



**Audit and Risk Committee
Wednesday 26 October 2011
4pm
Bank House,
Conference Room**

Minutes

Attendance:	Phil Pemberton (Chair), Royston Willard, Sylvia Barcock, Sheila Woodyatt, Greg Bones, Peter Mercer, Allen Barber, Angela Perry, Charlie Martin. Peter Chambers (PWC), Lydia Brown (PWC), Maria Hallows (Beever and Struthers)
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Apologies:	Fran Murray, Jane Forbes (PWC)
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The Committee made the following decisions:

- **AR 2011 – 011 – Terms of Reference**
 - ❖ The Committee approved the terms of reference subject to the inclusion of Bribery and Money Laundering.
- **AR 2011 – 012 – Internal Audit Plan 2011-14**
 - ❖ The Committee approved the Internal Audit Plan for 2011-14.
- **AR 2011 – 013 – Strategic Risk Register**
 - ❖ The Committee approved the updated Risk Register.
- **AR 2011 – 014**
 - ❖ The Committee approved the Gifts and Hospitality Register for Quarter 2.
- **AR 2011 – 015**
 - ❖ The Committee approved the revised Code of Conduct for Board Members.

- **AR 2011 – 016**

The Committee approved:

- ❖ The revised Probity Policy.
- ❖ That the Policy is reviewed on a bi-annual basis or earlier subject to regulator or legislative changes
- ❖ The amended Gifts and Hospitality Register Declaration form.
- ❖ The process for recording gifts made by staff/Board Members

		Action
1.	Election of Chair Phil Pemberton was elected Chair of the Audit and Risk Committee.	
2.	Declarations of Interest None.	
3.	Apologies As above.	
4.	Minutes of Last Meeting The Minutes from the previous meeting were approved as a true and accurate record.	
5.	Audit and Risk Terms of Reference CM provided an overview of the updated Audit and Risk Terms of Reference. The Board had requested that the terms reflect GGHT's commitment to ensure Value for Money across the organisation. The duties of Committee members have been updated to include the following points: <i>To ensure a balance is maintained between effective risk management and ensuring value for money is achieved.</i> <i>To support GGHT's vision to be a leading housing provider creating quality homes</i>	

	<p><i>and neighbourhoods where people want to live.</i></p> <p>Comments/issues</p> <ul style="list-style-type: none"> ❖ GGHT's aim to be a leading housing provider is an important point and could be made clearer within the terms. <i>The terms can be amended to make sure this aim is clearly visible.</i> ❖ The committee members should be aware of the risks presented by bribery and money laundering. These risks are particularly relevant given the recent implementation of the Bribery Act. <i>The terms of reference can be amended to reflect the Committee's role to monitor these risks. GGHT's Probity Policy has been updated to help mitigate risk of Bribery.</i> ❖ Do the terms reflect best practise? <i>Yes, the terms, and other Governance policies, are based on the principles set out in the NHF's Excellence In Governance.</i> <p>AR 2011 – 011</p> <ul style="list-style-type: none"> ❖ The Committee approved the terms of reference subject to the changes highlighted in the minutes. 	<p>CM</p> <p>CM</p>
<p>6/9.</p>	<p>Internal Audit Presentation / Internal Audit Plan 2011/14</p> <p>The Committee welcomed Peter Chambers and Lydia Brown to the meeting.</p> <p>Pricewaterhouse Coopers (PwC) were awarded the three year internal audit contract starting on 1 October 2011.</p> <p>The auditors provided an overview of the timeline for audit and the areas to be covered as set out in the Strategic Plan 2011/12 – 2013/14.</p> <p>The following points were raised:</p> <ul style="list-style-type: none"> ❖ Key documents have been reviewed including the strategic risk register. ❖ The strategic risk register is currently being 'mapped' and the auditors will report their findings to the Committee at year-end. ❖ The internal audit plan had been developed with staff and external issues have been taken into account. ❖ Committee members were invited to attend a session to provide clarity on the audit reports and the role of the Committee. <p>Comments/issues</p> <ul style="list-style-type: none"> ❖ 15 days have been allocated to the audit of Value for Money contract management, in 2011/2012. The Strategic Plan indicates that there will be no follow-up work on VFM in 2012/13 and 2013/14, why is this? <i>The initial review has been scheduled for 2011/12. Once this is completed PwC will monitor progress to ensure that controls are not duplicated. These processes will then be revisited at a later stage and the Strategic Plan updated.</i> ❖ Members would benefit from attending a training session on internal risks. The Board's knowledge of these risks should be added to the strategic risk 	<p>CM</p> <p>FG</p>

	<p>register.</p> <ul style="list-style-type: none"> ❖ The Strategic Plan notes that WBC have committed 110 audit days, is this to date? <i>The 110 days is for the period from transfer to 01/10/2011. PwC have committed to 96 days for 2011/12.</i> ❖ Will PwC follow up audits that have been completed by WBC? <i>Yes.</i> ❖ Has GGHT had to allocate a higher proportion of its budget to audit? <i>Yes, we have increased the audit budget by approximately £20,000. Following the recent transfer of stock the management team agreed to increase audit coverage over the next 18 months. This will ensure that all risk is effectively managed and represents good value for money.</i> ❖ There appears to be a lot of activity in first 6 months, pro-rata. Are we confident that this can be managed? <i>There will be challenges but GGHT already has systems in place to manage risk and some of the work will merely provide assurance of these systems. The plan will be monitored and progress reported to the Committee. The plan is flexible and will be reviewed on an annual basis to reflect progress as well as any changes to risks faced by GGHT.</i> ❖ GGHT recently discontinued its contract with WBC. Is management confident that the new auditors will provide effective support over the next three years? <i>WBC provided an effective service but GGHT needs to consider its priorities going forward. Both new auditors bring experience from within the housing sector.</i> <p>The Chair thanked PwC for the presentation.</p> <p>AR 2011 – 012</p> <p>The Committee approved the Audit Plan for 2011-14</p>	
<p>7.</p>	<p>External Audit Presentation</p> <p>The Committee welcomed Maria Hallows to the meeting. Beever and Struthers have been appointed GGHT's external auditors for the period 2011/12.</p> <ul style="list-style-type: none"> ❖ MH advised that as a registered provider GGHT will be expected to provide more detail within its annual accounts and include more disclosures. ❖ The Board has ultimate responsibility on managing risk, though it is able to delegate some functions to the Committee. ❖ It is good practise for the Committee to meet with auditors without officers present. ❖ Beever and Struthers will be involved in the validation of the Business Plan. ❖ The Audit Plan will highlight key risks within the financial accounts. <p>Comments/issues</p> <ul style="list-style-type: none"> ❖ There has been no overlap in service between Grant Thornton and Beever and Struthers. Is this a concern? <i>No, the new auditors have been fully briefed and recent changes in the Companies Act has allowed for more open channels of communication between Grant Thornton and Beever and Struthers.</i> 	

	<ul style="list-style-type: none"> ❖ What are the most typical problems that organisation's experience in the first year of audit? <i>Failure to adhere to loan requirements is a common issue; it is essential that systems are in place to ensure compliance with the lender. It is also important that GGHT understands the financial processes that have been transferred over from WBC.</i> <p>The Committee thanked Beever and Struthers for the presentation.</p>	
<p>8.</p>	<p>Internal Audit Progress 2010-11</p> <p>AB presented an update report on progress against the audit plan and the findings from the arrears management and Governance audits.</p> <p>Comments/issues</p> <ul style="list-style-type: none"> ❖ AB advised that a draft version of the Capital Improvement Programme audit report has been received. The report gave an opinion of "substantial assurance" and made 5 recommendations that were not critical or high. ❖ Has a final management report on accounts payable been received? <i>A new draft of the report has been received and will be circulated to Committee Members.</i> <p>The Committee noted the report.</p>	
<p>10.</p>	<p>Strategic Risk Register</p> <p>FG provided an update on the Strategic Risk Register.</p> <p>Comments/issues</p> <ul style="list-style-type: none"> ❖ FG advised that, following discussions at the Board Away Day, additional risks for supporting people, non -traditional properties and terms and conditions of staff have been added to the register. Scoring and controls are being included in the register. ❖ FG advised that the external auditors have developed a template to provide the Committee with risk assurance and that this will be shared with Committee Members at a future meeting. ❖ Is senior management satisfied with the residual risk score for failure to manage Health and Safety <i>As a new organisation GGHT has taken on new contractors and has been exposed to increased risks around Health and Safety. Controls have been put in place to reduce the impact of the risk, however there will always be a level residual risk given the nature of the business.</i> ❖ The process through which risks are transferred between the registers has been well developed. GGHT will need to monitor these risks carefully as operational risks, such as reduced customer satisfaction, can impact on GGHT's reputation and become a strategic risk. ❖ The committee requested a copy of the operational risk registers to be circulated following their review on 1 November and the revised risk strategy for the benefit of the new A&RC members. <p>AR 2011 – 013</p>	<p>FG</p> <p>FG</p>

	<ul style="list-style-type: none"> ❖ The Committee approved the updated risk register. 	
11.	<p>Gifts and Hospitality Register</p> <p>CM presented the updated Gifts and Hospitality register to the Committee. The register is reviewed every 3 months by the Audit and Risk Committee.</p> <p>Comments/issues</p> <ul style="list-style-type: none"> ❖ Is it necessary for the Gifts and Hospitality register to be presented to the committee for approval? <i>The Committee should be aware of Gifts and Hospitality received. In future the register will be included for information and the Committee will be asked to note the register.</i> ❖ The Committee highlighted some typos in the register and CM agreed to amend these. <p>AR 2011 – 014</p> <ul style="list-style-type: none"> ❖ The Committee approved the Gifts and Hospitality Register for Quarter 2. 	<p>CM</p> <p>CM</p>
12.	<p>GGHT Code of Conduct</p> <p>CM provided an overview of the amended Code of Conduct for Board Members.</p> <p>CM advised that Section 5 of the amended Code outlines how Board Members should conduct themselves during and between Board meetings in accordance with NHF and Charity Commission guidance.</p> <p>Section 16 of the amended code covers I.T. usage for Board Members who have been loaned GGHT equipment.</p> <p>Comments/issues</p> <ul style="list-style-type: none"> ❖ Can Section 5 also state that Board Members should respect the Chair? <i>Section 5 does advise that Members work constructively with Chair and other members. However, it is important that Board Members respect the decision of the Chair and this can be incorporated within the Code.</i> ❖ Social networking sites are becoming increasingly popular and GGHT should provide guidance to members to ensure the integrity of the Board is maintained. <i>The increased use of social media does present new risks and guidance can be included within the Code of Conduct and other policies where appropriate.</i> <p>AR 2011 – 015</p> <ul style="list-style-type: none"> ❖ The Committee approved the revised Code of Conduct for Board Members. 	<p>CM</p> <p>CM</p>
13.	<p>Probity Policy</p>	

	<p>CM provided an overview of the update Probity Policy. The policy has been revised to accommodate the provisions of the Bribery Act 2010. CM advised that the scope of the gifts of hospitality register is widened to include gifts or hospitality offered by staff/Board members.</p> <p>Comments/issues</p> <ul style="list-style-type: none"> ❖ Section 8.2 of the policy refers to facilitation payments, this is a term that usually applies to bribing foreign officials. <i>The policy will be amended and these payments will be referred to as 'incentive payments'.</i> ❖ Should this Policy be reviewed by the Finance Committee? <i>The Finance Committee Terms of Reference state that the Committee should consider all issues of financial policy and strategy. Probity is linked to ensuring effective internal controls and should be reviewed by Audit and Risk.</i> <p>AR 2011 – 016</p> <p>The Committee approved:</p> <ul style="list-style-type: none"> ❖ The revised Probity Policy. ❖ That the Policy is reviewed on a bi-annual basis or earlier subject to regulator or legislative changes; ❖ The amended Gifts and Hospitality Declaration form ❖ The process for recording gifts made by staff/Board Members 	CM
14.	<p>NHF Code of Governance Update</p> <p>Noted.</p>	
15.	<p>Calendar of Meeting Dates</p> <p>Noted.</p>	
14.	<p>Any other business:</p> <ul style="list-style-type: none"> ❖ RW had a met with management to seek assurance on a perceived risk concerning the proximity of boiler flues to windows. In 2000 building regulations were updated and gave guidance that a boiler should be a certain distance away from an opening (i.e. window, door or vent) the distance allowed depends on the boiler type that is installed. ❖ This legislation is advisory and is not retrospective though In the future there may be instances where GGHT may have to install a fixed window to comply with these regulations. ❖ Since June, 370 pre and post inspections have been carried out by GGHT on ongoing work and there have been no instances where opening windows have been installed too close to the flues or incorrect surveys carried out. ❖ RW was satisfied that the perceived risk has been alleviated and GGHT acknowledged that it could have communicated better with RW on the issue and apologised for this. 	

15.	Date of next meeting: Wednesday 18 January 2012, Peter Mercer's Office	
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