

Minutes of the Audit Sub-Committee Meeting held on Wednesday 7 February 2018 at 10:00 a.m. at Leving House, Livingston

Present:	Bob McDougall (Convener)	In attendance:	Julia Fitzpatrick
	Bob Hartness		Lorraine Utterson
	Frances Wood		Carol Bonham
	Stan Rae		
	Janice Flanagan		
	Jean Hamilton		

Michelle Proust (Minutes)

259 DECLARATIONS OF CONFLICT OF INTEREST

There were no declarations of interest made.

260 APOLOGIES

Apologies were received from Douglas Taylor.

Bob McDougall welcomed everyone to the meeting. A special welcome was extended to Jean Hamilton as a new member of the Audit Sub Committee.

Bob also noted the resignation of Grant Carson from the Audit Sub-Committee and extended the Committee's thanks and recognition to Grant for his contributions to the work of the Committee during his time as a member.

261 MINUTES OF THE MEETING OF 8 NOVEMBER 2017

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

Moved: Bob McDougall

Seconded: Stan Rae

262 MATTERS ARISING

Members noted the content of the previously circulated report.

There were no matters arising from the minute of 8 November 2017 that were not covered in the report provided or on the agenda for the meeting.

It was noted that, in response to a recommendation from the Internal Audit of Management Reporting to the Board, the action plan proposes that an action register will now be included on Board and Committee agendas

ITEMS FOR DEBATE / DECISION / ACTION

263 RENTS AND OTHER INCOME REVIEW

The Committee had extensive discussion on the information provided in the circulated paper, which they considered in tandem elements of information provided in the Draft Annual Budget, 5 and 30 year financial projections.

The viability of the organisation, affordability of rents for tenants, and comparability were at the forefront of the Committee's consideration of the rents and service charges to be set for 2018/19.

Feedback from tenants was also taken into account, although it was noted this had been received from only 11% of tenants. It was recognised that, in addition to the condition of the property being rented, an individual's perception of value for money is also shaped by their experience of the service that they receive. It was noted that that Horizon tenants are offered a high quality service, and that the proposed longer term budget forecasts sought to ensure continuity and improvements to services which may be more valuable at any point in time to some tenants e.g. adaptations.

The Committee suggested that in order to present a clearer picture of the value for money received by Horizons tenants, clearer statements of service standards, and service standards comparisons, be developed in consultation with tenants, perhaps through the Residents' Improvement Group.

Decision:

With the intention to develop a service standard comparison in mind, the Committee recommended to the Board:

- An increase of 2.7% to rent, service charges, occupancy charges and factoring fees in 2018-19;
- An increase of 4.9% for leased properties
- An increase of 2.7% to management charges for Access Ownership properties and maintenance charges increased to reflect actual and forecast expenditure, in line with the policy adopted in 2017.

264 DRAFT ANNUAL BUDGET, 5 AND 30 YEAR FINANCIAL PROJECTIONS

Members discussed the previously circulated narrative report, budgets and forecasts. The following amendment was requested:

- Management costs: this should clarify that full costs for recruitment to the Managing Director role will be met from the management costs budget and the budget for salary costs, should the indicative budget for recruitment prove insufficient.

Decision:

The Audit Sub-Committee recommended the Draft Annual Budget, 5 & 30 Year Financial Projections for approval to the Board.

265 BAD DEBT WRITE OFF REPORT

The Committee discussed the proposed write offs and it was noted that should any of these debtors propose at a future date to make payments towards the written off debts that this would still be possible.

It was requested that future reports provide financial implication information on a cumulative basis, and that the detail be confined to debts in excess of £400 or one month's rent with an expanded narrative to explain the reason for the debt arising, action taken to recover this and reason for recommending write off.

Decision:

The Committee approved the recommended write-offs.

266 FINANCIAL REGULATIONS REVIEW

The circulated paper was considered by the Committee. A small number of amendments were requested in relation to:

- P36 - 3.16 – amend the £100 write off limit to £400 or 1 month's rent.
- P28 – Section 2.9 – Managing Director should also notify Chair and/or Vice chair and the Convener of the Audit Sub Committee.
- P49 – Section 3 – add detail on quorum requirements
- P53 – Section formerly numbered 2.4 – delete duplicate reference to 10k – 20k limit.
- P42 – Section 5 – Update section to reflect role of the Employment Sub Committee in employment and management of pay awards including reference that any variation from salary scale where impact exceeds £1k per annum is considered by the ESC, and include the role of the Board in approving non-consolidated pay awards.
- P36 – Section 3.18 – amend wording to reflect Horizon's procedures for safekeeping of official and legal documentation i.e. that not all documents required to be forwarded to the Association's solicitors.

Decision:

The Committee recommended the revised Financial Regulations to the Board, subject to the aforementioned amendments.

267 TREASURY MANAGEMENT POLICY

The Committee discussed the circulated paper and agreed in principle that the Link Group policy should be applicable to Horizon with appropriate adjustments to reflect Horizon's reporting requirements.

Appropriate amendments would be made to the Policy and a revised version would be presented to the Audit Committee for consideration in May.

ITEMS FOR PERFORMANCE AND RISK MANAGEMENT AND MONITORING

268 MANAGEMENT ACCOUNTS – 1 APRIL TO 31 DECEMBER 2017

The Committee reviewed the accounts for the period ending 31 December 2017.

Decision:

The Committee were content with the reports and information provided and recommended these for approval by the Board.

269 LOAN COVENANT COMPLIANCE REPORT: QUARTER 3

The Committee noted the circulated report and were content that all requirements continued to be met.

270 INTERNAL AUDIT REPORTS AND MONITORING

The Committee reviewed the report and monitoring paper provided.

Decision:

The Committee approved the monitoring reports, including revised completion dates and proposed management actions, and the removal of completed items from the internal audit action plan.

271 RISK REGISTER MONITOR AND REVIEW

The Committee discussed the report with particular attention paid to the increased relevance of risks relating to succession planning and those relating to the Link group structure or restructure. Key events including the resignation of Horizon's Managing Director, the retirement announcement of the Link Group CEO, and the planned options appraisal by the Link Group Board, were given consideration.

Decision:

The Committee noted the report and agreed that:

- Amendments are made to risk causes and controls as described in the paper;
- The Audit Committee and management team members would hold a Risk Mapping and Assessment workshop following the April Board meeting;

- A short but specific risk register should be developed in relation to the Managing Director's resignation and succession plan.

FOR NOTE

272 ANY OTHER BUSINESS

There were no other items of business.

273 DATE OF NEXT MEETING

The next Audit Sub-Committee will take place on Wednesday 16 May 2018.