

**Minutes of the Meeting of the Performance & Audit Committee
held on Friday 16 March 2018
79 Hopetoun Street, Edinburgh**

PRESENT:	Mr D Scobie	Chair
	Ms P Dawson	(from Minute 256(iii))
	Mr R Fernie	
	Ms I McGarvie	
	Mr G O'Sullivan	
IN ATTENDANCE:	Mr B Logan	Chief Executive
	Mr S Smith	Director of Finance & ICT Services
	Mrs N Harcus	Interim Director of HR
	Ms C Innes	Head of Development (Minute 256(iv) only)
	Mr A Strickland	Business Improvement Manager
	Miss C Beesley	Governance & Administration Manager
	Ms A Gibb	Business Improvement Officer
	Ms A Cowan	Wylie & Bisset (Internal Auditor)
	Mr C Sliman	RSM (External Auditor) (up to and including Minute 255(i) only)

251. Apologies for Absence

Apologies for absence were received from Mr W Smalley.

252. Declaration of Interests

There were no declarations of interest.

253. Minutes of the Meeting held on 9 November 2017 and Confidential Minutes of the Meeting held on 9 November 2017

The Minutes and Confidential Minutes of the meeting held on 9 November 2017, having been previously circulated, were approved and signed by the Chair.

254. Business Arising from Previous Meeting

(i) Action List from Meeting held on 9 November 2017

It was noted that an updated Action List had been circulated to the Committee prior to the meeting. The Chief Executive confirmed a process was now in place for the

updating of actions and a refreshed action grid had been produced. This would come to future Committee meetings going forward. Once actions had been completed, these would be reported to the following meeting before being taken off the list. Only ongoing actions would remain on the list for each meeting.

The Committee noted the position.

(ii) Pensions

The Chair requested an update on the pension position following the Remuneration Committee which had taken place the previous day. The Chief Executive confirmed that, at the Remuneration Committee, two proposals for external consultants had been considered and it had been agreed to proceed with the proposal from PwC. The Chair of the Remuneration Committee would report this to the Board meeting due to take place on 22 March.

255. Priority Items

(i) Confidential Item: External Audit Plan 2017-18

The Committee received Report PAC/5(i)/MAR/18 and a report in relation thereto from the Director of Finance & ICT Services. The External Auditor advised that he was attending the meeting in the absence of the Audit Partner. Although he had not had any dealings with Bield directly, he had worked with other similar organisations.

The External Auditor took the Committee through the Audit Plan page by page and highlighted the following areas:

Page 11 – Materiality – a query was raised as to what RSM’s definition of materiality was. However, the External Auditor advised that this was not information that was shared with clients as it varied according to circumstances.

Page 12 – Going Concern – the Chair queried whether the first sentence under this heading related purely to Bield or to the whole sector. The External Auditor confirmed that all areas within Appendix B were general statements rather than specific.

Page 12 – Fraud – the Committee confirmed that they were not aware of any areas of concern.

Page 19 – in respect of the pension position, the Chair queried whether the treatment of the past deficits would be an issue this year. The Director of Finance & ICT Services confirmed that this would not be an issue in 2018/19 but that this could possibly be the case in 2019/20.

The Committee considered the External Auditor’s report and noted the position regarding the audit of the accounts for the year to 31 March 2018.

(ii) EFQM Update on Progress

The Board received Report PAC/5(ii)/MAR/18 and a report in relation thereto from the Business Improvement Manager. The report provided an update to the Committee on progress towards implementation of the EFQM quality management framework within Bield.

It was noted that there was no plan to report to Committee regularly on progress but ad hoc reports could be provided if required e.g. when accreditation had been achieved.

The Performance & Audit Committee noted the content of the report.

256. Performance

(i) Confidential: Key Performance Indicators – Quarter 3 (October-December 2017)

The Committee received Report PAC/6(i)/MAR/18 and a report in relation thereto from the Business Improvement Manager.

A request was made for more information to be provided in respect of voids and an explanation as to why the level had got to below target. It was felt this was good news and should be shared. A further request was made for more information to be provided in the summary page such as: target, quarterly result and result in year to date. It was advised that this information had been included in previous reports but it had been agreed to remove this. The Chair advised that KPIs were due to be looked at in more detail in June at a pre-Committee session and the reporting format could be discussed then.

The Committee agreed that the aspects of Bield's performance in need of monitoring and improvement were as highlighted in the Performance Summary attached to the report while taking into account the two points raised by Committee members above.

(ii) Business Strategy Tasks – Quarter 3 (October-December 2017)

The Committee received Report PAC/6(ii)/MAR/18 and a report in relation thereto from the Business Improvement Manager. He advised that the cover report summarised the status of tasks. The task list required to be revised and this would be reviewed in conjunction with work on the Business Strategy.

The Performance & Audit Committee noted the current update for the Quarter 3, 1 October – 31 December 2017.

(iii) Complaints Update

The Committee received Report PAC/6(iii)/MAR/18 and a report in relation thereto from the Communications and Marketing Manager.

The Interim Director of HR advised that the report provided an update to members on the current complaints activity.

The following areas were discussed:

Pages 2 and 3 – a request was made for a ‘total’ row to be added to the tables

Page 3 – a request was made for more detailed information to be provided in respect of what the ‘Follow up and communications is still one of the primary reasons for complaints’ related to. The Interim Director of HR advised that this primarily related to situations where staff hadn’t called a tenant/service user back, how staff had spoken to someone or how feedback had been received. A new Communications & Engagement Strategy had been implemented which would hopefully assist with some of these issues.

The Performance & Audit Committee noted the contents of the Complaints Report for the period 1 October – 31 December 2017.

(iv) Confidential: Development Performance Report

257. Internal Audit

(i) Internal Audit Reports

(a) Data Protection

The Committee received Report PAC/7(i)(a)/MAR/18 and a report in relation thereto from the Business Improvement Manager.

The Internal Auditor confirmed that the audit had received an overall substantial level of assurance and controls were largely in place. There were seven medium priority recommendations made which management had agreed with.

The Internal Auditor advised that Bield were ahead of other similar organisations in respect of work on the new General Data Protection Regulations (GDPR) regulations with good awareness, security and training in place.

The following areas were discussed in more detail:

Page 20 – in respect of ‘Receipt of Management Response’ and ‘Final Report Issued’, both dates should be 2018 rather than 2017.

The Chair asked whether there was confidence that all measures were in place in respect of GDPR. The Business Improvement Manager advised that a replacement Data Protection Officer had been employed and was due to start work during w/c 26 March 2018 and he was content that the remaining work would thereafter progress.

A query was raised in respect of the impact on Bield not complying with GDPR and asked whether Committee/Board member should receive training. The Chief Executive confirmed that it was intended to provide the Board with information at its meeting in May. The Internal Auditor confirmed that there were higher penalties for not complying than had been the case under the Data Protection Act and also that compliance audits could be undertaken by the Information Commissioners Office.

The Internal Auditor confirmed that she was satisfied that a process was in place to complete GDPR preparations, there were regular meetings taking place to progress matters and information was being chased up. This justified the substantial assurance.

The Committee approved the Audit report.

(b) IT Security

The Committee received Report PAC/7(i)(b)/MAR/18 and a report in relation thereto from the Business Improvement Manager.

The Internal Auditor confirmed that the audit had received an overall strong level of assurance with no recommendations. She advised that the IT auditor had commented that he had been impressed with what Bield had in place in respect of IT security.

The Chair queried, in respect of Page 3 of the report, what third party contractors may have access to Bield's systems. She confirmed that this could include internal or external auditors for example.

The Committee agreed the report was excellent and wished to convey their congratulations to the ICT team.

The Committee approved the Audit Report.

(c) Follow-up Review

The Committee received Report PAC/7(i)(c)/MAR/18 and a report in relation thereto from the Business Improvement Manager.

The Internal Auditor confirmed that the audit had received an overall substantial level of assurance. Of the 25 recommendations, 3 had not been implemented, 3 had been partially implemented, 12 had been fully implemented and 7 were not yet due.

The following areas were discussed:

Page 6 – in respect of 'Receipt of Management Responses' and 'Final Report Issued', both dates should be 2018 rather than 2017.

Page 10 – reference to long term absence being a reason for extending the deadline in relation to the Anti-Social Behaviour Audit – it was felt that this should not be an excuse for not implementing a recommendation, there should be others in the team who could take this forward as an important

issue. It was advised that information would be requested from the housing team and this would be reported back to Committee.

Page 12 – reference to not being able to use Survey Monkey – a query was raised as to why this could not be used. The Business Improvement Manager confirmed he would seek to get more information on this from ICT and report back to the Committee member direct in this respect.

Page 13 – reference to the staff survey due to take place – a query was raised as to the timescale for this work to be undertaken. The Chief Executive confirmed that this was in department plans and would be taken forward but not before 2019-20.

The Committee approved the Audit Report.

(ii) Progress Update on Audit Recommendations Q3 (October-December 2017)

The Committee received Report PAC/7(ii)/MAR/18 and a report in relation thereto from the Business Improvement Manager. He advised that the report highlighted progress made towards the delivery of agreed internal audit recommendations and follow-up report recommendations from previous audits carried out by TIAA.

It was noted that 8 actions had not started, 7 were on track, 5 were complete, 1 was significantly behind schedule and 5 were slightly behind schedule.

As per a request made at the previous meeting, an additional column had been added to the report which detailed the grade of the audit action. The grading with Wylie & Bisset was slightly different to that of TIAA so grades had been combined into the best fit for the new system.

The Committee noted the Progress Update on Audit Recommendations listed in the report.

(iii) Internal Audit Plan 2018/19

The Committee received Report PAC/7(iii)/MAR/18 and a report in relation thereto from the Business Improvement Manager. The report was based on a 3 year plan which had been approved by the Committee in June 2017.

The following areas were discussed:

Page 4 – in respect of ‘Change Management’, it was suggested to broaden the description to include more than just the care home closures. For example, ‘...including any lessons that can be learned from the process of change to date.’ A query was raised, in relation to the timing of the change management audit, as to whether this year was the best time to undertake the audit and whether this would help or hinder the ongoing work taking place. The Chief Executive confirmed that the audit had purposely been programmed to take place this year in order to see if any lessons could be learned moving forward as this could potentially help with the organisational review and further service changes proposed.

Page 5 – the Director of Finance & ICT Services queried whether the first visit proposed to take place in July 2018 would provide sufficient time for the report to

be prepared and ready to be circulated with the Committee papers for its meeting on 16 August. It was agreed to look at moving the Data Quality audit to June 2018.

Page 8 – in respect of reference to management providing responses to draft reports within 10 days, a query was raised as to whether this was practical. It was felt that this timescale may not always be met as it may be that other staff are requested to comment which could delay things. However, it was agreed to keep at 10 days.

The Performance & Audit Committee:

- (i) reviewed the content of the report and provided feedback to Wylie & Bisset on the proposed subject and scope of the audits; and**
- (ii) approved the draft Internal Audit Plan, subject to the proposed changes highlighted above.**

258. Policies

Nil

259. Risk Management

(i) Risk Register – October 2017 – February 2018

The Committee received Report PAC/9(i)/MAR/18 and a report in relation thereto from the Business Improvement Manager. He advised that a significant review of risks had been undertaken by the Senior Management Team in February. The main changes related to the review dates with some changes to scores. There had also been two risks removed from the register.

In respect of Risk 6 (Financial loss including impairment arising from voids), it was felt that the mitigating actions did not seem to match the risk and current controls. The Chair agreed and advised that he had expected to see, as mitigating actions, reference to management of waiting lists, marketing and the Asset Management Strategy. The mitigating actions listed appeared to relate to care rather than housing.

In respect of Risk 13 (Increased pension deficits and liability resulting in existing arrangements becoming unaffordable), a suggestion was made to add mitigating actions in this respect, for example that an action plan would be drawn up between Bield and the pension advisers. The Director of Finance & ICT Services advised that following the recent Remuneration Committee meeting it had been agreed to hold a session for Remuneration Committee members which would also be opened up to all Board members.

In respect of Risk 16 (Breach of information security), a Committee member highlighted her dislike of the word 'disgruntled' in the comments section. She suggested the following wording should be used instead: 'During periods of major business transformation, IT security breaches may be more likely'.

The Business Information Manager confirmed that the risks would be looked at as part of the Business Strategy review and these points could be picked up then.

The Committee scrutinised the report and confirmed that, taking into account the suggestions made, the current controls and mitigating actions were sufficient to manage the identified risks.

260. Any Other Business

There was no other business.

261. Date of Next Meeting

The date of the next meeting was confirmed as Thursday 21 June 2018.