

Minutes of the Audit Sub Committee Meeting held on Wednesday 24 May 2017 at 10:00 a.m.
at Leving House, Livingston

Present:	Bob Hartness (Convener) Stan Rae Frances Wood	In attendance:	Julia Fitzpatrick Isla Gray Lorraine Utterson Fiona Hoffie Michelle Proust (Minutes)
-----------------	---	-----------------------	--

213 DECLARATIONS OF CONFLICT OF INTEREST

Bob Hartness declared his membership of SHAPS.

214 APOLOGIES

Apologies were received from Bob McDougall, Grant Carson and Douglas Taylor.

A welcome was extended to Fiona Hoffie, newly appointed Corporate Services Manager, who was attending the meeting to observe as part of her induction process.

215 MINUTES OF THE MEETING OF 1 FEBRUARY 2017

The minutes were duly approved as a true record of the meeting.

Moved: Frances Wood

Seconded: Stan Rae

216 MATTERS ARISING

Bad debt write offs: The Committee noted the Board's agreement that decision making on this item should be considered in a revised remit for the Audit Committee.

Nationwide – fixed interest loan: Lorraine Utterson advised that 5 loans totalling £1.5 million were fixed on 16 May 2017 for 5 years at an interest rate of around 1% (0.97% - 1.01%).

ITEMS FOR DEBATE / DECISION / ACTION

217 ARC Submission Review

The Committee reviewed the draft ARC and Isla Gray drew attention to items where clarification was required around the detail or narrative. The following amendments or explanations were discussed:

Average Weekly Rents (P21):

In relation to the weekly rent figures it was confirmed that the figures have been subject to detailed check by the finance officer.

1st and 2nd Stage Complaints resolved by the landlord (p63)

Minor data entry errors were noted and that these would be updated. The revised figures were reported and it was noted that the percentage of complaints responded to in full within the timescales should read 100%. The corrected figures would be inserted in the updated ARC return.

Gas Safety (P57)

The Committee's attention was drawn to this entry, as it was less than 100% and an explanation provided that during the year one property had not had a gas safety certificate renewed by the due anniversary date. The Committee was advised that this related to a new installation and that as soon as this had been identified it has been remedied. The Committee expressed its serious concern that this situation had arisen and required that a full report be provided to the next Board meeting.

There was discussion as to whether such a service failure should be considered as a notifiable event to the Scottish Housing Regulator, albeit it had now been remedied. It was decided that the Managing Director should seek advice from Link's Finance and Corporate Services Director in the first instance and, if indicated, from the Regulator.

Staffing numbers and sickness levels (P7)

It was noted that these figures would be reviewed for accuracy and updated if necessary. Where there is a significant variance from preceding year's figures an explanatory note should be provided, including detail of any long term sickness absence.

Court Actions resulting in eviction (P68)

As there is a significant variance from preceding years figures an explanatory note should be provided giving detail on the targeted approach that has been adopted this year and the work that has been taking place around tenancy sustainment.

Decision:

As delegated by the Board, the Committee approved the submission of the Annual Return on the Charter, subject to the clarifications and corrections discussed and Audit sub-Committee members being advised of any further required amendments by email,

A report should be made to the Board on the reported performance relating to renewal of gas safety certificates by the anniversary date.

218 Draft SHR Five Year Financial Projections

Members reviewed the previously circulated Draft Five Year Financial Projections Return.

Decision:

The Audit Sub-Committee recommended the Draft Five Year Financial Projections Return to the Board for approval, subject to adjustments to the estimated out-turn for 2016/17.

219 Draft SHR Loan Portfolio

Members reviewed the previously circulated draft SHR Loan Portfolio report.

Decision:

Subject to updating the final loan covenant results the Audit sub-Committee recommended the report to the Board for approval of submission to the Scottish Housing Regulator.

220 Interim Management Accounts Quarter 4

Members considered the previously circulated report on the Interim Management Accounts Quarter 4.

During review of the report there was discussion around grant payments, pensions, trainees and apprenticeships, and staffing costs. Lorraine Utterson provided further background around these figures and the explanations for the outturn figures compared to budget were accepted by the Committee.

Decision:

The Audit Sub-Committee recommended the interim management accounts to the Board for approval and for submission to the Nationwide Building Society.

221 Risk Register – Full Review

The Committee discussed the previously circulated report and Risk Register 2017/18.

The Committee approved all suggested amendments to the register that were set out in Section 2 of the report, with the following five additions:

- Gas Safety, Risk 5: In light of earlier discussion around the ARC Report it was agreed that a statement detailing the additional controls now in place relating to non-domestic properties would be added to narrative for this risk.
- Report paragraph 3.2: Risks not included in the register where Horizon could do little or nothing to mitigate the risks beyond close monitoring. A foot note would be added to provide narrative regarding risks that fall into this category that can be known or reasonably anticipated, such as global financial changes.
- Tenants' satisfaction and perceptions of value for money: This risk would be updated in light of the results of the most recent survey.

- Negative impact on Horizon of Link undertaking further expansion, Risk 2.11: The narrative around this would be reframed to provide more general wording around restructuring of the group and potential risks to Horizon.
- New Risk: Further to the discussion on the above risk it was suggested a new risk be added to the register on the risk to the financial stability of Horizon in relation to the financial stability of Link.
- New Risk: That restructuring or associated process adversely affects Horizon's drive, direction, ethos and values.

Decision:

Subject to the various amendments proposed in the paper and requested by the Committee being incorporated, the Committee recommended the revised Risk Register 17/18 to the Board for approval.

222 Review of Audit sub-Committee Remit

The Committee noted the previously circulated report, which introduced a review of the remit of the Audit, Finance and Risk sub-Committee for discussion ahead of the Board's review of the Standing Orders in June and August.

Committee members made the following suggestions to be taken forward to the Board during its consideration of the remit of the Committee:

- Bad debts: Should this be delegated to the Audit sub-Committee, should there also be a limit set to the amount the sub-Committee could write-off?
- Cross reference to the Link Group remit for its Audit, Finance and Risk sub-Committee as the Horizon Committee remit is intended to complement and not replicate the Group remit.
- Retain that the draft Minutes of the Audit Committee Meetings be presented for note to the Board meeting following the Audit Committee meeting, and implement this.

Decision:

It was agreed that a revised remit would be drafted and circulated to Audit Committee members for consideration and comment prior to inclusion in proposed revisions to Standing Orders, which would be considered at the August Board meeting.

223 SHAPS Governance Structure

Members reviewed the previously circulated report, including letter and supporting documents issued by SHAPS regarding the employer consultation process on the proposed changes to its governance structure.

Decision:

It was agreed that this should be given further consideration at the Board meeting in June, and that prior to being submitted to the Board for consideration views would be requested from other subsidiaries and Link Group.

ITEMS FOR PERFORMANCE AND RISK MANAGEMENT AND MONITORING

224 Internal Audit and Monitoring Report

The Sub-Committee noted and approved the management responses to the Internal Auditor's recommendations.

The Management Responses and actions taken in relation to the Gas Safety recommendations were noted and that these will be further reviewed to reflect improvements to procedures to address the weakness identified in relation to gas safety certification

Decision:

The Committee noted the content of the report and approved removal of completed items.

FOR NOTE

225 Loan Covenant Compliance – Quarter 4

Members considered the previously circulated paper and noted the report of full compliance.

226 SHAPS Pension Accounting Treatment

Members considered the previously circulated paper and considered the proposal to adopt full disclosure methodology for accounting for the SHAPS pension liability.

Members agreed that the proposed way forward set out in the report was in the interest of Group consistency and would bring a higher degree of stability to financial forecasting. It was noted that this would require Board approval of a change to the accounting policies reported in the statutory accounts

Decision:

The Audit Sub-Committee supported the proposed adoption of full disclosure method of accounting for the SHAPS defined benefit scheme and recommended the change of Accounting Policy within the statutory accounts to the Board.

227 ANY OTHER BUSINESS

Declarations of Interest

It was noted that the Auditors have requested a slight amendment to the wording of our Declaration of Interest forms. It was agreed that to bring previously submitted Declarations into compliance with the Auditors request, a supplementary declaration

statement - including the additional wording requested by the Auditors - would be issued to Board members to sign and would be appended to the current Declarations of Interest Forms held for Board Members.

228 DATE OF NEXT MEETING

The next Audit Sub Committee will take place on Wednesday 5 July 2017.