

CALEDONIA HOUSING ASSOCIATION LTD

MINUTES OF THE AUDIT & RISK MANAGEMENT COMMITTEE MEETING HELD ON WEDNESDAY 4 DECEMBER 2019 AT 118 STRATHERN ROAD, BROUGHTY FERRY, DUNDEE

Present:	Alex McDougall	Chair
	Ian Gray	Caledonia Housing Association
	Alan Nairn	Caledonia Housing Association
	Graham Logan	Caledonia Housing Association
	Martin Walker	Cordale Housing Association (by Video Link)
Apologies:	Gregor Colville	Bellsmyre Housing Association
In Attendance:	David Archibald	Henderson Loggie
	Steven McNaught	Henderson Loggie
	Leigh Grubb	Director of Finance & Governance
	Andrew Kilpatrick	Director of Assets
	Barry Johnstone	Director of People
	Jenny Dalton	Governance Officer (Minutes)

The Chair welcomed David Archibald and Steven McNaught from the Group's new Internal Auditors, Henderson Loggie.

1 Apologies

1.1 Apologies were **NOTED** from Gregor Colville.

2 Declaration of Interest

2.1 There were no declarations of interest.

3 Minutes of Audit Committee Meeting held on Wednesday 7 August 2019

3.1 The Chair **NOTED** that the Finance Director had been incorrectly referred to in the minutes as the Director of Finance and Governance. The Governance Officer advised that the minutes would be amended accordingly. The minutes were then **AGREED** as a true and accurate record of the meeting and were **APPROVED** by the Committee subject to the aforementioned amendment being made. The minutes were duly adopted and arrangements would be made for them to be signed by the Chair.

4 Matters Arising

4.1 There were no matters arising that were not addressed on the Agenda.

5 Internal Audit 2018/19 – Factoring

5.1 The Director of Assets referred to the August meeting of the Audit & Risk Management Committee (ARMC) when members had requested that a number of the management responses in the Factoring Internal Audit report be reviewed and expanded upon and the

amended report brought to this Committee meeting for further consideration. The Director of Assets advised that he had amended the responses and had also changed several implementation dates from October 2019 to January 2020. He further advised that it was unlikely that the recommendation to standardise factoring fees across the Group would be implemented as the services provided by each Association differed considerably.

- 5.2 Committee members **NOTED** the improved management responses and asked for assurance that the actions could be completed by the amended implementation date, Committee members also asked whether the factoring arrears at Cordale HA were being pursued. The Director advised that he was confident the actions would be completed by the amended implementation date and confirmed that the factoring arrears were being pursued. Members **REQUESTED** that the Director of Assets provide a report on the implementation of recommendations to the Caledonia Management Board meeting in January 2020. The Internal Auditors advised that they would also be checking to ensure the actions had been implemented as part of their follow-up on outstanding actions from previous audits, which would be carried out as part of the 2019/20 internal audit programme.
- 5.3 Members asked whether the Bellsmyre Homeowners Satisfaction Survey referred to in the Areas of Good Practice section of the report had been undertaken. The Director of People explained that this had not taken place however feedback from factored owners to shape service improvement had been collected as part of the Transfer of Engagement consultation process. Members requested that this area of the report be amended to state that the survey had not taken place for the reason given.

6 Internal Audit Planning – Henderson Loggie

- 6.1 David Archibald presented this report and explained that it listed the proposed topics for internal audit review before 31 March 2020 and the proposed approach for conducting an Audit Needs Assessment that would drive the Strategic Internal Audit Plan for the next three years
- 6.2 The five suggested topics for the internal audit review were:
- Risk Management
 - Performance Management Arrangements
 - Equality & Diversity (specifically linked to the Governance Action Plan)
 - Procurement and Contract Management
 - The Freedom of Information (Scotland) Act (FOISA) and Information Governance (with specific focus on Data Protection)

As previously advised, it was also proposed to carry out a follow-up review to establish the progress made in implementing any previous internal audit recommendations that had not been formally classified as fully completed by the previous Internal Auditors.

- 6.3 The internal audit reports would be presented to the March 2020 and May 2020 ARMC meetings with the draft Strategic Internal Audit Plan produced for consideration at the May 2020 meeting.
- 6.4 Members discussed the proposed topics for the forthcoming internal audit review and **AGREED** the following:
- **Risk Management and Performance Management Arrangement** – the audits would proceed with the Internal Auditors providing clarification on the scope of the audits to members prior to the audits being undertaken.

- **Equality & Diversity** – that this proceed as a gap analysis rather than a standard audit with the findings and recommendations being used to inform the work being undertaken to ensure the Group’s compliance with the Scottish Housing Regulator’s (SHR) Equalities and Human Rights requirements.
- **Procurement and Contract Management** – the audit would proceed, however it was noted that the Procurement Officer had only recently joined the Group and that the findings and recommendations from the audit would be used to assist the officeholder in improving existing systems and procedures as well as developing new ones.
- **Freedom of Information (FOISA)** – this audit would be deferred as this legislation had only recently been extended to RSLs, the Group’s Electronic Document Management System (EDMS) had still to be implemented and work was ongoing on applying the document retention schedule. This would be replaced by an audit of the Group’s Cyber Security Systems. The Director of Finance & Governance would arrange for a copy of the Group ICT Strategy to be sent to Stephen McNaught who would be carrying out this audit.
- **Follow-up Review** – this audit would focus on outstanding actions from internal audits carried out in 2018/19 only.

6.5 The Internal Auditors were then requested to amend their draft Plan to reflect the above changes and to include the scope of work for each audit. It was **AGREED** that the amended draft Plan would be provided to the Director of Finance and Governance by late December/early January who would then forward the Plan to Committee members for comment. Members would provide any comments within two days of receipt of the document with final approval of the Plan falling to the Audit Committee Chair.

6.6 The Chair asked members whether there were any other issues they would like to be considered by the Internal Auditors as he himself had concerns around areas such as finance, development and governing body succession planning. The Director of Finance and Governance advised that the SHR had recently announced the areas that it would focus on as part of its Annual Risk Assessment and that these included the issues raised by the Chair. These high level issues would be considered by the Group’s governing bodies and should further assurance be required in any of these areas then consideration would be given to undertaking internal audits. David Archibald confirmed that should a high priority issue arise then the Audit Plan could be changed to accommodate an audit of the issue.

7 Internal Audit – Risk Map Appraisal

7.1 Members noted the Internal Auditors comments on the format of the current Risk Map and the potential gaps they had identified. There was a discussion on the need to identify the Group’s appetite for risk - namely which risks it was prepared to accept and manage and which risks would be unacceptable under any circumstances as well as the framework for scoring risk and the need to ensure that the actions taken to mitigate risks were sufficient. It was suggested that consideration also needed to be given to the Group governing bodies and Audit & Risk Management Committee’s responsibilities with regards to risk. Following these discussions members **AGREED** that a working session should be held in March 2020 for all members of the Group governing bodies and the Executive Management Team (EMT) to discuss the issues identified at this meeting and to establish a shared understanding of risk. The Internal Auditors agreed to facilitate this session free of charge.

8 Perth Office Closure – Post Incident Review

- 8.1 Committee **NOTED** the actions taken at the time of the Perth office flood that had helped minimise disruption as well as the identified improvement actions that would be used to update the Business Continuity Management Plan. The Director of Assets explained that it was expected that the ground floor would be habitable by the end of January 2020.

9 Climate Change Discussion Paper

- 9.1 Following discussion on the issues raised in this paper, it was **AGREED** that the Director of Assets would look at how much work would be involved and the resource implications of producing an Annual Sustainability Report and report back to the next ARMC meeting in March 2020.

10 Review of Top Business Risks

- 10.1 The Director of Finance & Governance presented the Group Risk Map and advised that as requested by the Committee members, the risks had been re-ordered from highest to lowest and Customer First and Brexit had been added to the Group Risk Map.
- 10.2 The Director of Finance & Governance advised that the EMT had discussed the Group Risk Map earlier that day and had suggested broadening Risk 1 -“Failure to Comply with Fire Safety Regulations” to incorporate Tenant Health & Safety. Committee members considered this suggestion but concluded that it would be better to combine Risks 1 and 3 “Failure of the Group’s Health & Safety Procedures” and that this should include staff as well as tenants and owners.
- 10.3 Members also considered the risk associated with slippage in the development programme and agreed that it was a major risk to the Group as business planning was based on projected income from new developments. It was **AGREED** that this risk should be clarified within the “Failure to Apply the Asset Management Strategy” risk and its scoring as well as being considered when producing Business Plans. It was also suggested that contingency plans should be put in place to cover any slippage.

11 Proposed Schedule of Audit & Risk Management Committee Meetings 2020

- 11.1 Committee **AGREED** the proposed schedule of dates for the ARMC Meetings in 2020.

12 Any Other Business

There being no other business the meeting concluded at 8 p.m.

13 Date of Next Meeting

Wednesday 18 March 2020 – 6 p.m. Caledonia Housing Association Offices, Perth

Chair’s signature