

Meeting Minutes

Audit Committee Meeting

Wednesday 09 July 2020 at 10.00am via Microsoft Teams

Present: Jean Hamilton (Convener)
Bob McDougall
Frances Wood

In attendance: Lorna Cameron
Carol Bonham
Michelle Proust (Minutes)
Annemie Breesch (technical support)

Adrian Kolodziej, KPMG*

*Items 402 to 405 only

Due to the current restrictions in place due to the Covid-19 pandemic, this meeting was held remotely, via Microsoft Teams.

397 WELCOME AND APOLOGIES

Jean Hamilton welcomed everyone to the meeting. Apologies received from Bob Hartness and Douglas Taylor.

It was agreed that staff providing secretarial and technical support during the meeting could remain present during discussion of the items of Private/Reserved Business on the agenda.

398 DECLARATIONS OF INTEREST

None.

PRIVATE/RESERVED BUSINESS

The following item was considered to be private/reserved business and a separate confidential minute produced.

ITEMS FOR DEBATE/DECISION/APPROVAL

400 MINUTES FROM THE MEETING HELD ON 13 MAY 2020

The minutes of the previous meeting were confirmed as an accurate record.

Proposed: Bob McDougall

Seconded: Frances Wood

401 MATTERS ARISING

There were no matters arising that were not covered on the action register or on the agenda.

402 FINAL MANAGEMENT ACCOUNTS 1 APRIL 2019 – 31 MARCH 2020

Adrian Kolodziej, KPMG, was welcomed into the meeting.

This report provided the final management accounts for the year to 31 March 2020.

The Committee reviewed the accounts and found no areas for concern. Members noted that the report relates to the pre-pandemic lockdown and noted that the apparent improvement in pension liability should be treated with caution, considering the likely detrimental impact on pensions due to Covid19. The current more positive picture could change in 2021. Carol Bonham provided further information about the reduction in pension liability shown in the management and financial statements clarifying that, at year end, liability is based on corporate bonds while the tri-annual valuation is based on Government bonds. Corporate bonds are still strong by comparison to the Government bonds. As such, it would seem likely that, by the time of the 2021 valuation, the figures could look quite different. The next valuation will take place in September 2021 and that this would then be finalised in 2022, with the result being implemented in April 2023.

It was noted that, in terms of the 30-year financial plan, provision is built in for pension deficit contributions to carry on for 2 years past what is currently expected.

Decision: The Audit Committee recommended the final management accounts for the year to 31 March 2020 for approval to the Board.

403 AUDITED REPORT AND FINANCIAL STATEMENTS FOR THE YEAR END 31 MARCH 2020

This report presented the draft audited financial statements for the year ended 31 March 2020.

During the Committee's consideration of the report, it was noted that turnover was down whilst management costs were up, albeit marginally. Income from affordable letting activities rose by 2.6% but was offset by a 17.7% decrease in other activity income, due principally to the cessation of the West Lothian Care & Repair service in November 2018. There was an overall increase in costs, and a further impact caused by one-off costs due to the cessation of the North Lanarkshire Care & Repair service at 31 March 2020.

In the context of continuing work around efficiencies savings, the Committee remain committed to continued review on how to better control costs and make savings as required, noting that a full report on efficiencies savings would be presented to the Board in October for approval.

A correction was noted on page three of the report, regarding the membership list of the Committee, which should note Jill Pritchard as the vice-chair of the Board.

Decision: With the above correction in mind, the Committee considered and recommends the financial statements to 31 March 2020, subject to final adjustments resulting from the audit, to the Board for approval.

404 EXTERNAL AUDIT HIGHLIGHTS MEMORANDUM 2020

This report provided the Committee with The Draft Audit Highlights Memorandum (AHM), produced by KPMG. Adrian Kolodziej presented the

report, and further advised the Committee that KPMG plan to issue an unqualified opinion, and that no issues of control had been identified.

Decision: The Audit Committee recommend to the Board a response to KPMG.

405 Auditors Letter of Representation 2020

The Committee considered the previously circulated Letter of Representation.

Decision: The Audit Committee recommend the Auditors Letter of Representation 2020 for signing.

Adrian Kolodziej, KPMG, was thanked for his attendance, and left the meeting.

ITEM FOR PERFORMANCE AND RISK MANAGEMENT AND MONITORING

406 HEALTH AND SAFETY AUDIT REPORT (H&S)

This report provided information on health and safety matters and issues arising in the year. It also provided an update on the actions from the previous Health and Safety audit to enable review and revision of targets where appropriate.

During consideration of the report the Committee recognised their responsibility as an employer, and the legal duty up on the organisation to provide a safe and secure working environment for employees. Assurance on how Horizon is meeting its obligations during the current working from home arrangements were provided, including the fact that staff had completed a H&S self-assessment of home working environments, with any reasonable adjustments requested being supported.

The Committee noted the ongoing insurance claim regarding a scalding injury sustained by a tenant. It was noted that the insurers have requested medical evidence to outline the nature of the injury and that once this has been received a further update will be provided to the Board.

The Audit Committee noted the progress in achieving required health and safety improvements and to approve the removal of the completed actions.

407 INTERNAL AUDIT BLOCK REVIEW

This report proposes areas for the next round of audit reviews which will take place in Quarter 3.

The Committee queried whether there was any merit in adding a review of complaints handling processes to the areas for audit at this time. This would be discussed with the management team and the Committee would be updated accordingly.

Decision: The Committee approved the proposed areas for audit in 2019/2020, Quarter 3:

- Management and control of rent arrears (including former tenant arrears)
- Gas safety

408 RISK REGISTER REVIEW

This report presented a draft, more focused Risk Register for discussion and approval to submit to the Board.

In addition to the information and risks identified in the report and register, the Committee highlighted new risk around the impact of “New Working Arrangements” arising from the Covid Pandemic, which might, for example, include:

- Safe working environment
- Personal wellbeing (mental health/isolation)
- Review of existing office accommodation
- Continuing increased risk of staff absences due to individual/family Covid19 infections etc.
- Risk of a second spike in infection.

It was agreed to add a new action addressing this to the register.

Decision: The Audit Committee approved the revised Risk Register for submission to the Board in August for approval, subject to the above amendment, and while also recognising that the current work being carried out by Link to streamline the group Risk Register make this a 'work in progress' that will be subject to updates.

409 ANNUAL TREASURY MANAGEMENT OUT-TURN REPORT

This report provided the Committee with an Annual Treasury Management Out-turn Report in line with Treasury Management Policy requirements.

The Committee was pleased to note that Horizon, through rigorous treasury planning and risk assessment, is continuing to operate within set financial constraints to deliver its objectives.

Decision: The Committee considered the annual treasury out-turn report and recommended it for approval to the Board.

410 ANY OTHER BUSINESS

There were no other items of business arising.

Date of the next meeting

The date of the next meeting is Wednesday 7 November 2020 at 10:00 a.m. in Livingston.