



**PUBLIC MINUTES**  
**of the Audit and Risk Assurance Committee (ARAC) meeting**  
**on Monday 07 November 2022 at 1000**  
**MS Teams**

**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)

**Invited officers**

Jonathan Walters (JW)	Deputy Chief Executive and Accounting Officer
Richard Peden (RBP)	Director, Finance and Corporate Services
Fiona MacGregor	Chief Executive
Bernadette Conroy (BC)	Chair of the Board
Mike Newbury (MN)	NAO
Katie Turner (KT)	Internal Audit, Homes England
Kay Pate (KP)	Group Chief Lead, Government Internal Audit Agency (GIAA)
Lisa Harvey (LH)	Head of Internal Audit, Government Internal Audit Agency (GIAA)
Jenny Obee (JO)	Engagement Head, Government Internal Audit Agency (GIAA)
Rebecca Allen	Social Housing, Finance Business Partner, DLUHC

**In attendance**

John O'Mahony (JOM)	AD Corporate Services & Performance – item 5
Mark Smith (MS)	Senior Solicitor, representing Emma Tarran
James Dunbar (JD)	Head of Finance

**Minutes**

Christine Kitchen (CK) Committee Secretary

**Minutes are recorded in the order papers were taken at the meeting which is different to the order on the agenda.**

**1 Welcome and apologies**

01/11/22 The Chair welcomed everyone to the meeting. There were apologies from Kalpesh Brahmhatt (KB), Emily Nardini (EN) and Louise Allsopp (LA). Mike Newbury attended for the NAO to present the audit completion report. Everyone present introduced themselves.



## **2 Declarations of Interest**

02/11/22 There were no new declarations of interest. MN had advised by email his previous connection to the sector, however it was noted there was no conflict of interest to be recorded.

## **3 Minutes of the last meeting**

03/11/22 The minutes from the previous meeting on 27 June 2022 were reviewed and APPROVED.

## **4 Matters Arising**

04/11/22 All actions were NOTED.

## **5 Internal Audit reports**

### *Internal Audit (HE)*

05/11/22 KT, IA(HE), joined the meeting to present the audit opinion for the period of 1 June 2021 to 31 May 2022. On the basis of the work undertaken during the period the overall opinion level was assessed as being Substantial. The report listed the six reviews undertaken, five of which provided a Substantial level of assurance, the remaining review also provided a positive (Moderate) level of assurance. This provided a total of two moderate and eleven low priority findings raised across all reports. *Governance* was the subject of a specific audit review during 2020-21 and provided a Substantial level of assurance. IA(HE) attended ARAC meetings where they observed thorough challenge and scrutiny applied to both Internal Audit service provision, the output of our work and the process of risk management within RSH. No specific risk management review was carried out, however an opinion was provided in relation to the monitoring and oversight of Fraud, Bribery and Corruption risks, as well as assurance over Information Security and Data Protection risks.

06/11/22 The Chair thanked the IA(HE) team for their work with the RSH. KT left the meeting.

### *GIAA Progress report*

07/11/22 The GIAA presented their report which included:

- 2021-2022 Annual Opinion supporting comments.
- The updated Audit plan for 2022-23
- Overview of progress against the plan in the period.
- Overview of the outcomes of key engagements in the period.

08/11/22 *2021-2022 Annual Opinion:*

GIAA were appointed as RSH's internal auditors from 1 June 2022. The 2021-22 audit plan had been completed by HE who had provided their annual opinion based on their work to the end of May 2022 and the work that GIAA have undertaken since June 2022 did not cover the items that form the 21-22 opinion. On review of the HE annual opinion, GIAA have not seen any contrary evidence in the interim and were content that the Governance Statement supports the 21-22 opinion.

09/11/22 *IA plan for 2022-23:*

Following a discussion with the CEO and DCEO, the original plan presented has changed with new plan including two of four areas flagged as potential

areas of concern during the recent review of the strategic risk register which will provide a broader coverage of the Regulator's risks:

- DCRS procurement – NROSH replacement (Completed – Moderate assurance)
- SLA transition – Q3
- Implementation of Functional Standards – Q3/4
- Physical Data and IT Security – Q4
- Managing Stakeholders expectations – Q4

The remaining areas will be reviewed again and considered for the 23-24 plan along with the two audits that were replaced.

- 10/11/22 The Chair queried the rationale for the DCRS, SLA and Functional Standards audits taking priority and why, if management considered them a priority, they were not flagged red on the SRR.
- 11/11/22 In response, DF&CS advised that the DCRS procurement had been flagged following Board's engagement in the project. The SLA transition was one of the biggest projects for the RSH and tied into the resources issues we have been discussing, and although not an elevated risk, the timing was considered pertinent. The Functional Standards is a new requirement via the Cabinet Office across Government departments and in order to ensure we are compliant across our processes; this audit was brought forward. The CEO added that the DCSR procurement and the SLA transition had been discussed both with HE and GIAA a while ago when both were considered potentially big risk for the RSH, should there be problems. Fortunately, neither project has encountered problems, hence are not red on the SRR.
- 12/11/22 In response to concerns raised, KP suggested that the audit team could help provide assurance by mapping out coverage of any other risk areas identified from the SRR which might warrant an audit. Both LB and BC, were of the opinion that we should be working on IA reports being more risk based and forward looking. The Chair asked the team to consider a sideways look at risk areas and when scoping audits, link them to the SRR. The team AGREED to consider these suggestions and report back to ARAC.
- 13/11/22 *Progress against the plan in period:* JO reported substantial progress on closing outstanding actions. The closure of the outstanding recommendations from the Governance audit were NOTED. Regular meetings will be set up with managers on the remaining actions.
- 14/11/22 JO confirmed that the DCSR procurement had been in accordance with our procurement policy and best procurement practice and resulted in a good level of assurance. The post award lessons learned exercise was valuable and highlighted key learnings, which are being taken forward. Some areas for improvement were found in respect of documenting assessments of potential conflicts of interest, ensuring that conflict of interest declarations are recorded at bid evaluation stage and finalising a procurement manual. There were also some areas that could be clarified in the procurement policy and incorporated into the procurement manual to ensure Department and Board approvals are obtained in a timely manner.
- 15/11/22 DF&CS responded to the approvals point and advised that we are reviewing our financial delegations to provide additional clarification. The external validations from the GIAA commercial team had been helpful and the substantial assurance on how the project was run, project management and

**GIAA**

delivery were encouraging. The lessons learned will be invaluable when we embark on the procurement of Digital Services. The issue of the timeline for bidding for the DCSR project that has been flagged as a disincentive by two of the other potential bidders was discussed and DF&CS agreed to consider this element for future procurement projects.

## 6 NAO Audit Completion Report

16/11/22 MN had given the committee the background to why he was presenting this report and the Chair passed on the Committee's best wishes to Emily and Louise.

17/11/22 There were two significant audit risks:

1. *Presumed risk of management override of controls* - no material misstatement due to override of controls has occurred from NAO's testing of journals and accounting estimates.
2. *Defined benefit pension scheme assets and liabilities* - the valuation of pension scheme assets and liabilities. Management's assumptions and judgements underpinning the pensions valuations are in line with industry benchmarks and NAO's expectations. The report flagged that their conclusions were draft, subject to receipt of final assurances from the City of Westminster Scheme auditor. Assurances have been delayed due to issues identified through their work regarding benefits paid in year.

18/11/22 *Adjusted and unadjusted misstatements:* There were no adjusted or unadjusted misstatements identified during the audit. There are no items to report to those charged with governance.

19/11/22 *Disclosure Errors:* there was one typographical error within the disclosure of permanent / non-permanent staff salary costs in the year which had been corrected by management. Total costs for all staff were correct and there were no knock-on implications for other disclosures of figures in the account.

20/11/22 The other areas of audit were NOTED and no control weaknesses were found, other than some suggestions to improve disclosures throughout the annual report and accounts. There were no recommendations made in respect of control weaknesses as part of the 2021-22 audit. All previous recommendations were marked as closed.

21/11/22 There was a discussion about the delay to the RSH ARA being signed off which was dependent on the final assurance report from the City of Westminster scheme auditor. The widespread issue with audits as a result of FRC focus on pension funds and auditors being heavily fined where their work did not meet the expected standard was acknowledged. The timeline for the RSH accounts being laid in Parliament was discussed and it was hoped that if the City of Westminster scheme report was issued at the end of November as had been indicated by the auditor, we would still be able to file accounts before the Christmas Parliamentary recess. DCEO gave assurance that he would keep DLUHC apprised of the delays and MN also confirmed that the NAO are liaising with DLUHC.

22/11/22 MN commented on the very positive report and passed on the teams' thanks for the assistance from the DF&CS and the RSH finance team. The Chair thanked MN for his report.

23/11/22 There was a discussion about the NAO's new approach to audit process which will be more iterative, but assurance was given that there should be no major impact for the RSH, however there is likely to be an increase in the fee level. The NAO accepted that they would expect a challenge on value added from the NAO.

## 7 RSH Annual Report and Accounts 2021-22

24/11/22 DF&CS presented the 2021-22 ARA. The only changes since ARAC had last seen the document in June was a minor change to operating expenditure and income to reflect late invoices and changes to reflect comments from the NAO. As previously discussed there remains the outstanding matter in relation to the accounting entries and disclosures related to the City of Westminster Local Government Pension Scheme (LGPS). Potential outcome is there are no changes that are sufficiently material to require changes to RSH accounts ARAC AGREED the recommendation of the 2021-22 accounts to the RSH Board subject to any adjustment needed when the outcome of the LGPS audit was known.

25/11/22 The Chair thanked the RSH Finance team for a good set of accounts and JD thanked MN and the NAO team for their flexible approach, despite the changes to the team.

## 8 RSH Strategic Risk Register

26/11/22 JOM joined the meeting and presented the revised SRR. There have been some significant changes in the political and economic operating environment since Board reviewed the SRR in late July. These changes have had an impact on some of our risk scores and based on the risk appetites agreed with ARAC and Board, seven risks are now above appetite, one more than in July. Key points on each risk above appetite, along with a recommendation on whether to accept a risk tolerance of a higher risk score than the appetite was NOTED, and JOM picked out three of the seven to highlight the risk tolerance score.

27/11/22 7a: **Inadequate powers or remit** (score unchanged; continues to be above appetite) -as we are currently unable to move some lease-based providers back to compliance due to the nature of their businesses.

7c: **We cannot manage conflicting stakeholder expectations or demands** (score unchanged; continues to be above appetite) - managed through informal engagement with a variety of stakeholder groups, but we are not going to be able to meet all expectations all the time.

7d: **Implementation of proactive consumer regulation** (score unchanged; continues to be above appetite) - The internally focussed controls are working well but we are still a way off implementation in a political and funding environment which is not in our control.

28/11/22 The risk tolerance for the other four risks still needs some work to bring the risk score down, and therefore a tolerance score has not been applied. There was a discussion about how prepared we are to deal with multiple concurrent RP failures or a combination of a RP failure and, for example a change in political focus. DF&CS said that this will always be difficult to manage, but the Executive team are alive to this issue and capacity and resource management/allocation is high on their list. There is always the facility to buy in additional capacity if required and we have had experience of this with I&E recruitment. The current pressure of the increase in V2 gradings is testing

resource pressures in operations, which has meant that we flex the timing of some IDAs. A big recruitment drive is being considered, and if successful will give us the capacity to deal with multiple concurrent issues in the sector.

29/11/22 BC added that we are at risk if we do not know when that “tipping point” might be. We need to be pro-active enough to be able to flex our reaction to issues and be able to mitigate in a timely manner. There was acknowledgement that there will be circumstances that might be out of our control, but we need to be prepared. As the Chair of the Board, she would be asking ARAC to look at what steps can be taken to avoid us getting to a point where we are unable to manage multiple failures. LB agreed this should be a priority and asked DF&CS to bring a paper to ARAC on scenarios that could potentially become an issue to include staffing issues, illness and staff leaving the organisation. DF&CS advised that we have recently updated the “Designated Survivor” document but also the N&GC will be having a meeting in January to look at Governance and in particular succession planning. BC invited LB to attend that meeting to enable all these strands to be tied together for a report to Board.

**RBP**

**CK**

30/11/22 The Chair thanked JOM for a very good papers and complimented the team on the SRR which was evolving but is a live document which is one of the best she has seen.

## **9 ARAC annual report to the Board**

31/11/22 RBP apologised that this report had been shared with the Board prior to it being discussed by ARAC. Members AGREED the presentation of the report to the Board.

## **8 Forward Planner**

32/22/22 The planner for the 2023 was reviewed. Board Secretary to update planner to include reports on:

- I&E old cases
- GIAA assurance map on risks
- In-depth assurance report on Whistleblowing (January?)

Board secretary will update the planner to reflect IA reporting.

## **9 Any other business**

33/11/22 The Board Chair thanked the Committee for a very insightful meeting. She noted that LB will be stepping down as Chair of ARAC at the June meeting and updated on progress with the recruitment of a new Chair, which had progressed with DLUHC, but with recent changes, might have stalled. She committed to following this up at her next meeting with the sponsorship team.

34/11/22 There were no other matters of business and the Chair thanked members, officers and the auditors for their reports and contributions to the meeting.

35/11/22 There followed a closed confidential session with the NAO and GIAA.

***Date of next meeting: 23 January 2023***