



**Audit and Risk Committee**  
**13 July 2011**  
**3pm**  
**Peter Mercer's Office**

**Minutes**

<b>Attendance:</b>	Jim Stockton (Chair), Fran Murray(observer), Phil Pemberton, Royston Willard, Peter Mercer, Downing Chris, Allen Barber, Charlie Martin, Chris Downing, Fiona Graham (Part) , Alison Foy (part) Sylvia Barcock (observer)  Neil Garnham (Grant Thornton)(part ), Stuart Muskett (Grant Thornton)(part)
<b>Apologies:</b>	

<b>The Committee made the following decisions:</b>	<b>Actions</b>
<ul style="list-style-type: none"> <li>• <b>AR 2011 – 007 - External Audit 2010/11</b>            The committee approved the following:           <ul style="list-style-type: none"> <li>❖ That the Board approve the financial statements from 01/04/10 – 29/11/10 subject to the amendments being approved by the auditors</li> <li>❖ Recommend that the Board approve the financial statements and report of the Directors for the year up to 31/3/11</li> <li>❖ The changes to the accounting policy related to housing properties and depreciation</li> <li>❖ The view that no impairment is necessary as at 31/3/11</li> </ul> </li> <li>• <b>AR 2011 – 008 – Multi-Storey Flat Management</b>            The Committee endorsed GGHT's approach to the management of the multi-storey block of flats at Peninsula House and Kingsway House.</li> <li>• <b>AR 2011 – 009 – Internal Audit Plan</b>            The Committee endorsed the progress against the audit plan, the recently completed internal audit reports and the internal audit annual report.</li> </ul>	

	<ul style="list-style-type: none"> <li>• <b>AR 2011 – 010</b> The Committee approved the following: <ul style="list-style-type: none"> <li>❖ The operational risk register and the high/medium risks identified within the operational risk register;</li> <li>❖ The procedure for risks moving between the registers and the revised risk matrix.</li> </ul> </li> </ul>	
<b>1.</b>	<p><b>Declarations of Interest</b></p> <p>None</p> <p>FM advised the Committee that as Chair of the Board she cannot be a member of the committee but was at the meeting as an observer.</p> <p>RW commented that as FM was not Chair as of 31 March 2011 there should be no issues with her attending.</p>	
<b>2.</b>	<p><b>Apologies</b></p> <p>None</p>	
<b>3.</b>	<p><b>Minutes of Last Meeting</b></p> <p><b>Matters arising:</b></p> <ul style="list-style-type: none"> <li>❖ <b>Item 3, external Audit</b> – will a report be going to the Board on historic debt? <i>We only write off former arrears but a report will go to the finance committee on 10/8/11.</i></li> </ul> <p>The Minutes from the previous meeting were approved as a true and accurate record.</p>	
<b>4.</b>	<p><b>External Audit 2010/11</b></p> <p>The Chairman welcomed SM and NG from Grant Thornton AB outlined the report and advised the Committee that there were 4 main elements for their attention.</p> <ul style="list-style-type: none"> <li>❖ The draft accounts up to 29/11/10 which don't have an impact on year end accounts directly but are required by Warrington Borough council (WBC). WBC have requested an audit of the accounts to be undertaken and paid for by WBC. However the Board will be required to approve them.</li> <li>❖ The year end accounts – this is 8 months as an ALMO and 4 months as a Registered Provider. SORP has been adopted as has component accounting.</li> <li>❖ The Committee will be asked to approve a change to the policy used for capitalisation and component accounting.</li> <li>❖ An impairment review has been undertaken and concludes that no</li> </ul>	

<p>impairment is required and this will need to be approved.</p> <p>SM outlined the key issues from the year end audit of accounts and advised Board members that they will need to approve the accounts.</p> <p>SM advised that some procedures were still to be finalised and the delay was mainly as a result of the complexity introduced to the financial reporting process as a result of stock transfer.</p> <ul style="list-style-type: none"> <li>❖ Agreement with WBC was still needed on the amounts owed to GGHT as of 31/3/11.</li> </ul> <p>AB advised that a meeting has been arranged with WBC to discuss these matters SM advised that these issues need to be resolved prior to Grant Thornton signing off the audit.</p> <p>NG advised that the accounts look unusual this year as they will show a £38m gain which is exceptional in the income and expenditure account along with other gains but this is as a result of the stock transfer process.</p> <p>NG advised that in relation to rent arrears there is the potential for cut off error to arise as a result of the transfer however there were no issues identified during the audit.</p> <p>GGHT have followed SORP and use component accounting and the auditors are comfortable with the policies GGHT has in place.</p> <p>NG advised that the loan covenant and non financial covenants have been complied with and that the accounts show a reasonable position and the auditors are comfortable with the going concern.</p> <p>NG added that with regards to internal control, resources have been stretched and the in year changes have had an impact, but it is recognised the pressure that staff have been under.</p> <p><b>Questions/issues</b></p> <ul style="list-style-type: none"> <li>❖ Are there any areas of disagreement? <i>WBC agrees that they owe GGHT money. However we need to agree the value of the debts in relation to capital recharges and insurance works when we were acting as contractors to WBC. The total value of debts is approximately £2.8m. .</i></li> <li>❖ Will a clean set of accounts be sent to the Board? <i>Yes as Grant Thornton need to be materially comfortable with the accounts. If WBC acknowledge the debt or pay the debt this would satisfy the auditors.</i></li> <li>❖ £2.8m, there should be some reconciliation what is the value of the risk? <i>Possibly £100- 200k. We have a full schedule of expenditure and a full schedule of recharge.</i></li> <li>❖ How does this affect WBC's accounting process? <i>WBC are not as far into their accounting audit. An update will be provided to the committee of the meeting with WBC.</i></li> <li>❖ GGHT will have inherited current rent arrears, has this been provided for on</li> </ul>	<p><b>AB</b></p>
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	<p>the balance sheet, will there be the opportunity to collect them? <i>A provision for bad debts has been made in the balance sheet, based on value of debt. We don't have a policy of writing off current arrears and all debt is actively managed. The difficulties that we experience are that some arrangements are made in court and the amount payable is exceptionally low.</i></p> <ul style="list-style-type: none"> <li>❖ What is the existing method of highlighting to the Board the current level of arrears? <i>This could be included in the performance report or reported to finance committee.</i></li> <li>❖ We shouldn't have debt that just sits on the balance sheet indefinitely. <i>NG advised that it is standard practice in the sector to leave the level of current arrears on the balance sheet and this approach is prudent.</i></li> <li>❖ Are managers happy with the accounting systems? <i>The systems are yet to be fully operational but the way forward has been agreed with a few issues to be resolved.</i></li> <li>❖ Can the Committee have assurance that there is a timescale for the systems? <i>Yes and the auditors are happy with the assertions that have been provided. A timescale will be set after discussions with IT.</i></li> <li>❖ The tax detail is missing from the accounts. <i>Managers are aware that this needs updating.</i></li> </ul> <p>JS confirmed that it is a comprehensive set of accounts and that the committee appreciate all the hard work of the staff involved and that the committee would like to pass on their thanks to the staff.</p> <p>SM confirmed that a revised issue of the report and accounts would be prepared to take into account the amendments required.</p> <p>JS thanked NG and SM.</p> <p><b>AR 2011 – 007</b></p> <p>The committee approved the following:</p> <ul style="list-style-type: none"> <li>❖ That the Board approve the financial statements from 1/4/10 – 29/11/10 subject to the amendments being approved by the auditors</li> <li>❖ Recommend that the Board approve the financial statements and report of the Directors for the year up to 31/3/11</li> <li>❖ The changes to the accounting policy related to housing properties and depreciation</li> <li>❖ The view that no impairment is necessary as at 31/3/11</li> </ul> <p><i>NG, SM, AF left the meeting at 4.15pm</i></p>	<p><b>PF</b></p> <p><b>AB</b></p> <p><b>AB</b></p>
<p><b>5.</b></p>	<p><b>Multi-Storey Flat Management</b></p> <p>PF presented a report that summarised GGHT's management of its 2 multi-storey blocks with a particular focus on fire safety. A report had been presented to Board on 29 September 2009 on GGHT's approach to fire risk assessment and no major issues had been reported.</p>	



	<p>audit plan including findings from the rent accounting audit and details of the internal audit annual report and opinion of internal controls.</p> <p>AB highlighted the following points:</p> <ul style="list-style-type: none"> <li>❖ The review of the Business Continuity plan has been cancelled whilst GGHT reviews its Business Continuity processes in conjunction with Zurich who are offering “free” consultancy.</li> <li>❖ The rent accounting audit has now been completed with an opinion of “substantial assurance”. Six recommendations have been made which have been agreed by managers and actions put in place to ensure they are implemented.</li> <li>❖ The Payroll audit has been completed and the audit opinion was “high assurance”. Three recommendations were made, of which none were rated as high or critical risk.</li> <li>❖ Internal audit have undertaken an annual report and given an opinion on the system of internal control. The opinion was of substantial assurance and there is a generally sound system of internal controls in place.</li> </ul> <p><b>Questions/issues</b></p> <ul style="list-style-type: none"> <li>❖ Is GGHT at risk whilst the Business Continuity processes are reviewed? <i>The existing Business Plan was implemented in March 2009 and is sustainable for a further 12 months.</i></li> <li>❖ Does GGHT maintain a register for internal audit recommendations? <i>Yes, a register is maintained with Directors to monitor slippage. A list of outstanding recommendations will be presented at the next A&amp;R committee</i></li> </ul> <p><b>AR 2011 – 009</b></p> <p>The Committee endorsed the progress against the audit plan, the recently completed internal audit reports and the internal audit annual report.</p>	<b>AB</b>
<p><b>7.</b></p>	<p><b>Strategic and Operational Risk Registers</b></p> <p>FG presented a report that updated the committee on GGHT’s strategic and operational risk registers following interest expressed at Board that risks should move between strategic and operational risk registers dependent on whether the risk increases/decreases.</p> <p>FG advised that a procedure sheet has been developed to clarify when risks should be escalated or de-escalated between the strategy and operational risk registers. The document was developed on the recommendation of internal audit.</p> <p><b>Questions/issues</b></p> <ul style="list-style-type: none"> <li>❖ Have the concerns that have arisen through recent reports of internal harassment/bullying been taken into account? <i>Risks relating to bullying and harassment have been increased following recent events.</i></li> <li>❖ The risks associated with economic downturn have increased. How will this</li> </ul>	

	<p>impact the organisation? <i>It is important that GGHT continue to monitor the risks associated with the economic downturn, including welfare reform, but no significant organisational changes are required at present.</i></p> <ul style="list-style-type: none"> <li>❖ Have GGHT installed gas cookers and should this be considered an operational risk? <i>GGHT have not installed any gas cookers as yet so this will not be considered a risk. In December 2010 10 people required gas safety servicing (down from 52).</i></li> </ul> <p><b>AR 2011 – 010</b></p> <p>The Committee approved the following:</p> <ul style="list-style-type: none"> <li>❖ The operational risk register and the high/medium risks identified within the operational risk register;</li> <li>❖ The procedure for risks moving between the registers and the revised risk matrix.</li> </ul>	
<p><b>8.</b></p>	<p><b>Tender of Audit Services</b></p> <p>AB provided an updated on the tender process for both internal and external audit</p> <p>AB advised asked members to note the following:</p> <ul style="list-style-type: none"> <li>❖ The internal audit service provided by WBC under a Service Level Agreement will expire on 30 September 2011.</li> <li>❖ Specifications to tender were sent out at the end of May and tender submissions were received by 1 July 2011. Eight tenders were submitted in respect of the internal audit service.</li> <li>❖ Five tenders were submitted in respect of external audit services.</li> <li>❖ Interviews for external audit are scheduled for 11/8/2011. Members will be contacted and asked to confirm their availability for interview.</li> </ul> <p><b>Questions/issues</b></p> <ul style="list-style-type: none"> <li>❖ Will GGHT continue to appoint separate auditors for external and internal audit? <i>Yes, as this reflects best practise.</i></li> </ul> <p>The committee noted the report</p>	<p><b>CM</b></p>
<p><b>14.</b></p>	<p><b>Any other business:</b></p> <p>None</p>	
<p><b>15.</b></p>	<p><b>Date of next meeting: Wednesday 5 October 2011</b></p>	