

CALEDONIA HOUSING ASSOCIATION LTD

MINUTES OF THE AUDIT & RISK MANAGEMENT COMMITTEE MEETING HELD ON WEDNESDAY 20 MAY 2020 BY VIDEO CONFERENCE

Present:	Alex McDougall Gregor Colville Alan Nairn Graham Logan Helen Archibald Martin Walker	Chair Bellsmyre Housing Association Caledonia Housing Association Caledonia Housing Association Caledonia Housing Association Cordale Housing Association
Leave of Absence:	Ian Gray	Caledonia Housing Association
In Attendance:	Kelly Adams David Archibald Steven McNaught Leigh Grubb Garry Savage Andrew Kilpatrick Jenny Dalton	RSM UK Audit LLP Henderson Loggie Henderson Loggie Director of Finance & Governance Director of Strategy & Innovation Director of Assets Governance Officer (Minutes)

The Chair welcomed Kelly Adams from External Auditors RSM UK and David Archibald and Steven McNaught from Internal Auditors Henderson Loggie to the meeting. The Chair advised that David Archibald had an appointment and recommended that the Internal Audit Plan be considered immediately after the Equalities and Diversity Internal Audit Report to allow him to leave the meeting early. The recommendation was **AGREED** by Committee members.

1 Apologies

There were no apologies.

2 Declaration of Interest

There were no declarations of interest.

3 Minutes of Audit & Risk Management Committee Meeting held on Wednesday 2 April 2020

The minutes were **AGREED** as a true and accurate record of the meeting and were **APPROVED** by the Committee.

4 Matters Arising

Item 4 – Matters Arising The Director of Assets (DoA) advised that investigating the potential impact of climate change on the Group's housing stock was included in the Business Plan for 2020-2025 and that the issue of providing a Sustainability Report to stakeholders would be considered within this investigation.

Item 7 – Internal Audit Report 2019/20 Risk Management The Director of Finance & Governance (DoFG) confirmed that the review of the Group Risk Management Policy would be carried out within the agreed timescale.

5 External Financial Audit Plan 2019-20

Kelly Adams from the Group's External Auditors RSM UK Audit LLP presented the Audit Plan relating to the audit of financial statements for the financial year to 31 March 2020. She advised that the Audit Plan had been prepared prior to the completion of all planning processes and that should any further matters arise then an updated plan would be provided to the ARMC. The ARMC would also be informed if there were no other matters to report.

The audit fieldwork would commence in mid-June. Due to the restrictions in place as a result of the COVID19 (Coronavirus) pandemic the fieldwork would be carried out remotely and as a result could take slightly longer than usual but would be undertaken as efficiently as possible. The Group's management team would be appraised of progress throughout the audit process. The key areas of focus of the audit would be:

- Management override of internal controls;
- Going concern and funding;
- Development and cut off;
- The impact of COVID19 (Coronavirus); and
- Housing Properties

Kelly Adams outlined the audit fees and advised that should any additional cost arise as a result of any inefficiencies due to remote working then these would be shared between RSM and the Group.

Alan Nairn queried why Consolidation and Related Party Disclosure was not included as a key area of audit focus this year. Kelly Adams explained that there had been no issues in the past and it was no longer considered a key area, however it would continue to be assessed as part of the audit and any issues would be included in the Audit Findings Report.

Following a query from the Chair, Kelly Adams advised that Caledonia's offices in Broughty Ferry was not a key risk area but again it would be assessed as part of the audit and any issues included in the Audit Findings Report.

The Audit & Risk Management Committee members **APPROVED** the scope and reporting proposals outlined in the External Audit Plan.

6 Internal Audit Report – Equalities and Diversity

David Archibald reminded Committee members that the public sector equality duty set out in the Equalities Act 2010 came into force in April 2011 and that this had been reinforced in the revised Regulatory Framework published in February 2019 that placed specific requirements on all RSLs around equality and diversity that had to be in place by Spring 2021. Gap analysis work had been conducted by the Group in this area and the Internal Auditors had been asked to review this work to provide an independent assessment and evaluation of the work

conducted to date and the plans in place to address any identified gaps. A Group Equalities and Diversity Policy was in place and an Action Plan had been developed.

The overall findings were that the Group's equalities and diversity arrangements were satisfactory and met the control objectives; however there were some weaknesses present. Four recommendations had been made and had been accepted by the Executive Management Team (EMT) and would be actioned by the DoFG.

Committee members queried how the Action Plan would be progressed and suggested that there could be slippage if there was no Staff Working Group to implement it. The DoFG advised that it had been accepted that broader staff involvement was required in order to deliver the Action Plan and that champions from each team would need to be identified however no decisions had been made as yet. He accepted that there could be some slippage in the deadlines set out in the Action Plan and that they may need to be reviewed but was confident that the overall deadlines for completing the Action Plan would be met.

The DoFG also advised that a Group Governance Officer was part of a group set up by the Scottish Federation of Housing Associations (SFHA) to produce Equalities and Diversity guidance for the sector.

7 Internal Audit Report – Performance Reporting and KPI's

David Archibald advised that the overall findings of this audit were that the Group's Performance Reporting arrangements were good and met the control objectives. Two minor recommendations had been made to the EMT that if addressed would enhance efficiency and effectiveness. The first recommendation was to develop clear definitions for the KPI's considered by the EMT and to create a corporate category within these KPI's. The second recommendation was to expand the narrative on KPI's, where performance was not in line with expected targets or where specific performance issues had been identified, to set out in more detail the management actions that were being taken. Both recommendations had been accepted by the EMT and would be actioned by the Director of Strategy & Innovation (DoSI) within the timescales stated in the report.

Kelly Adams left the meeting at this point.

8 Internal Audit Plan for 2020/21

Committee members **APPROVED** the Internal Audit Plan for 2020/21 but **NOTED** that it would be subject to change should priorities change during the course of the year.

David Archibald left the meeting at this point.

9 Internal Audit Report – IT Network Arrangements/Security

Steven McNaught advised that the overall findings of this audit were that the Group's IT network and security arrangements required improvement. Using the National Cyber Security Centre (NCSC) guidance, three medium grade risks and six lower grade risks had been identified that taken together posed a significant risk to the Group. The implementation of the recommendations made in the report would reduce the Group's current risk position significantly and would allow the Group to work towards Cyber Essential certification and enhance its ability to manage IT security risks on an on-going basis. All recommendations had

been accepted by the EMT and would be actioned by the DoSI and/or DoFG within the timescales stated in the report.

The audit had identified several areas of the NCSC guidance that were not in place, however this had already been identified by the Group and actions to address these issues were included in the ICT Strategy Roadmap. A check on progress being made with the issues would form part of the internal audit follow-up review that would be undertaken in the latter part of 2020/21. The DoSI advised that he would be submitting an update on the ICT Strategy actions to the next ARMC meeting that would hopefully provide members with assurance that these issues were being addressed.

Graham Logan commented that it was important that the Group keep an Information Asset Register in order to identify sensitive and confidential information and ensure that any such information was saved securely and managed appropriately. He also queried whether cyber security should be a standing item on governing body Agendas. Following discussion, Committee members **AGREED** that Graham Logan would raise the issue as Any Other Business at next week's Management Board meeting in order that members could decide whether this was an issue for the full governing body or whether it should be deferred to the ARMC.

Alan Nairn suggested that the security implications of the current home working/alternative working arrangements should be considered as a matter of urgency. He also stressed the need to ensure the action timescales stated in the report did not slip.

The DoSI confirmed that security guidance had been issued to staff working from home and that further assessments would be carried out. He advised that the ICT Manager and Tullitec (ICT Consultants) had started discussions with the Group's network and infrastructure support providers, Brightsolid and Shackleton Technologies, to strengthen contract management and cyber security arrangements. He suggested that the ICT Manager and Tullitec could look at implementing some "quick win" measures in the short term; however should there be significant additional costs related to any of the recommendations made in the report then these costs would require to be considered by the ARMC and Management Board before they could be implemented.

10 Internal Audit – Follow-up Report 2019-20

Steven McNaught advised that a follow-up review of the recommendations made in two internal audit reports finalised in 2018/19 had been undertaken. The overall finding was that the Group had made some progress, with six of the 11 recommendations being assessed as "fully implemented", four recommendations assessed as "partially implemented" and one as "little or no progress made".

Three of the "partially implemented" recommendations related to the factoring audit and were expected to be implemented by the end of the first quarter of 2020/21.

The remaining recommendations related to the GDPR compliance audit. The "partially implemented" recommendation related to a data cleansing exercise that had been delayed by the flood and resultant closure/refurbishment of the Perth office. The size and complexity of the task had also impacted on progress and the work was now expected to be completed by March 2021. The recommendation assessed as "little or no progress made" related to GDPR training for staff and governing body members that was not progressed due to the focus on the

Group re-structure and the associated training requirements. GDPR training was now planned for 2020/21.

ARMC members expressed concern at the slippage in the data cleansing exercise and requested that they be provided with progress update reports. They also requested that consideration be given to providing sufficient resources to ensure the task was completed within the revised timescale. The DoFG highlighted the requirement to engage experienced front-line staff in this exercise and expected that the EDMS project would provide a catalyst for further tangible progress to be made.

Gregor Colville left the meeting at this point.

11 Review of Top Business Risks

The DoFG presented the Group Risk Map and confirmed that the changes agreed at the last Audit & Risk Management Committee meeting had been made. This included revising the Group Risks to reflect the impact and implications of the coronavirus pandemic. The DoFG also highlighted the EMT's proposal to increase risk scores with regards the failure to comply with Health & Safety legislation & Procedures, the failure of financial controls, the failure of the Group's ICT systems and the failure to progress and conclude the Bellsmyre HA Transfer of Engagements all of which were as a result of the current health crisis and lockdown measures.

Committee members discussed the risk target scores and agreed that these should reflect the Group governing bodies risk appetite. It was crucial therefore that a workshop for Group governing body members be held as soon as practically possible once lockdown restrictions were lifted in order to establish a shared understanding of risk and risk appetite.

The DoA provided an update on the installation of smoke detectors within the Group's properties. At present 50% of Cordale HA's properties, 20% of Bellsmyre HA's properties and 15%-20% of Caledonia HA's properties complied with the Scottish Housing Quality Standard (SHQS) requirements regarding smoke detectors. The ability to meet the 100% target within the timescale was dependent upon when lockdown restrictions were lifted. To date there had been no word from either the Scottish Government or the Scottish Housing Regulator about delaying the target date.

12 Fraud Register

Committee members **NOTED** that the Group members' Fraud Registers for the year ending 31 March 2020 had been inspected by the respective governing body Chairs and the Chief Executive with no cases of fraud being reported. Members also **NOTED** that arrangements would be made for the Registers to be signed once the current lockdown regulations had been lifted.

13 Any Other Business

The DoFG provided a verbal update on the business continuity measures adopted during the current lockdown as follows:

The EMT had been meeting twice weekly since the start of the lockdown in order to monitor the implementation of business continuity measures. These meetings had now been reduced to weekly and the EMT had begun to consider the actions that would be required to allow the

resumption of services once lockdown relaxation measures were introduced. Work had commenced to ensure staff currently working from home had the appropriate equipment to allow them to continue to do so for the foreseeable future, thus keeping the number of staff working from offices to a minimum.

Rent Payments: Rental income across the Group was around 95% of projected levels; however the economic impact of the lockdown regulations was not yet fully apparent and could impact further on future rental income. The DoFG advised that he had begun forward planning discussions with the Group's lenders regarding the potential relaxation of covenants in future years.

Repairs: contractors continued to provide emergency cover only for repairs. Ground maintenance work had re-commenced in three areas of the Group's operations with the remaining two areas ground maintenance contracts currently being procured.

Health & Safety: The Director of Assets (DoA) was liaising with the Group's external Health & Safety advisors, Ellis Whittam, regarding the measures that needed to be put in place and the risk assessments to be undertaken to allow staff to safely return to workplaces. Risk assessments, including Display Screen Equipment (DSE) assessments within staff members' homes, would also need to be undertaken if working from home was to become a long term option.

14 Date of Next Meeting

It was **AGREED** that the Chair and the DoFG would agree a convenient date for the next ARMC meetings following which the agreed date would be circulated to Committee members.

Chair's signature