

Non Confidential Minutes

Audit Sub-Committee Meeting

**Hexagon Tower
Tuesday 27 February 2020 at 6.00pm**

Chair: Janice Gotts

Present:

Janice Gotts (JG)	Board Member
Carol Southern (CS)	Board Member
Sue Abbott (SA)	Board Member
Mike Reardon (MR)	Audit Sub-Committee Co-optee

In Attendance:

Robbie Chapman (RC)	Director of Business Services
Jillian Burrows (JBU)	Head of Finance, Governance and Risk
Craig Broadhurst (CB)	Financial Controller
Kevin Lowry (KL)	Interim Director of Housing and Residential Growth
Helen Knowles (HK)	External Auditors, BDO
Stuart Hulme (SH)	External Auditors, BDO
Jane Butterfield (JB)	Internal Auditors, TIAA
Chris Manson (CM)	Internal Auditors, Beever & Struthers
Narinder Sandher (NS)	Internal Auditors, Beever & Struthers
Yvette Newton (YN)	Governance, Risk & Compliance Manager (Minutes)

Observers:

Hilary Gardner (HG)	Campbell Tickell
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ITEM	SUBJECT	ACTION
1	Welcome and Introductions, Confirm Quorum JG welcomed everyone to the meeting, introductions were made, and the meeting was confirmed as quorate.	
2	'In camera' session with internal auditors No in-camera session with the internal auditors was required by the Sub-Committee.	
3	Apologies for Absence Gary Lamb (GL), Olu Ogunbambo (OO), John Farrell (JF), Michelle Carmichael (MC). Given the number apologies offered for the meeting the Chair of the Board had been invited to attend to ensure that the meeting was quorate.	
4	Declaration of Interests / Confidential Matters / Equality & Diversity JG declared an interest in a late item that was being brought to the meeting under A.O.B. Register of Significant Partnerships and Performance. JG informed the committee that in future the register will fall under her remit at the City Council.	
	CONFIDENTIAL ITEMS	

Signature of Chair

5	Confidential Minutes 17th December 2019 and Matters Arising Please see confidential minutes.	
6	Audit Panning Report - BDO Please see confidential minutes.	
	NON CONFIDENTIAL ITEMS	
7	Minutes 17th December 2019 and Matters Arising The Sub-Committee approved the minutes of the meeting held 17 th December 2019. There were no matters arising.	
8	<p>Internal Audit Reports (TIAA)</p> <p>a</p> <p><u>GDPR</u> JB presented the Assurance Review of GDPR Compliance. JB explained that the review considered Northwards compliance with the key elements of GDPR.</p> <p>JB informed the Sub-Committee that the outcome of the review was reasonable assurance and three priority two recommendations were made. The recommendations were around:</p> <ul style="list-style-type: none"> - timescales for the remaining actions on the GDPR action plan - Small changes to the Policies and procedures to reflect new job titles - Impact Assessments to be carried out on CCTV <p>Audit Sub-Committee approved the GDPR Compliance Report</p> <p>b</p> <p><u>Tenancy Management Follow Up</u> JB presented the Follow up Review of Tenancy Management. JB informed the Sub-Committee that from the original 8 recommendations 5 had been implemented. The three recommendations that were still to implemented are around:</p> <ul style="list-style-type: none"> - New tenancy visits - 6 and 9 month follow up visits - Documentation relating to mutual exchanges <p>JG asked if the auditors were satisfied with the proposed new implementation dates. JB confirmed that TIAA were happy that all issues had been addressed.</p> <p>Audit Sub-Committee approved the Tenancy Management Follow Up Report</p> <p>JB left the meeting at 6:25pm</p>	
9	Internal Audit Recommendations Action Plan JBU presented the report. JBU explained to the Sub-Committee that the report was a summary of all outstanding Internal audit recommendations and these were currently on the TIAA portal.	

Signature of Chair

	<p>JBu confirmed that three of the recommendations were new following the recent GDPR review and that work was already underway to address these.</p> <p>Audit Sub-Committee noted the progress and status of current recommendations and approved the recently implemented actions</p>	
10	<p>Standing Orders Update RC presented the report to Sub-Committee. He explained that there were no significant changes to the Standing Orders. The new Terms of Reference for all Sub-Committees, which had been approved by the Board in November, had been included.</p> <p>Audit Sub-Committee approved the updated Standing Orders.</p>	
11	<p>Standing Financial Instructions (SFIs) Update JBu presenting the update to the Standing Financial Instructions. Sub-committee were informed that the amendments included revised job roles and appropriate segregation of duties to the scheme of delegations as well as amendments to accurately reflect current working practices and policies in place.</p> <p>MR asked about section 16 ‘Suspension of SFIs’ and should that be the Chief Executive and not the Director of Business Services.</p> <p>RC commented that not being the Chief Executive gives a segregation of power. There had been 2 instances of the SFIs being suspended and the ability to do this gives flexibility in procurement. Ultimately SFIs suspension needs Board approval.</p> <p>JG asked how staff are made aware of the changes to the SFIs. JBU explained that discussions are ongoing with HR about how we can automate the process for bring staffs’ attention to certain documents.</p> <p>JBu informed the Sub-Committee that all new staff receive SFIs at their induction meeting and where staff have been promoted to manager within the organisation, they also form part of their induction.</p> <p>JG asked if any breached of the SFIs get reported. RC confirmed that any breaches would be included in the waivers report that comes to the Audit Sub-Committee.</p> <p>It was agreed that a report on Training – who, how and when would be brought to the next Sub-Committee meeting.</p> <p>The Sub-Committee noted the contents of the report.</p>	JBu
12	<p>Risk Register Report JBu presented the report. JBU informed the Sub-Committee that the format of the risk register report was similar to the previous</p>	

	<p>risk register report although not as long, as the number of risks had been reduced.</p> <p>CS suggested that Target Risk Score could be added to the report. JBu confirmed that would be added to the report for the next meeting.</p> <p>JBu informed the Sub-Committee that the essence of what needs to be reported is set out in the report but the aim is to produce something more informative and attractive and any comments or suggestions from the Sub-Committee are welcome.</p> <p>MR commented that impact on mitigations (Target Risk) would be helpful and he felt the developments in progress update were rather passive. JBu responded that it may be helpful to circulate the Assurance Framework document with the Risk Register to make it a more robust document.</p> <p>CS commented that H&S for employees was the only red risk currently on the register. CS suggested that when a risk was marked as high it should be highlighted in the cover report.</p> <p>CS suggested that Risk and Risk Appetite be reviewed.</p> <p>JG suggested that format of the report should not be constrained by the IT systems that are used. It was agreed that further work would be carried out on the risk register report.</p> <p>JG asked if the failure of contractors should have a higher risk score. JBu commented that if it was just around the Mears contract then the risk score would be higher but the failure of other contractors e.g. ICT brought the risk score down.</p> <p>It was suggested that the Internal Controls information needed some further work and should include deadlines. Clarity is needed on how they are operating and delivering.</p> <p>The Sub-Committee commented that they needed assurance on the H&S Risks and that the necessary controls are in place. Sub-Committee queried the H&S Risks and asked how the failure to protect employees could have a red risk score and the risk around protecting the company from legal action not be as high. JBu informed the Sub-Committee that from a tenant perspective the Director of Property Services has done a lot of work around this risk since he had commenced in the post.</p> <p>It was agreed that an assurance report on H&S Risks be brought back to the next meeting.</p> <p>Audit Sub-Committee noted the Risk Register and it was agreed that the report would be worked on further and brought back for approval to the next meeting.</p>	<p>JBu</p> <p>JBu</p>
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<p>13</p>	<p>Going Concern Update Report RC presented the report. RC informed the Sub-Committee that the going concern assessment is presented at the signing of the accounts, but it is best practice to talk about it as early as possible and in preparation of the accounts. Therefore, the final assessment will need to be agreed prior to May 2020.</p> <p>RC informed the Sub-Committee that management agree that Northwards remains a going concern. However legitimate questions have been raised by the auditors.</p> <p>BDO stated that in previous years a letter of assurance from the Council has been received which states any losses are underwritten, however given the uncertainty in relation to the management fee and the Council review this may not be considered sufficient. Sub-Committee were informed that a letter of assurance is not legally binding, and a robust assessment of YES is also needed.</p> <p>CS asked if it should be an item on the Risk Register. RC confirmed it would be included in effective relationships with the Council.</p> <p>CS asked why the management fee was a 1-year settlement and not three. KL explained that it was due to the nature of Local Government Finance. KL explained that even if a three-year settlement was agreed it would have to be the subject of review.</p> <p>RC informed the Sub-Committee that he had met with KL prior to the Sub-Committee meeting and had discussed procurement of three-year contracts and his advice are to proceed until told otherwise.</p> <p>JG commented that it is not just the management fee but the capital programme that needs to be taken into consideration for Northwards.</p> <p>It was agreed that BDO and the management team will continue to discuss internally and to keep the Sub-Committee updated.</p> <p>Audit Sub-Committee reviewed and noted the interim going concern assessment.</p>	
<p>14</p>	<p>Review of Accounting Policies JBU presented the report to Sub-committee.</p> <p>JG Commented that she doesn't get a sense of what this means to the organisation. It was suggested that instead of a list they are set out with an explanation in context of what they mean to the organisation.</p> <p>JBU informed the Sub-committee that a report to support the draft financial statements would be presented to the June 2020</p>	

	<p>meeting.</p> <p>Audit Sub-Committee noted the update and that a further report will be presented at the next meeting.</p>	
15	<p>Waivers</p> <p>CB informed the Sub-Committee that there were no waivers to report. CB also highlighted the SFI process set out in the report which Audit Sub-Committee had requested at the December meeting.</p> <p>Audit Sub-Committee noted the update</p>	
16	<p>Review of Business Continuity Plan</p> <p>JBu presented the draft of the new Business Continuity Plan (BCP). JBu explained that the previous plan had been cumbersome and difficult to navigate.</p> <p>JBu informed the Sub-Committee Zurich had supported in pulling together a more coherent approach to a business-critical incident and she had tried to be clear in the document what is business critical and would invoke the plan.</p> <p>JBu gave the Sub-Committee assurance that the Executive Management Team and Heads of Service had been involved in discussions during the creating of the document.</p> <p>JBu welcomed any questions, comments or observations on the new plan.</p> <p>MR asked about the testing of the plan. Jbu explained that the aim is to test the plan in the first quarter of 2020/21.</p> <p>It was asked how staff would be made aware of the document. JBu explained that education of staff regarding the BCP was needed and a session would be held with Heads of Service and relevant officers.</p> <p>CS commented that she would encourage the testing to be carried out by Northwards and not an external company CS would be interested to receive a report back to the sub-committee on the exercise.</p> <p>JG commented that if someone was given the document would they be able to use it to see them through a situation.</p> <p>JG asked about stress testing and asked if other Register Providers had been approached to share their plans to see what approach they take.</p> <p>JBu informed the Sub-Committee that it is critical that Northwards plan ties into the Councils but so far, she had not been successful in obtaining a copy. JG indicated that she would ask the Head of Internal Audit and Risk at the Council to send across a copy of</p>	JG

	<p>the latest BCP.</p> <p>The Sub-Committee commented that it was a great document/first effort and for comments made be taken forward and a revised plan be brought back to the next meeting in June.</p> <p>The Audit Sub-Committee noted the draft of the new Business Continuity Plan</p> <p>NS and CM joined the meeting at 7:40pm</p>	JBu
17	<p>Internal Audit Annual Plan Beaver & Struthers (B&S)</p> <p>NS presented the report to the Sub-Committee. He informed the Sub-Committee that the plan had been produced in consultation with staff and the Chair of the Sub-Committee.</p> <p>NS explained that it is a three-year plan but the main focus for the meeting today is the planned audits and work for year one.</p> <p>NS informed the Sub-Committee that the plan contained a combination of reviews some deep dive audits as well as continuous auditing.</p> <p>MR commented that Health & Safety is in year two 2. It was explained that it had been agreed it would take place in the first quarter of year two.</p> <p>The Sub-Committee discussed the Right to Review the Plan when Risk had been looked at in more details. It was agreed that the plan is flexible and will meet the needs of the organisation.</p> <p>NS confirmed that the plan is not designed to give a green light at the end of the year. Having Internal audit enables change to happen.</p> <p>It was confirmed that 60 days of internal audit services had been budgeted for.</p> <p>RC informed the Sub-Committee that B&S commitment to social value needs to be commended. He explained that they were already working in partnership with a local high school and have agreed mentoring for 12 pupils and various events for work experience.</p> <p>The Audit Sub-Committee noted the Internal Audit Annual Plan and asked that it be aligned to the Risk Register and brought back to the June Sub-Committee meeting for final approval.</p>	
18	<p>Fraud & Hospitality Registers</p> <p>YN confirmed there had been no new entries to the Fraud Register since the last Audit Sub-Committee meeting.</p> <p>YN informed the Sub-Committee that there had been three new</p>	

	<p>entries to the hospitality register. JG raised concerns about the receipt of alcohol by two people in the Monsall office from a supplier. RC assured JG that neither of these two individuals had any involvement in procurement and specifically this contract.</p> <p>The registers were circulated around all Sub-Committee members to view.</p> <p>It was agreed that staff would be reminded that it is not appropriate for them to accept gifts from contractors or tenants.</p> <p>Audit Sub-Committee noted the update.</p>	RC
19	<p>Audit Sub-Committee – Rolling Programme</p> <p>From previous discussions in the meeting it was agreed that the following reports will be added to the rolling programme:</p> <ul style="list-style-type: none"> - Business Continuity Plan (June) - Internal Audit Plan (June) - Going Concern (June) - Accounting Policies (June) - Risk Register (H&S Assurance) - SFI Report – update on training/staff awareness (June) <p>The Audit Sub-Committee approved the rolling programme</p>	
20	<p>A.O.B.</p> <p>- (Confidential) Register of Significant Partnerships and Performance</p> <p>Please see confidential minutes.</p>	
	JG thanked everyone for attending and closed the meeting at 8:07pm.	
<p>Date of next meeting: Tuesday 2nd June 2020 @ 6:00pm</p>		

Signature of Chair