

# CALEDONIA HOUSING ASSOCIATION LTD

## MINUTES OF THE AUDIT & RISK MANAGEMENT COMMITTEE MEETING HELD ON THURSDAY 2 APRIL 2020

<b>Present (via Zoom):</b>	Alex McDougall Graham Logan Alan Nairn Martin Walker	Chair (Caledonia HA) Caledonia HA Caledonia HA Cordale HA (until Item 6)
<b>Apologies:</b>	Helen Archibald Gregor Colville	Caledonia HA Bellsmyre HA
<b>Special Leave of Absence:</b>	Ian Gray	Caledonia HA
<b>In Attendance (via Zoom):</b>	David Archibald Leigh Grubb Barry Johnstone Andrew Kilpatrick Garry Savage Jenny Dalton	Henderson Loggie Director of Finance & Governance Director of People Director of Assets Director of Strategy & Innovation Governance Officer (Minutes)

### 1 Apologies

- 1.1 Apologies were **NOTED** from Helen Archibald and 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 minutes were **AGREED** as a true and accurate record of the meeting and were **APPROVED** by the Committee.

### 4 Matters Arising

- 4.1 *Item 5 – Internal Audit 2018/19 - Factoring* The Chair confirmed that the Director of Assets (DoA) had reported to the Caledonia Management Board in January 2020 on the implementation of recommendations made in report. It was **NOTED** that the Internal Auditors would check to ensure the actions had been fully implemented as part of their follow-up of outstanding actions from previous audits that would be undertaken as part of the internal audit programme.
- 4.2 *Item 7 – Internal Audit – Risk Map Appraisal* The Director of Finance & Governance (DoFG) advised that the Risk Management Workshop for Governing Body members had been deferred until the restrictions imposed as a result of the COVID19 outbreak had been lifted. It was hoped that the event could be held in July or August 2020.
- 4.3 *Item 9 – Climate Change Discussion Paper* The DoA advised that consideration of the potential impact of climate change on the Group had been included in the Business Plan for 2020-2025. The production of an Annual Sustainability Report had not been included in the

Business Plan. The DoA advised that this could be added however he would require assistance from external advisors to enable him to produce the report. The ARMC members suggested that this could prove costly and the DoA advised that alternatives could be considered such as producing a full Sustainability Report every three years with a brief update being provided annually. The DoA would investigate and report back.

## **5 Internal Audit 2019-20/01 – Draft Audit Needs Assessment and Strategic Internal Audit Plan 2020-2023**

- 5.1 David Archibald explained that a full Audit Needs Assessment (ANA) had been undertaken with input from the Executive Management Team (EMT) and the Chairs of Caledonia’s Management Board and Group Audit & Risk Management Committee (ARMC). The ANA was based on the Group Risk Map and Departmental Risk Maps, supplemented by the Internal Auditor’s own assessment of the risks faced by the Group.
- 5.2 The outcomes from the ANA had been used to prepare the Draft Strategic Internal Audit Plan (SIAP) for the three year internal audit cycle covering the period 2020/21 to 2022/23. The SIAP was based on areas of the Groups operations where risks had been identified as being of high or medium priority. The SIAP would be reviewed annually in advance of the production of the Annual Internal Audit Plan (AIAP) in order that amendments could be made and agreed
- 5.3 It was proposed that the internal audit programme for 2020/21 would focus on the following:
- Financial – Budgetary Controls/Financial Reporting, General Ledger
  - Housing – Tenant Participation, Complaints
  - Asset Mgt – Adaptations, Development Projects
  - Staffing – Sickness Absence
  - Information and IT – Data Protection
  - Follow-up Review of Previous Internal Audit Work
- 5.4 The AIAP for 2020/21 would include a detailed scope for each of the audits, and would be presented to the ARMC at its meeting in May 2020.
- 5.5 The Committee members discussed the effects of the COVID19 outbreak and the measures put in place by the government to deal with the outbreak on the Groups’ operations. As a result members **AGREED** that there should be flexibility within the AIAP to allow for changes in the programme should other high risk areas materialise.
- 5.6 Committee members also **AGREED** that consideration needed to be given to how normal operations would resume once the outbreak had been contained. Alan Nairn suggested that the “new normality” could be very different from what had gone before and advised that he would raise the issue of planning for a “new normality” at the Management Board meeting on 28 April 2020.

## **6 Internal Audit 2019-20/02 – Procurement and Contract Management**

*This item was taken after Agenda Item 4.*

- 6.1 David Archibald presented this report and advised that the overall findings were that the Group’s procurement and contract management systems were satisfactory and met the control objectives, however a number of weaknesses had been identified. Eight recommendations had been made – one being a significant risk that should be addressed by the management team and the other seven being minor risks that if addressed would enhance efficiency and effectiveness. All

recommendations had been agreed by the Director of Assets (DoA) with implementation timescales put in place, however these timescales were subject to the current lockdown conditions. The Procurement Officer would have input into the monitoring of all business critical contract that were not covered by the Contract Compliance Officer.

- 6.2 The DoA confirmed that the audit had gone well and that he was hopeful that the recommendations could be implemented within the agreed timescales, given the COVID19 working arrangements currently in place.

*Martin Walker lost Internet connection at this point. The Director of Strategy & Innovation (DoSI) spoke to him by telephone however he did not wish to re-join the meeting as he did not want the meeting to be disrupted further by any technical issues, however the meeting remained quorate. Martin Walker had raised one issue which the DoSI would raise when the Group Risk Map was considered on the Agenda.*

## **7 Internal Audit 2019-20/03 – Risk Management**

- 7.1 David Archibald advised that the overall findings of the audit were that the Group's overarching risk management framework was satisfactory and met the control objectives, however a number of weaknesses had been identified. Five recommendations had been made all being identified as minor risks that, if addressed, would enhance efficiency and effectiveness. All recommendations had been agreed by the Director of Finance & Governance (DoFG) and implementation timescales put in place.
- 7.2 Committee members had a number of queries with regards the Group and Departmental Risk Maps and whether there were separate Risk Maps for Bellsmyre HA and Cordale HA. David Archibald advised that having attended a meeting with EMT members he was confident that there were clear procedures for the escalation and de-escalation of risk between the Group Risk Map and Departmental Risk Maps. He had also been assured that Departmental Risk Maps were being discussed at department level. The DoFG explained that following the re-structure the EMT had agreed that separate Risk Maps were no longer required for Bellsmyre and Cordale. The Group Risk Management Policy was due to have been reviewed in August 2018, however this had not been carried out. This was an oversight and the Policy would be reviewed as a priority.
- 7.3 Committee members **AGREED** the need to ensure there was consistency between departmental KPI's so that it was clear when a risk should be escalated to the Group Risk Map or remain on the departmental Risk Map. All Risk Maps should also be in the same format.
- 7.4 Committee members reiterated the need for the Group governing bodies to meet to discuss risk appetite as it was critical that the Group members were clear on what risks they were and were not willing to accept. The DoFG advised that a joint governing body meeting would be arranged as soon as business had returned to normal however this was unlikely to occur before July or August. It was noted that the deferral of this risk workshop would impact the completion timetable for certain action points.

## **8 Review of Top Business Risks**

- 8.1 The DoFG presented the Group Risk Map and advised that it had been updated for the original meeting date of 18 March 2020 when COVID19 was an emerging risk. Following discussion, Committee members **AGREED** that the impact of COVID19 would have an effect on all areas of the business and should not be presented as a separate risk on the Group Risk Map but included within all risks on the Group Risk Map as well as those at departmental level

- 8.2 As previously agreed by the Committee, Health & Safety and Fire Safety had been combined into a single risk. An update on the installation of smoke detectors etc. would be provided for the next ARMC meeting in May 2020.
- 8.3 As Customer 1<sup>st</sup> was now incorporated within the day to day work of the Group, it was **AGREED** that this risk should be removed from the Group Risk Map.
- 8.4 The DoFG advised that appropriate FOISA and GDPR policies and procedures were now in place and suggested that the risk score for failing to comply with this legislation should be reduced. The Committee **AGREED** that both the likelihood and impact score for this risk should each be reduced by one point. Under FOISA, email addresses for governing body members would be provided and an update on this would be provided to the next meeting.
- 8.5 The DoSI advised that Martin Walker had raised concern at the delays experienced with the proposed development at Dalquhurn in Renton and had asked that the Committee consider whether this should be added to the Group Risk Map given the potential financial implications and risk to the Group's reputation. The DoA provided background information as to the cause of delays at this site and advised that he would be providing a formal update to the Cordale Management Committee in April. The DoA also reminded members that all the Group's development sites had been shut down as part of the COVID19 lockdown process and that the consequences of this would not be fully known until the situation became clearer.
- 8.6 Following discussion, Committee members acknowledged Martin Walker's concerns but **AGREED** that the issue was included under "Failure to apply the Asset Management Strategy" currently on the Group Risk Map. This risk would be updated to take account of the consequences of COVID19 for the whole development programme, including Dalquhurn Works, when the full impact is known. The DoA advised that he would contact Martin Walker to update him on the situation at Dalquhurn and relate the ARMC's decision.

## 9 Any Other Business

### 9.1 Bellsmyre Transfer of Engagement (ToE)

The DoSI provided an update on the ballot process and advised that it would be the subject of intense activity over the next two weeks to ensure as many tenants as possible voted in the ballot. Talks were also being held with the Group's solicitors as to how the two Special General Meetings required under the process could be held under the current lockdown situation. A report outlining what the options would be provided to the Bellsmyre Management Committee and Caledonia's Management Board for the meetings in April 2020.

### 9.2 Health & Safety

The Director of People (DoP) advised that the Group Health, Safety & Wellbeing Officer had recently left the organisation. External consultants had been appointed to fulfil the role of competent person to ensure the required actions are undertaken and effective controls remain in place.

### 9.3 Business Continuity Update

Committee members questioned the security of the Group's office buildings during the current lockdown. The DoA explained that all offices had been made secure however it was not possible to carry out the twice weekly visits normally required for insurance purposes. The DoFG advised that the Insurers had issued guidance on the situation but had accepted that the Group was doing what it could to keep its properties safe.

The DoFG advised that the main loss of income was the home help service at £22,000 per month. Rental income was holding up in the short-term however longer term was dependent on how long the lockdown lasted and how quickly the development programme recommenced once the lockdown was lifted. Loss of new development income for this year was almost certain, however mitigation was already in place for this. Only emergency repairs were being attended to and planned maintenance was not being progressed. Banks were having sympathetic discussions around covenant waivers with a number of RSLs; however Caledonia had not gone down this route at this stage.

*Post-Meeting Addendum*

Following the meeting, the internal auditors received confirmation from the Chair that the Audit Needs Assessment and Strategic Internal Audit Plan 2020-2023 had been approved subject to the ARMC comments under 5.4, 5.5 and 5.6 above.

There being no other business the meeting concluded at 5 p.m.

**13 Date of Next Meeting**

Cyclical

Wednesday 20 May 2020

Chair's signature .....