



PUBLIC MINUTES
of the Audit and Risk Assurance Committee (ARAC) meeting
on Monday 20 January 2025 at 1600
MSTeams

8 Remote and virtual participation

- 8.1 Any member may validly participate in a meeting through the medium of conference telephone, video conferencing or similar form of communication equipment, provided that all persons participating in the meeting are able to hear and speak to each other throughout such meeting, or relevant part thereof. A member so participating shall be deemed to be present in person at the meeting and shall accordingly be counted in a quorum and entitled to vote.
- 8.2 A meeting shall be deemed to take place where the largest group of those members participating is assembled or, if there is no group which is larger than any other group, where the Chair of the meeting is.

Members

Liz Butler (LB)	Chair
Kalpesh Brahmbhatt (KB)	
John Liver (JL)	

In attendance

Shayne Coulson (SC)	MHCLG Policy Lead: Affordable Housing Reg & Investment
James Dunbar (JD)	Head of Finance (for agenda item 6)
Lisa Harvey (LH)	Audit Manager, Government Internal Audit Agency (GIAA)
Fiona MacGregor (FM)	Chief Executive and Accounting Officer
Mike Newbury (MN)	NAO, Audit Director
Jenny Obee (JO)	Engagement Lead, Government Internal Audit Agency (GIAA)
John O'Mahony (JOM)	Assistant Director Corporate Services (for item 8)
Sandy Pacek (SP)	Head of Corporate Services (for item 8)
Richard Peden (RBP)	Director, Finance and Corporate Services
Richard Smith (RS)	NAO, Engagement Manager
Emma Tarran (ERT)	Senior Assistant Director Head of Legal and Company Secretary
Jonathan Walters (JW)	Deputy Chief Executive
Kashif Zaman (KZ)	MHCLG

Minutes

Chris Kitchen	Board Secretary
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1 Welcome and apologies

01/01/25 The Chair welcomed John Liver (JL) and others to the meeting. There were apologies from Richard Hughes (RH).

2 Declarations of Interest

02/01/25 There were no new declarations of interest.

3 Minutes of the last meeting

03/01/25 The minutes from 14 October 2024 were APPROVED.

4 Matters Arising

04/01/25 *08/04/24: NAO cost/work comparisons:* MN confirmed the NAO audit team have carried out a cost comparison as part of their business planning cycle and agreed to share the findings in time for the April ARAC meeting. **MN**

11/11/24: NAO lessons learned: MN confirmed that this has also been completed but had not yet been shared. It was agreed that this will be presented to the April ARAC as part of the 2025 audit planning update. **MN**

5 NAO completion report

05/01/25 Members NOTED the report which set out the findings from the audit of the 2023-24 financial statements, the audit risks and the changes to their risk assessment since planning. No new risks were identified during the audit and MN asked that members review the findings of the audit alongside the draft report and letter of representation and welcomed comments, otherwise would recommend their unqualified audit opinion for adoption.

06/01/25 The areas of audit risk were NOTED along with management responses to each:

- *Presumed risk of management override of controls:* RS confirmed that there were no issues uncovered from their testing of relevant areas.
- *Defined Benefit Pension scheme:* this entailed a lot of work to achieve actuarial approval. The completion of the work resulted in an unadjusted misstatement in the estimated pensions valuations, due to timing differences impacting the valuation, in the amount of £180k, which was deemed not material given the NAO threshold.
- *Change in payroll system:* RS advised that testing of the transfer of data did not highlight any areas of concern. However, given that RSH payroll is the bulk of its cost base and could therefore be considered high risk, the NAO's IT audit department had some best practice recommendations which relate to supplier selection. RBP noted that the new system has been in operation for two years without any significant issues. NAO accepted this view but suggested that we might benefit from the advice should there be another similar exercise/change of supplier in future.

07/01/25 MN confirmed that the management responses on each of the audit risk areas have been accepted and highlighted the additional information in the annexes. LB raised the recommendation in respect of the year end accrual of legal fees from the previous year's audit. This is a position that the RSH has little control over which has been explained in previous years, and the response has also been accepted previously, so LB challenged the need for it to be recorded every year. MN accepted this challenge and said that the NAO audit team will review whether this needed to be reported in subsequent years' audit reports. **MN**

08/01/25 MN flagged the additional information in the annexes and JL said that he found these very useful, especially the best practice documents. LB asked RBP if he envisaged any impact on the RSH of the IFRS17, and members were advised that this might apply in situations where the RSH was giving indemnities, for example on statutory appointments and that further work would be done to review the application of the standard. It may be that the matter is one of

disclosure rather than recognising a liability, however we will consider it for the 2025-26 audit and agree its applicability with the NAO.

10/01/25 MN also mentioned the government's announcement and consultation on reform of England's local audit regime, which will undoubtedly impact the work of the NAO, and MN committed to keeping us informed of any changes that could impact us. LB enquired about the impact of LA devolution and potential impact on pensions, and MN said that they will be keeping a watching brief on this as well.

11/01/25 Next steps:

- ARAC ACCEPTED the audit certificate.
- The letter of representation would be amended to refer to unadjusted error (not errors plural), but subject to that, ARAC will recommend the ARA to the Board and the Accounting Officer on 21 January.

12/01/25 In concluding his reporting, MN thanked RBP and JD and other members of the finance team for all their work and support during the audit process and help to get the documents to ARAC for this meeting. LB in turn thanked MN, RS and the NAO audit team.

6 2023-2024 RSH Annual Report and Accounts

13/01/25 JD joined the meeting. RBP presented the paper and the ARA which the committee had seen in previous iterations. Since the document was circulated to members of ARAC and the Board, the team have received a few suggested amendments/points of clarity:

- Reference to the Nominations & Governance Committee to be amended, following the change of name agreed by the Board in November 2023 to Nominations & Remunerations Committee.
- Reference to "Ban the Box" accreditation to be explained/clarified.
- Reference the leaving date for Paul Smee.

JD provided an explanation to the section on exit packages which is a requirement of the rules of audit.

14/01/25 Subject to the points raised and confirmation from JD that the amendments will be made, ARAC accepted the ARA and would recommend it to the Board the following day.

7 GIAA progress report and 2025-26 Audit plan

15/01/25 LH and JO presented the GIAA progress report on 2024-25 audits, proposed changes to the 2024-25 audit plan and the proposed 2025-26 audit areas. Members were advised that three audits have been completed and reported on to previous ARAC meetings. The draft report on the last audit of 2024 on Procurement and Payments controls was issued to RSH in late December and the final report will be reported to the April 2025 ARAC meeting. JO stated that there were no areas of concern. The Terms of Reference for the outstanding audit which is the second consumer regulation audit on resourcing and resilience are being finalised for delivery in Q4 and will also be reported to the April ARAC.

- 16/01/25 Of the completed audits, two received a substantial assurance rating and all the recommended actions have been addressed and therefore closed.
- 17/01/25 JO advised that following discussion with management, extensions were agreed for the recommendations coming out of the IT controls audit, the Capacity and Capability audit and the registrations audit. LB acknowledged the rationale for the extensions but issued caution that there should not be further drift on these extensions. JO agreed and confirmed that this is referenced in their audit opinion. In response to a query from JL on the dateline for overdue actions, JO confirmed that the latest extension date is what is used, but GIAA track all dates from the original due date. She advised that all extensions are discussed and agreed by the Executive before presenting them to GIAA, and that GIAA would not agree extensions unless they considered them appropriate.
- 18/01/25 *2025-26 proposed audit plan:* LH presented the proposed audits which are based on GIAA's own risk assessments of the organisation, the Business Plan, organisational priorities, risk and assurance framework and MHCLG's priority audit areas for the business. GIAA develop a list of priorities which will provide assurance to the AO on governance risks and management controls. GIAA also consider the list in the Orange Book to develop a shortlist for consideration by the AO. Members considered the proposed areas of audit and agreed these were all appropriate and asked if there were any potential additional areas that might be put forward by MHCLG. LH was not aware of any currently although that could be subject to change.
- 19/01/25 JL asked whether we use a risk based or cost based approach when deciding on the number and areas of audit and whether consideration is given to areas that are in the business plan. LH confirmed that in the first instance GIAA and RBP have a discussion and there are usually five audits a year, but there is capacity within GIAA to do a sixth if something is identified. LB said there are budgetary considerations, but the selection is very much based on areas identified by management. LH confirmed when asked by KB the scoping of the audits are done in discussions with FM and JW and the relevant directors and do link back to the strategic risk register and cover all key risks and areas of assurance. RBP added that the breadth of expertise and experience in GIAA is very helpful in the planning process.
- 20/01/25 LB thanked LH and JO for the report and members NOTED that the final audit plan will be reported to the April ARAC meeting.

8 Strategic Risk Register (SRR)

- 21/01/25 JOM and SP joined the meeting to present the SRR which has been refreshed since the full review carried out in November 2024. The paper sets out the key commentary on specific risks and officers welcomed comments from members of the committee. Members had considered the papers and made the following comments:
- 22/01/25 **Risk 5:** There was a discussion about challenges we face in dealing with unforeseeable negative events which are hard to mitigate, even with regular horizon scanning.

23/01/24 FM understood the focus of the committee but gave members assurance that the executive team regularly debate the position on R5 vs the appetite. We acknowledge that the impact of events such as Grenfell fire and the damp and mould cases will always be high. We therefore focus on reducing the likelihood as far as is within our gift. JOM said that the wording of the risk was in the previous version of the SRR and there is a gap between our residual risk score and appetite. JOM confirmed that the risk is regularly reviewed. It would be useful to revisit this with Board and agree whether we tolerate the risk or recalibrate the appetite. We should also ensure we do enough to mitigate the impact of an event. LB agreed that this should be a discussion at Board.

JOM

24/01/25 **Risk 7:** LB's challenge on this was whether we are articulating this risk correctly, whether it captures what we are really worried about. Multiple stakeholders are a reality and we are good at managing them, but there can be conflict of opinions and demands made on us. The conflicts could be better articulated in the narrative. JW said that this is a risk for other regulators too, and we all have to juggle different priorities from different stakeholders. KB said that we navigate this area extremely well and made a comparison to the discussion on R5. JW concurred that there is a link and it is about having foresight to put in place controls that manage the consequences of unforeseeable risks. Having appropriate stakeholder and crisis management arrangements in place are a key part of this.

25/01/25 LB said that this had been a very useful discussion, and the remainder of the paper and register were NOTED. LB complimented JOM and SP on a very clear paper and the helpful articulation of the key issues in it. The report will be shared with the Board at the February meeting.

9 Forward Planner

26/01/25 Members NOTED the items on the Forward Planner. GIAA advised that the April ARAC will also receive their MOU with the RSH and their charter. CK to add to forward planner.

CK

10 Any other business

27/01/25 There was no other formal business. FM took the opportunity to convey to LB her personal and others' thanks and appreciation for her leadership of the ARAC since we went standalone in 2018, and through a number of big changes in the organisation and our remit. Ending her term with the signing off of the ARA seems very appropriate! LB also thanked members, both sets of auditors, officers secretariat and said that it had been a pleasure to serve as Chair and was pleased to be passing stewardship of ARAC to JL.

Date of next meeting: 14 April 2025