



PUBLIC MINUTES

**of the Audit and Risk Assurance Committee (ARAC) meeting
on Monday 24 January 2022 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
Emma Tarran (ERT)	Senior Assistant Director: Head of Legal and Company Secretary
Louise Allsopp (LA)	NAO
Emily Nardini (EN)	NAO
Paul Scott	Head of Internal Audit, Homes England (HE)
Maria Craig (MC)	Director - Internal Audit (HE)

In attendance

John O'Mahony (JOM)	AD Corporate Services & Performance
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Minutes

Christine Kitchen (CK)	Committee Secretary
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1 Welcome and apologies

01/01/22 The Chair welcomed everyone to the meeting. There were apologies from Rachael Oyedeji (RO), DLUHC.

2 Declarations of Interest

02/01/22 There were no new declarations of interest.

3 Minutes of the last meeting

03/01/22 The minutes from the previous meeting on 18 October 2021 and 8 November 2021 were reviewed and both confidential and public minutes were APPROVED.

4 Matters Arising

04/01/22 Members NOTED the updates to the matters arising.

5 Strategic Risk Register (SRR)

05/01/22 *RBP advised members that the action raised at the last review of the SRR in respect of impact scores, will be addressed as part of the full review of the SRR and reported to ARAC in April.*

06/01/22 This report was the quarterly update and there are no material changes. There are four risks that are above appetite.

07/01/22 *Stakeholder expectations of our regulation exceed what is deliverable under our existing remit such that the overall legitimacy of the regulator is undermined:* this remains above appetite as it is dependent on the implementation of legislation, in terms of timing and the role given which is largely out of our control. We continue to seek to manage stakeholder expectations. Whether the likelihood risk score can be reduced, or whether we may need to consider further mitigating actions is being kept under review.

08/01/22 *We fail to sufficiently resource our workforce, and our people do not have the appropriate and necessary skills and knowledge to deliver our strategic objectives:* recruitment in I&E and Legal has been successful and staff are due to take up posts in the next month, but will need time to bed in which is keeping this risk above appetite for now. Recruitment to Consumer Regulation roles has also begun.

09/01/22 *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:* this is a key area of focus for us as the operating environment increases in complexity with the diversification of the sector.

10/01/22 *We are unable to secure our budget:* The Department has had its SR settlement and they are now working through allocations to ALBs.

11/01/22 Members questioned whether the risk surrounding the procurement of a replacement for the NROSH system and the impact that cost will have on the budget, warrants it being on the SRR. RBP explained that the SRR picks up what the risks are within the quarter being reported on and is more focussed on strategic risks. The procurement of the replacement system will move faster than the SRR reporting and will therefore be managed separately to the SRR. Progress on the procurement will be monitored by management with reports to Board.

12/01/22 RBP was asked how we deal with risks that have been above appetite for a while and whether we need to review how we set our appetite levels. The Chair was clear that we do not currently want to carry out a re-calibration of our risk appetite but sought assurance from RBP that this will be considered in the round as part of the review of the SRR, which he said would happen as part of

the discussion on our risk appetite and when we review our risks. The timing of this exercise is being worked through.

6 In-depth review - Transition of SLA services

13/01/22 RBP provided the background for new members - when the regulator became a stand-alone body on 1 October 2018, it did not have a corporate services centre. The regulator entered a four-year Service Level Agreement (SLA) with Homes England (HE) for a suite of corporate support services, and this SLA expires on 30 September 2022. The paper set out the services which have been brought in-house and those that we will continue to be linked to HE for a while longer. We are however beginning to procure our own contractors. We are advanced in our preparation for the transition. The RSH Corporate Services team which sits within F&CS has the experience of the various elements of the SLA having been involved when we transitioned in 2018. There are likely to be a number of procurements and this will put additional pressure on the Legal and Data Protection teams, but ERT said that with the addition of two new solicitors to the team, the additional work should be manageable, and there was always the option to use our legal panel if required. Members noted the updates on payroll and pension services, internal audit services and facilities management.

16/10/21 Member discussed the NROSH+ procurement and implementation. NROSH+ is a data collection tool with a number of validations built in, that we use to collect information provided by RPs in regulatory returns and deals only with incoming data. All design needs, system changes and improvements are currently specified in-house by our staff and this skill and expertise has been used to build the specification for a new bespoke system in the more current Microsoft environment and with longer term support being part of the contract.

17/01/22 Management took on board the advice from the Chair to be diligent with background and history of performance of the bidders.

18/01/22 Members thanked RBP for a comprehensive in-depth assurance paper and wished the team good luck for the transition of services from HE.

7 Internal Audit (IA) Update Report

19/01/22 MC introduced the paper which provided a summary of progress against the schedule of IA work for 2021-22, the final reports in relation to their reviews on Payroll and Counter Fraud, Bribery and Corruption, an update on outstanding internal audit actions and the Internal Audit Charter.

20/01/22 Payroll: the scope of the audit included assurance on whether RSH has effective controls in place to ensure that payments to staff are correct and timely. Overall, the report provided a SUBSTANTIAL level of assurance, one low priority finding in relation to retaining evidence on file to support approval of changes impacting pay.

21/01/22 *Model Maintenance*: the audit has been completed and findings have been issued to management in draft. The final report will be presented in April, with a SUBSTANTIAL level of accordance.

22/01/22 *Counter Fraud, bribery and corruption:* this audit also provided a SUBSTANTIVE level of assurance on the effectiveness of the regulator's practices to manage the risks of the counter fraud, bribery and corruption, and no findings were raised.

23/01/22 The remaining audits remain on track to be completed to the agreed timetable. The outstanding IA actions were NOTED. The Chairman thanked MC and PS for the report and AGREED to sign the Internal Audit Charter which covers the period that remains for HE IA to provide the regulator with IA services, which is the end of May 2022.

8 National Audit Office (NAO) update report

24/01/22 LA, introduced herself as the new Engagement Director, whilst confirming that the rest of the audit team remain unchanged.

25/01/22 The RSH audit is currently being planned, and this report was to give ARAC early sighting of the areas of risk the audit will focus on. The final report is expected in April. LA point out that the NAO audit fee for this year is to remain the same, reflecting the reduction in work on pensions. Members were advised that the regulator is feeding into the NAO report on the effectiveness of affordable housing which is due for publication in the summer.

26/01/22 The key points arising from this update report set out the areas of significant risk and which will be the focus of the audit:

- Presumed risk of management override of controls
- Valuation of defined benefit pension scheme liabilities – there is a limited expected change to the pension scheme. There is no triannual review this year. Timing of NAO audit completion will remain dependent on when they receive assurances from the actuaries and scheme auditors.
- Materiality – overall accounts materiality £1.35m based on prior year pension figures, but could change and there is scope for movement. This will not be reported on in the interim audit.
- Change in risk assessments – descoped -IFRS16 will not impact on RSH
- Holiday pay accrual – descoped as there are no issues
- Initial assessment of risk of fraud – discussed in depth at last meeting and concluded that RSH process is robust to identify fraud, this was backed up by the IA report discussed earlier in the meeting.
- Transfer to shared services from HE – NAO will monitor the impact and work with DF&CS on this. The changes to system will need to keep within audit process and evidence will be sought.

27/01/22 LA and EN were of the opinion that the timing of the completion report will once again be October and will liaise with DF&CS and Head of Finance. The Chair suggested that rather than have two meetings close together management should discuss with the NAO & GIAA and consider delaying the sign-off meeting till early November. DF&CS and Board Secretary will monitor and advise members of revised meeting date.

28/01/22 In response to a query regarding the report to the April meeting, EN confirmed that audit work will commence in March for the previous 10 months. Full year testing cannot be carried out until after 31 March, so ARAC will have oversight

of the unaudited ARA at the June meeting before final sign off in October/November.

10 Forward Planner

29/01/22 Members NOTED the planner.

- As agreed the October meeting date will be kept under review.
- The Audit workplan in April will be from GIAA and the NAO audit plan will be circulated between meetings and agreed by correspondence.

RBP/CK

11 Any Other Business

30/01/22 There were no other matters of business and the Chair thanked members, officers and the auditors for their reports and contributions to the meeting.

Date of next meeting: 25 April 2022