



PUBLIC MINUTES
of the Audit and Risk Assurance Committee (ARAC) meeting
on Monday 27 November 2023 at 1000
FG47 “ Marsham Street and MSTeams

8 Remote and virtual participation

8.1 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.

8.2 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
Kalpesh Brahmhatt (KB)	Via MS Teams

In attendance

Jonathan Walters (JW)	Deputy Chief Executive and Accounting Officer
Richard Peden (RBP)	Director, Finance and Corporate Services
Emma Tarran (ERT)	Senior Assistant Director Head of Legal and Company Secretary
James Dunbar (JD)	Head of Finance (for item 6)
Richard Smith (RS)	NAO, Engagement Manager
Lisa Harvey (LH)	Head of Internal Audit, Government Internal Audit Agency (GIAA)
Jenny Obee (JO)	Engagement Lead, Government Internal Audit Agency (GIAA)

Minutes

Christine Kitchen (CK)	Committee Secretary
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1 Welcome and apologies

01/11/23 The Chair welcomed everyone to the meeting. There were apologies from member Richard Hughes. Fiona MacGregor and Mike Newbury (NAO) also sent apologies, and there was no representative from DLUHC (the department). The Chair welcomed Richard Smith to the meeting.

2 Declarations of Interest

02/11/23 There were no new declarations of interest.

3 Minutes of the last meeting

03/11/23 The minutes from 26 June 2023 were APPROVED.

4 Matters Arising

05/11/23 The actions were noted.

5 ARAC report to the Board

06/11/23 Members considered the annual report to the Board reporting the work of ARAC during the past year, and the Chair thanked RBP for the inclusion of the ToR as a reference and also the summary of activity had been a very helpful aide memoir. The members AGREED the report to be presented to the Board.

6 NAO Audit Plan

06/11/23 RS advised that the report submitted to ARAC was an update and not the annual audit conclusion report. He advised that whilst substantial progress had been made with the audit, it was not complete and confirmed that the final report would be available for the meeting scheduled for 15 January 2024. The areas of risk identified from the work completed are:

07/11/23 *Presumed risk of Management override of controls:* on the inspection of journals during the audit, seven were highlighted that had been processed at year end to accrue costs for invoices not entered to the finance system. RBP explained that these related to invoices relating to legal advice which are reviewed in detail by the Legal team before approval for payment, this is routine (and good practice) and it was noted that NAO had not identified any financial error..

08/11/23 *Valuation of defined benefit pension schemes:* awaiting audit opinion on the Westminster LGPS which is expected at the end of November. RS flagged the review of the judgement, assumptions and valuation approach by the actuaries for the Westminster scheme including the advice on the ability for RSH to recognise a surplus in accordance with IFRIC14. The RSH had initially considered whether the surplus reported by the Westminster scheme actuary could be recognised and NAO had challenged management over the completeness of this assessment. Following further discussions with the scheme actuary, RS reported that RSH intends to amend the amount disclosed. RBP challenged the point at which the NAO raised questions, which was after they had originally accepted the figures. No further progress on the pensions audit is possible until the audit report from Grant Thornton is received.

09/11/23 *Change in arrangements for hosting RSH's Financial systems:* RS flagged the change from HE hosting the RSH financial system for periods 1-9 to DLUHC for periods 10-12 was identified by the NAO audit team as an area of significant risk of errors occurring. In addition, having two systems to check had delayed the audit. The Chair challenged this point stating it was a very straightforward process to audit and the change had been flagged to the NAO well in advance, so the committee did not accept this as a reason for the delay. RS confirmed that the audit team were content that there were no errors and agreement is in place that historic data is retained.

10/11/23 *Special payment:* confirmation that the payment to a registered provider had the necessary authorisation.

11/11/23 The Chair sought assurances that there will be no further delay to the RSH receiving the annual audit report. RBP said that the operational relationship with the NAO has been strong, however they need to be realistic when setting their plan so that we can also work to the same plan. It was AGREED that the NAO should carry out a lessons learned and that MN schedules a telephone conversation with the Chair when he returns to work and before the planning for the next audit year begins.

NAO

12/11/23 The Chair thanked RS who agreed to feed back the concerns of the committee and executive.

7 Internal Audit Progress report

13/11/23 LH presented the progress against the 2023-24 plan. Two audits scheduled for Q3:

- Consumer Regulation Pilots – January ARAC.
- QA consistency on For Profits judgements – deferred to January.
- New Data Capture system – scheduled for Q4, however RBP advised the date for this is likely to be delayed. It is an extremely busy time for the team involved in this audit, so the delay will allow them to be out of the busy period and also likely to have had a successful recruitment to increase the resources of the team. RBP assured ARAC that the project is progressing well.

14/11/23 Two audits were completed:

- Risk management (medium and long term planning) – Substantial rating
- Capacity and Capability – Moderate rating.

On actions from previous audits JO noted that the one low level recommendation timescale extended to allow for the new Head of Digital to pick up, now they are soon to be in post.

15/11/23 2024-25 Planning:

Risk management: meetings with ARAC members to be organised by GIAA. RBP suggested GIAA are invited to risk review meetings at which risk owners review and discuss the Strategic Risk Register (SRR). Risks are likely to shift whilst we transition to consumer regulation so these meetings will be beneficial to GIAA. The Chair said that she was keen that the IA plan linked into the SRR and they challenge the executive.

GIAA

16/11/23 *Long term planning:* GIAA flagged in their Final Engagement Report three areas for further consideration:

- Develop a workforce planning strategy.
- Identify business critical roles and use to inform succession planning.
- Develop a skills matrix.

15/11/23 There was a discussion on the benefit of having a workforce planning strategy beyond the planning that is in place for our move to consumer regulation which will also link into a skills matrix and succession planning for the organisation as it grows. Assurance was given that the Executive team have regular discussions about capacity both for consumer regulation and the wider organisation. In response to a question about whether there will be a likely churn of staff, RBP advised that at present things are stable with a low churn of staff but with the level of new recruitment, this might change – and that

retirement risk will also be considered . The MDP and LDP programmes and HR business partnering are working well. We do not have a formal succession planning strategy and the Chair suggested that as we grow this is something for management to consider, as well as ensuring the Board are identifying risks to the RSH when we begin consumer regulation. We need to be able to identify any single points of failure as the organisation grows and how we will handle this risk. JO agreed that succession planning will help prioritise recruitment to critical roles. JW added efficiency/productivity are also areas we need to consider especially 2 -3 years into our new regulatory regime as we are likely to be challenged more on this and the Chair suggested that we should start thinking about this as soon as possible and GIAA offered to help.

16/11/23 Focus on workforce planning and recruitment were given a moderate rating, and GIAA were content that current plans and strategies in place on the operating model and move to consumer regulation are good. However, their advice was that we consider the longer term picture in respect of capability and capacity. KB queried the timing of GIAA's recommendation in respect to having a workforce strategy. Our recruitment to cover consumer regulation is underway and going well, despite some difficulties to recruit to certain roles, so suggested that whilst the recommendation is valid, the timing might not be.

8 Strategic Risk Register (SRR)

17/11/23 RBP introduced the paper as an update. The SRR is regularly reviewed by risk owners in meetings facilitated by corporate services. The report has highlighted the updates to the register, and committee NOTED:

- change to ***Inappropriate levels of funding to resource operations*** which has moved back below appetite. RBP advised that RSH has more certainty over finance arrangements for 2024/25 now than when the risk was elevated earlier in the year including the intention that the RSH start charging fees with full cost recovery from July 2024.
- ***Capacity and capability (score unchanged; above appetite)***: committee were advised that we have written to the department highlighting the increase in pressure on certain areas of the business to meet new requests from DLUHC. JW advised that we will be discussing this at the next AO meeting. There was a discussion about the pressure and the difficulties recruiting certain hard to fill vacancies which makes this a critical area to watch.
- ***Security (score unchanged; above appetite)***: RBP advised the committee that we had been considering a procurement for digital service, however we are now in discussion with the department to get these services from them. Home England have agreed to an undefined extension to the end of our SLA with them. ARAC will be kept informed.

18/11/23 The Chair queried the new control for Operational risk 5 and JW advised that we are anticipating where we will be in relation to queries after 1 April 2024. It is likely that we will need to signpost queries to other regulators, so we need to have a mechanism to record these referrals. RBP asked the committee if they thought it would be helpful to have a discussion with Board on risk appetite and tolerance and it was suggested that management schedule a board teach-in for them in May 2024.

JW

19/11/23 JO asked what risk areas management considered will be impacted after 1 April 2024. JW responded saying that the upcoming elections are likely to have an impact as they have in the past. There has not been any contact with

the other parties on their policies on housing, but there is a risk that a new government might move away from consumer regulation. We will work with the department as they go through party manifestos, and we will feed into any modelling work as required.

9 In-depth assurance planning

20/11/23 The paper to committee was seeking their views on future topics for in-depth assessments in the coming year. RBP advised that he wanted to do more forward planning and intends to look at the SRR and IA reports when deciding on topics. Initial thoughts were discussed, and the following were AGREED and other areas will be kept under review:

- **January 2024 – fee setting** (to cover messaging on cross subsidy with RP;s and stakeholders, transparency, comms with FRAP)
- **April 2024 – review of consumer regulation** implementation post 1 April
- **June 2024 – digital transition**

10 Forward Planner

21/11/23 NOTED and in-depth assessments will be added to the planner.

CK

11 Any other business

22/11/23 There were no other matters of business. LB thanked everyone for their attendance and contributions to the discussions.

The formal business was followed by a confidential meeting between committee members and both auditors.

Date of next meeting: 15 January 2024.