



PUBLIC MINUTES
of the Audit and Risk Assurance Committee (ARAC) meeting
on Monday 27 June 2022 at 1300
Hybrid meeting - MS Teams and Manchester Office

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 Brahmhatt (KB)	

Invited officers

Jonathan Walters (JW)	Deputy 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
Lisa Harvey (LH)	Head of Internal Audit, Government Internal Audit Agency (GIAA)
Jenny Obee (JO)	Engagement Head, Government Internal Audit Agency (GIAA)
Rachael Oyedeji (RO)	Finance Business Partner, DLUHC

In attendance

John O'Mahony (JOM)	AD Corporate Services & Performance – item 5
Sandy Pacek (SP)	Head of Performance Management – item 5
James Dunbar (JD)	Head of Finance – item 6

Minutes

Christine Kitchen (CK)	Committee Secretary
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1 Welcome and apologies

01/06/22 The Chair welcomed everyone to the meeting. There were no apologies. Everyone present introduced themselves and the Chair welcomed the members of GIAA.

2 Declarations of Interest

02/06/22 There were no new declarations of interest.

3 Minutes of the last meeting

03/06/22 The minutes from the previous meeting on 25 April 2022 were reviewed and both confidential and public minutes were APPROVED.

4 Matters Arising

04/06/22 All actions were NOTED.

5 Strategic Risk Register

05/06/22 JOM and SP joined the meeting. RBP advised members that this was the revised register which had been reviewed by the Board and those comments have been incorporated. There was a general discussion about the order of the risks on the register, with some specific examples – Risks 2, 4 and 5 were used as examples in the discussions and the outcomes were:

06/06/22 *Ranking/grading of risks:*

- some risks would be higher on the list if the register was to subjectively rank them in order of importance. However, it was agreed it would be more sensible to group risks thematically and remove ranking

07/06/22 *Read-across:*

- Register to be formatted risk – cause- consequence – controls
- Reformat so no connection implied between proactive and reactive controls
- Add direction of travel arrow once start reporting on these risks

08/06/22 *Risk scores:*

- Clarified that residual scores are the position based on current controls effectiveness, not when all controls activity is complete
- Look at whether we can do more to bring impact down
- Consider appetite vs tolerance on risks when reporting, especially for those risks which are outside our control

09/06/22 *Controls effectiveness:*

- Controls assessed low or moderate have further activity planned, which will be included in the final version of the register.
- Consider whether it would be helpful to use IA to develop our assurance on some of our low controls

10/06/22 *Management of risks:*

- Further action planned and implementation dates to be added in final version of register

11/06/22 Members agreed that the register was in a good place, and management agreed to take on board the comments made and review the layout, including considering how we report on the risks. JW added that a number of our risks are linked to the Department, so we cannot always control these eg. Budget. RBP advised that the contingent budget for legal fees will remain as a moderate (rather than high) risk as we are in regular contact with the Department and discussions are continuing. The timing of the mitigations is also in some cases hard to control eg. those linked to Consumer Regulation, which is dependent on the passage of the legislation. Management agreed to review the register to take account of the comments/suggestions from Members.

**RBP/JOM
/SP**

6 2021-2022 Annual Report and Accounts

- 12/06/22 JD joined the meeting for this item and members were advised that this version of the accounts was for initial comments and ARAC will see another version in October following the NAO audit. NAO confirmed that as they had not completed their audit, they had no comments at this stage.
- 13/06/22 There was a query in respect of the footnote in respect of the IAS19 pension adjustment and JD gave members further explanation. The IAS 19 report is prepared by actuaries after year end. The adjustment removes the employer pension contributions and replaces it with actuarially calculated pension service costs and expenses thereby increasing staff costs versus management accounts. The adjustment is not subject to DLHUC budget delegation. LA confirmed that this is an accounting estimation and it is recommended that it is reported.
- 14/06/22 Management was asked to also expand the narrative in respect of the increase in staff costs relate to recruitment of staff and not increase in remuneration of staff which were subject to the Civil Service pay pause in 2021.
- 15/06/22 Members thanked the finance team for a good set of accounts.

7 Internal Audit update Report

- 16/06/22 LA and JO presented this report which provided a summary of progress against the schedule of IA work for 21-22 and an update on outstanding internal audit actions. GIAA was appointed to provide internal audit services from 1 June 2022, following HE resigning as IA for the RSH at the end of May 2022, but will attend the October 2022 ARAC meeting to support the presentation of the Annual Report and Opinion for the period to May 2022. This report provides an update on the progress of the outstanding IA actions from the 6 audits undertaken by HE in 2021-22. There are currently 6 outstanding actions and it is the intention of the GIAA to establish monthly meetings with the audit owners to follow up on progress.
- 17/06/22 Members NOTED the position of the actions, some which are now closed and those which have been extended beyond the initial completion dates. RBP confirmed that the procurement manual is close to being finalised and the actions regarding the referrals and investigations actions are being implemented in both the I&E and Operations teams.

Draft Audit Plan 2022-23

- 18/06/22 GIAA advised that following discussion with RBP, 5 audits will take place with an allocation of 15 days per audit. Four of the five areas have been agreed and the fifth will be confirmed.
- 19/06/22
1. Digital Services Transition: timing of this will be later in the year.
 2. Procurement of Data Collection System: this audit is due to begin shortly and will provide assurance on the procurement of the NROSH system. GIAA have IT experts who will be consulted to help with the audit.
 3. SLA transition – timescale to be agreed
 4. Implementation of Functional Standards – work has commenced and ARAC have had a report on this. GIAA will provide assurance.

20/06/22 It was NOTED that the four audits all fall within F&CS and management will discuss other areas for audit focus. JW said that previous audits had covered various operational areas, but agreed that areas for audit will be discussed with the AO. RBP advised that the digital services audit is likely to slip into 2023-24, so a further two areas of audit will have to be agreed. Members flagged that consumer regulation was an area of risk on the SRR, and suggested that this should be an area of audit focus. Cyber risk was also an area that the Committee were keen was included on the audit plan. GIAA confirmed that they will be discussing with management a rolling audit plan. Members thanked the IA team for their reports.

National Audit Office (NAO)

21/06/22 The NAO did not have a report for this meeting, but verbally reported that their audit visit was now complete and there was nothing to report.

8 Forward Planner

22/06/22 The planner for the rest of 2022 was NOTED. Board Secretary to update planner for 2023 and include the induction of a new ARAC Chair.

9 ARAC Self-Assessment

23/06/22 The Chair reported that there had been a noticeable lack of responses from external bodies. The results were NOTED and the committee agreed that the results did not indicate the need to change how the committee operates.

10 Board Effectiveness procurement

24/06/22 The RSH Board has requested ARAC to oversee the procurement of external advisers to facilitate the 2023 Board and ARAC effectiveness reviews.

24/06/22 *Scope:* The Government has an expectation that Arm's Length Bodies will undertake a Board Effectiveness Review annually and that at least once every three years that review will be externally facilitated. In line with best practice, an Internal Audit recommendation from during the 2021/22 audit cycle, and Government guidance, it is proposed that the 2023 reviews will be externally facilitated. Government guidance does not prescribe the scope of a Board effectiveness review but does make a number of suggestions for the areas which a Board might wish to consider. These were presented to members. Members AGREED that the areas set out were the right mix with specific focus on best practice, how RSH compares to other ALBs, quality of discussion and a risk based approach.

25/06/22 *Procurement process:* the Chair advised members that she had spoken to a Chairs of other audit committees and had suggested a number of potential suppliers. The proposal was that the selection process will be based on a 3 tender approach as the frameworks would not offer suppliers with an understanding of our governance and fundamental objectives. A bespoke list had been drawn up, but some of those firms will be in some way involved in work for registered providers. It was AGREED that management with the help of one member of ARAC will agree the ToR, and present these to ARAC, to be agreed by correspondence so there was no delay to this procurement. The Chair recused herself, as her term of office ends in 2023. It was AGREED that RH would be the ARAC non-executive on the selection and tender panel. The Chair would report this discussion and decision to the Board.

11 Any Other Business

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: 17 October 2022