

Minutes of the Audit Sub Committee Meeting held on Wednesday 5 July 2017 at 10:00 a.m. at Leving House, Livingston

Present:	Bob Hartness (Convener) Bob McDougall Frances Wood Stan Rae	In attendance:	Julia Fitzpatrick Isla Gray Lorraine Utterson Rachel Slaski (KPMG Auditor): Items 229-236 Emma Russell (Minutes)
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229 DECLARATIONS OF CONFLICT OF INTEREST

There were no declarations of interest made.

230 APOLOGIES

Apologies were received from Grant Carson.

231 MINUTES OF THE MEETING OF 24 May 2017

The minutes were duly approved as a true record of the meeting held on 24 May 2017.

Moved: Frances Wood

Seconded: Bob McDougall

232 MATTERS ARISING

There were no matters arising from the minute of 24 May 2017

ITEMS FOR DEBATE / DECISION / ACTION

233 Management Accounts 1 April 2016 – 31 March 2017

The Committee reviewed the previously circulated accounts. It was noted that that the final result is very close to that of the interim figures presented at the June Board meeting with the following variations highlighted:

- The impact of changes in the treatment of pension costs had increased the statement of overall surplus.

- The impact of release of bad debt provision of £115,000 in relation to the Gyle window works; and it was noted that full payment had been received in June.

Decision:

The Audit Sub-Committee recommended the Management Accounts to the Board for approval.

234 Audited Financial Statements for the year ended 31 March 2017

Members received a revised version of the previously circulated detailed report, with an explanation that while the figures remained the same the layout or wording within some sections has been adjusted.

The main changes highlighted were in relation to pensions and to capital commitments.

Pensions:

- Provision for Liabilities and Provision of scheme liabilities had been split and capital reserves adjusted to identify the pension liability.
- Comment on pension liabilities had been included in Note 22 on material estimates and judgements.

Capital commitments:

- The commitment of £673,561 investment for the housing development at Foulshiels Road, Stoneyburn had been added to Note 12.
- It was noted that figures presented were in line with the management accounts and that the movement of debtors and creditors has been clearly laid out.

A query was raised on numbers of properties detailed in Note 19 and the breakdown provided in the Annual Report from the Board. It was agreed that these would be checked and any required correction made.

A number of typographical errors were pointed out and that it was noted that the correct signing date should be on or near the 18 July 2017, to coincide with approval of the Link Group consolidated accounts.

Decision:

The Audit Sub-Committee recommended the Financial Statements to 31 March 2017, to the Board for approval, subject to the corrections discussed.

235 External Audit Highlights Memorandum 2017 (AHM)

Rachel Slaski, KPMG, was invited to comment on the previously circulated Audit Highlights Memorandum. She confirmed that the Audit is now complete and that KPMG anticipates issuing an unqualified audit opinion for the year on the

Association's financial statements. She drew the Committee's attention to the following points:

- KPMG fully endorsed Horizon's decision to fully apply defined benefit accounting in respect of pension liabilities (SHAPS) and commended the work undertaken by Finance Business Partner Lorraine Utterson with actuary Spence and Partners to achieve this.
- Two corrected misstatements had been identified during the course of the audit but were not significant. No significant accounting or auditing issues arose during the course of the audit.
- The AHM provides a useful graphic illustration of underlying Financial Performance, showing the bridge from the surplus at end March 2017 to that of the previous year.
- Tests of two standard risks for organisations – Management override of controls fraud risk and Fraudulent revenue recognition – did not identify any matters which needed to be brought to the Board's attention.

Bob Hartness thanked KPMG for the completion of the audit.

Decision:

The Sub-Committee received the report and recommended a response by the Board.

236 Auditor's Letter of Representation 2017

Members considered the previously circulated letter of representation.

Decision:

The Audit Sub-Committee recommended the Letter of Representation to the Board for approval.

237 Review of the Audit Committee Remit

Members discussed the previously circulated report and agreed amendments as follows:

- Point 3.1 of the remit should be amended to reflect that Horizon's Audit Committee meet 4 times per year.
- Reword Point 3, add section 4 to add that committee members will meet with the organisation's auditors without the presence of Management at least once per annum.

Decision:

The Committee approved the proposed redrafted remit, subject to the above amendments, for inclusion in revised Standing Orders to be considered by the Board at its meeting in August.

ITEMS FOR PERFORMANCE AND RISK MANAGEMENT AND MONITORING

238 Internal Audit Reports and Monitor

The previously circulated report was considered. The Committee noted that a follow up audit of Gas Safety procedures will be included within the 2017/2018 Audit Scope; and agreed that the audit recommendations related to the Income Maximisation Policy had been superceded.

There was discussion of requirements in relation to developing policy and procedures to protect Horizon from money laundering, and agreed that further information in required in order to scope these.

Decision:

The proposed revised completion dates were agreed.

239 Risk Register Review – Monitoring of Top Risks

The Committee discussed the previously distributed report and appended commentary. It was noted that, although Horizon has no high rise properties, in the light of the Grenfell Tower block fire Horizon has completed an audit of its properties in relation to external cladding, with nothing of concern raised. It was suggested that there are likely to be future changes to regulation and the responsibilities of landlords in relation to fire safety.

The approach to risk management and the respective roles of the Audit Committee and Board were discussed.

Decision:

It was agreed the Audit Committee should receive the quarterly detailed report in relation to the top rated risks, and any changes of significance.

It was agreed that a twice yearly narrative report to the Board, highlighting any significant changes in the risk ratings, and new or changing risks, would enable better focus on changing and emerging risks.

FOR NOTE

239 ANY OTHER BUSINESS

There were no other items of business.

240 DATE OF NEXT MEETING

The next Audit Sub Committee will take place on Wednesday 8 November 2017.