreviated version of the SRR which was a lot easier to review.

## 6 In-depth review – Counter Fraud

- 13/10/21 JD joined the meeting and RBP introduced the paper which now also ties in with the government's Counter Fraud Functional Standard and indicates intended compliance with all mandatory and best practice advisory recommendations. For the RSH, the risks are mainly around payments and there are a number of checks in place to mitigate risk of fraudulent transactions. RBP invited comments on the draft policies from Members.
- 14/10/21 There was a query in respect of the reporting line for an accusation of fraud against the CEO and/or the Head of Legal. The footnote states that this would be investigated by the Chair of ARAC, but should there be a completely independent reviewer and was there a government standard on this? In response, RBP advised that it would normally be investigated by IA, but as we are in a transitional position the Chair of ARAC was chosen. However, once we move to a new IA, the policy will be reviewed. The Chair suggested that as a backstop we could consider including the NAO if the fraud was at the highest level of the organisation. FM and RBP agreed to discuss this further and SD asked that they were consulted prior to any change to the policy as they have to be mindful of ensuring that they were not stepping into organisational policies. She did add that the NAO have a dedicated fraud team and she would be happy to provide us contact information and access to benchmarking data.
- 15/10/21 There was a discussion about cases of fraud against HE and PS said that as everywhere there have been attempts of fraud against HE, but none had been successful.
- 16/10/21 The Chair thanked RBP and JD for the review and sightings of the policies which were NOTED.

## 7 Internal Audit Annual Report and Opinion 2020-21

- 17/10/21 Members had NOTED the report and PS reported that IA had undertaken five reviews, four of which provided a **Substantial** level of assurance, the remaining also provided a positive (**Moderate**) level of assurance. In the IA 2019/20 opinion the team had suggested that attendance at a range of governance meetings would help supplement their independent reviews. They had attended a RSH Board meeting but felt attendance at for example RRG

meetings would have been beneficial to get the sense of discussion on how the organisation manages risk.

18/10/21 The Chair accepted their point but felt that attendance at too many internal meetings could impact on their independence if involved in decision points and should be able to evidence our workings through their reviews. In relation to the point made in the IA report about access to. A request to have documents would always be met by RSH staff.

19/10/21 There was a question about the Management Assurance Statement and RBP explained the process by which the Directors formally document any areas where there are weaknesses in controls. These are reviewed by AD Head of Legal and DF&CS and conclusions given to the CEO to draw out areas to take forward and report to AO meetings. It is an annual exercise and linked to the governance statement in the ARA.

20/10/11 The Chair thanked PS and the IA team for a good report.

## **8 Internal Audit update report**

21/10/21 Members NOTED the final reports in relation to response to Sector Risk and Governance, both of which had **Substantial** level of assurance. The 2021-22 plan has three reviews due to start and will be reported to the January meeting, the remaining reviews will be completed and reported in Q4 to the April ARAC. The only one change which was picked up earlier, was the implementation date for the recommendation in respect of the Covid-19 group ToR, which will now be 31 March 2022.

22/10/21 The Chair challenged the recommendation about requiring external verification of the self-assessments and added that both auditors had been invited to respond. Members NOTED all the reports and thanked the team.

## **9 NAO update**

23/10/21 EN gave a verbal update on the progress of the audit which was well advanced and gave thanks to RBP and JD who had provided responses and evidence in a timely manner. To date there were no major issues, with only minor corrections and changes to the remuneration report. Work on pensions is almost done and NAO are awaiting the final actuaries report. There are no changes to the Annual Report element of the ARA and so everything is on target for a sign-off on 8 November 2021. The Chair flagged to the IA team that payroll has been extensively audited each year by the NAO, so suggested the IA review was handled with this in mind.

## **10 Forward Planner**

24/10/21 Members NOTED the planner. Management advised that consideration is being given to the recommendation from IA about external review of the effectiveness reviews and will bring a paper for further discussion with the Committee.

25/10/21 RBP discussed future in-depth reviews and made the following suggestions:

- Transition of SLA services - January 2022
- Implementation of functional standard – April 2022

**RBP/CK**

Members were content with these suggestions and they will be added to the forward planner.

**11 Any Other Business**

26/10/21 There were no other matters of business and the Chair thanked members, officers and the auditors for their reports and contributions to the meeting.

27/10/21 There was a private meeting of members with the auditors.

***Date of next meeting: 8 November 2021***