

## Meeting Minutes

### Audit Committee Meeting

Wednesday 16 May 2018 at 10.00am in the Leving House, Livingston

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<b>Present:</b>	Bob McDougall (Convener)	<b>In attendance:</b>	Julia Fitzpatrick
	Bob Hartness		Isla Gray
	Douglas Taylor		Lorraine Utterson
	Frances Wood		Carol Bonham
	Jean Hamilton		Audrey McPherson
	Janice Flanagan		Michelle Proust (Minutes)
	Stan Rae		

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#### 274 WELCOME AND APOLOGIES

Bob McDougall welcomed everyone to the meeting. The Committee was in full attendance.

Bob acknowledged that this would be the final meeting of the Audit Committee to be attended by Julia Fitzpatrick, whose resignation from her position as Managing Director of Horizon would come into effect from 4 June. The Committee thanked Julia for her service and her counsel over the course of her eight years in post and wished her well for her future career.

#### 275 DECLARATIONS OF CONFLICT OF INTEREST

There were no declarations of interest made.

#### ITEMS FOR DEBATE / DECISION / ACTION

#### 276 MINUTES OF THE MEETING OF 7 FEBRUARY 2018

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

**Moved:** Frances Wood

**Seconded:** Stan Rae

#### 277 LOAN COVENANT COMPLIANCE – QUARTER 4

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

## **278 DRAFT SHR FIVE YEAR FINANCIAL PROJECTIONS**

The Committee reviewed the previously circulated narrative report and draft return.

It was noted that figures in the return reflected those that had been forecast in February, and that no major adjustments were anticipated between now and submission. Any further adjustments required to the out-turn figures for 2017/18 were expected to be reasonably minor.

### **Decision:**

With the caveat that only slight adjustments are anticipated to be made prior to submission, the Audit Committee recommended the Draft SHR Five Year Financial Projections to the Board for approval and submission to the Scottish Housing Regulator.

## **279 DRAFT SHR LOAN PORTFOLIO**

The Committee reviewed the previously circulated narrative report and draft return.

### **Decision:**

The Audit Committee recommended the Draft SHR Loan Portfolio to the Board for approval and submission, subject to updating the loan covenant results and unit numbers, to the Scottish Housing Regulator.

## **280 INTERIM MANAGEMENT ACCOUNTS – QUARTER 4**

Members reviewed the previously circulated narrative report, income and expenditure against budgets and forecasts.

### **Decision:**

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

## **281 STRATEGY AND POLICY REVIEW APPROVALS**

### **281.1 Treasury Management Policy**

The circulated narrative report and revised policy was given detailed consideration by the Committee, with requests for the following clarification and amendment:

- *Section S1.1(1).10 – List of counterparties Horizon can invest with.* Members queried the limits of the list, although did note that the policy included the options to use “any others approved by the Board from time to time”. Further clarification was requested around the required credit rating status of potential lenders, and this would be investigated with any amendment to the wording being made prior to submission to the Board.
- *S1.1(2).2 – Horizon may currently borrow from:*

Incorporate Link Group to the list.

- *S1.6.8 – Horizons finances are impacted directly and indirectly by the policies of government.*

Incorporate wording that includes direct reference to schemes like Right To Buy.

Assurance was taken that the revised policy documents good practice in more detail than the previous version of the policy but does not bring with it any substantive changes to practice.

The additional reporting required under the policy would be factored into the Annual Work plan for the Management Team, Audit Committee and Board.

**Decision:**

The Committee recommended the revised Treasury Management Policy to the Board, subject to the aforementioned amendments.

## **282 ARC – SUBMISSION REVIEW**

The Committee gave detailed review to the previously circulated covering report and to the Annual Return on the Charter.

There were no areas for concern, and a small number of updates and amendments were noted, including:

- P42 – SHQS – energy efficiency statistic corrected to 100%, outstanding energy certificate for 1 property has now been received.
- P86 – Rent Due – adjustment to arrears figure in accordance with SHR technical guidance and having taken advice from peers and other advisors.
- P68 – Number of Court Actions – Narrative would be expanded to clarify the reasoning for these figures, clarification on what occurred in the case of the 4 cases which did not result in properties being recovered.

It was further noted that a comparison report between Horizon and its peers would be presented to the Board for consideration in August, and that this report would also include a comparison table for the Link group subsidiaries.

**Decision:**

With the aforementioned amendments in mind, the Audit Committee, as delegated by the Board, approved the Association's ARC submission. The Board would be asked to homologate this decision at its meeting in June 2018.

## **ITEMS FOR PERFORMANCE AND RISK MANAGEMENT AND MONITORING**

### **283 INTERNAL AUDIT REPORTS AND MONITORING**

The Committee reviewed the report and monitoring paper provided. In response to Board members queries, Isla Gray provided background on the internal auditing and

reporting process and it was agreed that the full Internal Audit Block Review would be made available to members on the extranet.

**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.

## **284 RISK REGISTER REPORT**

### **284.1 Full Risk Register**

Following the Board meeting in April, a Risk Mapping and Assessment workshop had been held, and the Risk Register had been updated.

The Audit Committee reviewed the updated Risk Register, and suggested further updates or refinement:

- Risk 1.1 – up date the narrative.
- Risk 1.5 – Add to controls Link’s work towards Cyber Essentials credentials.
- Ensure format of ratings is consistent throughout.
- Colour code the risk level of the ‘Initial Ratings’.
- Review the layout of the report and remove duplication of risks that currently appear under more than one category.
- For the Top Risks report for the Board, incorporate a column with narrative explanation of the impact of those risks.
- Correction of a small number of typing errors.

**Decision:**

With the above amendments in mind, the Audit Committee approved the revised Risk Register.

### **284.2 Care & Repair Contract Renewals**

**Decision:**

The Audit Committee reviewed and approved the specific risk register regarding the Care and Repair West Lothian’s contract’s end.

### **284.3 Managing Director Vacancy**

The Committee discussed the specific risk register relating to the Managing Director vacancy. Particular attention was paid to the requirement for the Interim Managing Director (Strategy) to deliver a high level of strategic influencing in circumstances where there may be, due to the interim nature of the post, a specific risk relating to recognition of their authority.

Members agreed that the mitigation to these concerns would lie in the recruitment of a candidate with the skills and experience not only to be able to deliver Horizon’s

practical requirements but who will also to be able to command the respect of peers across Link group.

*Finance staff, Lorraine Utterson, Carol Bonham and Audrey McPherson left the meeting at this point,*

It was further recognised that the relationship between Isla Gray, as Acting Managing Director, and the Interim Managing Director (Strategy) would need to be appropriately supported by the Board. It would also be important to ensure the support of Link's Chief Executive.

Regarding the Link Group options appraisal process, Frances Wood provided a verbal update from her attendance at the meetings of the options appraisal working group. It was noted that the recommendations from the working group would be presented to the Link Group Board in June and that the outcomes from those deliberations would shape how Horizon proceeds with the recruitment to the Managing Director position.

**Decision:**

The Committee approved the specific risk register regarding the departure of the Managing Director and agreed that the specific risk would be reviewed at each Audit Committee meeting.

**285 FOULSHIELDS ROAD, STONEYBURN – DEVELOPMENT COSTS AND VARIATIONS**

The Committee considered the previously circulated report and noted:

- the variance of 3.44%, £23,339, between the acquisition cost for this development and the approved private finance, pending final reconciliation of the development account.
- the expected contributions from West Lothian Council to development costs and that it may take time for Almond Housing to negotiate payment of these. Continued liaison will be required between Almond and Horizon in this regard.

**286 ANY OTHER BUSINESS**

There were no other items of business.

**287 DATE OF NEXT MEETING**

The next Audit Sub-Committee will take place on Wednesday 4 July 2018.