

**Minutes of the Meeting of the Performance & Audit Committee
held on Tuesday 20 June 2017
79 Hopetoun Street, Edinburgh**

PRESENT:	Mr D Scobie	Chair
	Mrs J McCormick	
	Mr M McFee	
	Mr W Nicolson	
	Mr W Smalley	
IN ATTENDANCE:	Mr B Logan	Chief Executive
	Mr S Smith	Director of Finance & ICT Services
	Mrs N Harcus	Assistant Director (Strategic Development)/Acting Director of HR
	Ms J Dunlop	Assistant Director: Finance Services (up to and including Minute 222(i))
	Ms H Thomson	Assistant Director: Property Services
	Ms M Goldie	Assistant Director: Care Services
	Ms C Innes	Head of Development (Minute 224(iv) only)
	Mrs C McSkimming	Housing Performance Manager
	Mr A Strickland	Business Improvement Manager
	Miss C Beesley	Governance & Administration Manager
	Mrs K Adams	RSM (External Auditor) (up to and including Minute 222(i))
	Ms G Callaghan	TIAA (Internal Auditor) (up to and including Minute 223(6)(i)(f))
	Mr G Gillespie	Wylie & Bisset (Internal Auditor)(up to and including Minute 226(ii))
	Mr S Pringle	Wylie & Bisset (Internal Auditor)(up to and including Minute 226(ii))
	Mrs P Dawson	Board Member (Observer)
	Mr R Fernie	Board Member (Observer)

218. Apologies for Absence

Apologies for absence were received from Mr M Singh.

219. Declaration of Interests

There were no declarations of interest.

220. Minutes of the Meeting held on 2 March 2017 and Confidential Minutes of the Meeting held on 2 March 2017

The Minutes and Confidential Minutes of the meeting held on 2 March 2017, having been previously circulated, were approved and signed by the Chair.

221. Business Arising from Previous Meeting

(i) Minute 211(i) Confidential Item: External Audit Plan 2016-17

The Chair advised that a request had been made at the last Committee meeting for further clarification in relation to the meaning of SORP and FRS102 and their effect on the accounts.

Mrs Adams explained that the changes in accounting practice were summarised in the Audit Plan which had been circulated. She advised that there had been some changes around disclosure in respect of FRS102 with the key changes being in relation to risks and how these were mitigated, monitoring performance (KPIs) and key management personnel in respect of pay and remuneration. It was noted that there were also changes in terminology.

In respect of the figures, there were 3 main areas of change: (i) in respect of Housing Association Grants (HAG) which used to be shown as fixed assets but which were now shown separately; (ii) financial instruments – this did not have any impact on Bield; and (iii) pensions – a liability was required to be brought in for past pension deficits which, in 2015/16, amounted to £3m. Mrs Adams stressed that none of the changes affected the cash position or Bield's performance against budget. It was not anticipated that any further changes would be required for a couple of years.

Mrs Adams advised that there were current discussions ongoing in respect of the pension scheme deficit and whether to account for this in its entirety rather than just the contributions to past service deficits. This was being considered by a SORP working party. A decision in this respect was expected by March 2018 although it was likely it may take longer to implement.

222. Priority Items

(i) Annual Accounts – Year to 31 March 2017

The Committee received Report PAC/5(i)/JUN/17 and a report in relation thereto from the Director of Finance & ICT Services. He wished to extend his thanks to Ms Dunlop and the rest of the Finance team for all their efforts in respect of the preparation of the Accounts.

The Director of Finance & ICT Services advised that he had received some comments from Committee members which would be incorporated in to the final Accounts document and the Chair confirmed his acceptance of this proposal given there were no material changes which affected the Accounts.

In respect of the Final Audit Findings Report, Mrs Adams highlighted the following:

Audit and Accounting Issues Identified at Planning Stage

Page 3 – Management over ride of internal controls – RSM had reviewed journals and the work of the internal auditor - no significant issues were identified.

Page 3&4 – Going Concern – RSM had reviewed cash flow forecasts and assumptions to at least 12 months after the proposed date of sign off of the financial statements. They had also discussed any risks and considered investment balances and existing loan finance together with key assumptions, particularly in respect of asset management spend and housing support services. Mrs Adams confirmed that no breaches of loan covenants had taken place during the year.

Page 5 – Cut off – Development and Component spend – development and component spend had been reviewed immediately before and after 31 March 2017 and RSM was satisfied that the spend had been accounted for in the correct period. It was noted that there was a £70K loss on disposal of components of which £40K was due to the re-life of heating, bathrooms and kitchens but RSM was satisfied that there was no significant issue regarding Useful Economic Lives

Page 5&6 – Useful lives of housing property components – RSM reviewed the useful lives of assets and were satisfied they were aligned with the Asset Management Strategy. It was noted, however, that some of the components which had been re-lifed had passed the end of their new life but hadn't been replaced. Having discussed this with management, RSM was satisfied that Bield had made a business decision to delay some of the works. The Chair highlighted that the 'lives' of components were theoretical and there were valid business reasons why components would sometimes be allowed to operate beyond the end of their specified useful life.

Audit and Accounting Issues Identified during the Audit

Page 7 – Shared Ownership – management had made a decision to change the method of calculating the transfer from fixed assets under construction to current assets which represented the first tranche element of the shared ownership properties. Mrs Adams confirmed that RSM was satisfied with this change but advised that this had been raised as an adjustment within the current year to reflect a more accurate assessment of cost allocation

Page 7 – VAT – Capital Goods Scheme – it was noted that the Glasgow Office was still within the 10 year period of the Capital Good Scheme although Bield staff were under the impression that all properties were now outwith this period. There was therefore an error in the VAT returns processed during 2015 and 2016. The error amounted to less than £10K and therefore was not notifiable. However, this would require to be adjusted on the next VAT return. It was suggested by RSM that a member of the Finance team be appointed to account for all VAT issues as well as introducing a work plan programme in order to redistribute tasks if required.

Unadjusted/Adjusted Misstatements

Page 8 – It was noted that there was a late client adjustment relating to Carrick Gardens and a change in the estimation of shared ownership costs which had been adjusted for in the current year.

The Performance & Audit Committee:

- (i) noted the draft Accounts for the year to 31 March 2017 and confirmed to the Board of Management that the Accounts were in the opinion of the Performance & Audit Committee, balanced and fair and conformed to accounting standards; and**
- (ii) noted the terms of the Auditor's Audit Findings Report**

- (ii) Annual Report to the Board of Management (this item was moved to the end of the main Agenda)

The Committee received Report PAC/5(ii)/JUN/17 and a report in relation thereto from the Director of Finance & ICT Services.

The Chair suggested, and the Committee accepted, the following changes to the Report:

Page 1 – penultimate paragraph, final sentence – change to read 'The Committee considers that Chiene & Tait (later TIAA) and RSM have performed well during the 2016/17 year

Page 2 – Internal Auditor's Annual Report, final paragraph, second sentence – removed the apostrophes from 'review's' and 'grading's'

Page 3 – first paragraph, add new sentence 'In order to address this situation, the tender documentation for the new Internal Audit contract was prepared with a view to there being more emphasis in future on in depth audits focussing on best value and continuous improvement'

The Performance & Audit Committee approved the Annual Report from the Performance & Audit Committee for submission to the Board of Management on 6 July 2017, subject to the above amendments.

- (iii) Confidential Item: Loch Laidon Court

223. Internal Audit

- (i) Internal Audit Reports

- (a) Performance Management (Departmental)

The Committee received Report PAC/6(i)(a)/JUN/17 and a report in relation thereto from the Business Improvement Manager.

The Internal Auditor (TIAA) advised that the audit had provided reasonable assurance with three priority 2 recommendations having been made. It was noted that all recommendations had been accepted although one had been queried which related to introducing KPIs to individuals. The Assistant Director (Strategic Development)/Acting Director of HR advised that departmental KPIs were being developed and objectives within individual staff members' PDPs should already be linked to Bield's wider Business Strategy.

The Performance & Audit Committee approved the Audit Report.

(b) Internal Communications

The Committee received Report PAC/6(i)(b)/JUN/17 and a report in relation thereto from the Business Improvement Manager.

The Internal Auditor (TIAA) advised that the audit had provided limited assurance with five priority 2 recommendations having been made.

It was noted that work had already commenced towards implementing several of the recommendations.

The Performance & Audit Committee approved the Audit report.

(c) Anti-Social Behaviour

The Committee received Report PAC/6(i)(c)/JUN/17 and a report in relation thereto from the Assistant Director: Tenancy Services.

The Internal Auditor (TIAA) advised that the audit had provided reasonable assurance with two priority 2 recommendations having been made.

The Housing Performance Manager confirmed that all the information brought out in the audit had been updated and was corrected in time for the ARC submission.

The Performance & Audit Committee approved the Audit report.

(d) Follow-up Review

The Committee received Report PAC/6(i)(d)/JUN/17 and a report in relation thereto from the Business Improvement Manager.

The Internal Auditor (TIAA) confirmed that, during the course of the year, 18 recommendations had been made with 10 having been fully implemented, 5 partially implemented and 3 which had not been implemented.

The Performance & Audit Committee approved the Audit report.

(e) Project Management

The Committee received Report PAC/6(i)(e)/JUN/17 and a report in relation thereto from the Business Improvement Manager.

The Internal Auditor (TIAA) advised that the audit had provided reasonable assurance with three priority 2 recommendations having been made. A query was raised as to the length of time it had taken for the report to reach the Committee given the audit was undertaken in November 2016. The Assistant Director (Strategic Development)/Acting Director of HR advised that there had been a delay in the process and apologised for this.

(f) Internal Auditor's Annual Audit Report

The Committee received Report PAC/6(i)(f)/JUN/17 and a report in relation thereto from the Internal Auditor (TIAA). The report summarised the work undertaken throughout the year with 1 substantial assurance, 4 reasonable assurances and 2 limited assurances achieved. This was a positive level of assurance overall.

The Internal Auditor (TIAA) was thanked for all their work with Bield over the year and for the courteous nature in which they responded to queries from the Committee.

The Performance & Audit Committee noted the Internal Auditor's Annual Report for 2016-17.

(ii) Progress Update on Audit Recommendations

The Committee received Report PAC/6(ii)/JUN/17 and a report in relation thereto from the Business Improvement Manager. The report displayed the status of each task in relation to its original deadline which was either on track, slightly behind schedule, significantly behind schedule or complete.

The Business Improvement Manager advised that currently 1 task was significantly behind schedule and a further 6 tasks were slightly behind schedule.

It was suggested that it would be useful, in respect of the 'Management Comments and Updates' column, for expected dates for completion to be inserted against all actions.

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

(iii) Internal Audit Tender Update

The Committee received Report PAC/6(iii)/JUN/17 and a report in relation thereto from the Business Improvement Manager. He advised that four tender submissions had been received and that, following a thorough process, Wylie & Bisset had been successful and were appointed in May 2017.

The Performance & Audit Committee noted the report.

(iv) Internal Audit Plan and Draft Needs Assessment

The Committee received report PAC/6(iv)/JUN/17 and a report in relation thereto from the Business Improvement Manager.

The Internal Auditors (Wylie & Bisset), confirmed that work had already started on the Audit Plan with meetings having taken place between them and the Senior Management Team. It was noted that Wylie & Bisset use a slightly different grading system to that of Bield's previous Internal Auditors.

A request was made from an observer to receive copies of previous audit programmes in order that it was clear what had been undertaken previously and the Assistant Director (Strategic Development)/Acting Director of HR agreed to take this forward.

The Internal Auditors (Wylie & Bisset) outlined the reasoning behind the areas proposed for auditing over the course of the next 3 years but it was acknowledged that this could be changed if the Committee were minded to do so.

A suggestion was made regarding Care Inspectorate recommendations to ensure that these were being followed up. The Assistant Director: Care Services advised that this was already being done via the STAR system and this should help track any outstanding issues. However, it was noted that this system was purely in relation to the care part of the business. The Assistant Director (Strategic Development)/Acting Director of HR advised that an audit of the process would likely not be taken forward at this time and that the issue was more around the follow up of recommendations. The Chief Executive explained that an agreement had been made in 2012 not to provide the Committee with every Care Inspectorate report but that these would be placed on the extranet. These reports showed how the latest inspection compared with previous ones for comparison purposes. Gradings were advised through quarterly KPI reports.

A query was raised as to whether the timing of the change management audit was correct and the Chief Executive confirmed that this should sit well with the proposed timetable of actions required in respect of the proposed organisational review and other service changes.

In respect of the audit on complaints, it was suggested that the Internal Auditors (Wylie & Bisset) visit a sample of complainants to receive more useful data rather than just a 'tick box' exercise.

It was agreed to leave the audit timetable as proposed but that this was something which would be reviewed ahead of next year's plan.

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 Audit Needs Assessment**

224. Performance

(i) Corporate Key Performance Indicators – Q4

The Committee received report PAC/7(i)/JUN/17 and a report in relation thereto from the Business Improvement Manager. He advised that the report provided a summary of the results of the KPIs for Q4 2017.

In respect of the Care Inspectorate gradings (page 9), it was suggested that, in respect of the analysis of the results, it appeared that reference to action plans had been ongoing but with not any great improvement in the grades awarded. The Assistant Director: Care Services confirmed that progress was being made but that some of the issues were difficult to resolve i.e. the layout of buildings and lack of funding to provide extra staff.

The Chair asked if a summary report could be brought to Committee which could include a list of inspections undertaken, the difference in grade from the last inspection to the latest one and also what requirements, if any, were contained within reports. The Chief Executive confirmed that a report could be developed but advised that the Committee would require to be mindful of the proposed service changes which would be occurring over the next 12-18 months. It was agreed that the possible inclusion of one or two additional KPIs to try and cover this area should be explored and the Chief Executive gave a commitment to provide information in this respect within his regular Chief Executive's report to the Board.

In respect of the void and arrears position, the Committee congratulated staff for the current, more positive, level of voids and rent arrears.

The Performance & Audit Committee used the information provided in the report to determine whether any aspect of Bield's performance was in need of improvement or further investigation.

(ii) Business Strategy Tasks – Q4

The Committee received Report PAC/7(ii)/JUN/17 and a report in relation thereto from the Business Improvement Manager. He advised that, in respect of Task No. 14 – Reduce the number of empty properties to 2.25%, this should have a status of 'Slightly Behind Schedule' rather than 'On Track' which meant that, overall, 14 tasks were on track, 3 were significantly behind schedule, 13 were slightly behind schedule and 4 were complete.

The Performance & Audit Committee noted the current update for the Quarter 4, 1 January – 31 March 2017.

(iii) Complaints Update

The Committee received report PAC/7(iii)/JUN/17 and a report in relation thereto from the Assistant Director (Strategic Development)/Acting Director of HR. She advised that there had been 195 complaints over the year which was the lowest recorded since the introduction of the new system. However, it was believed that there was underreporting taking place, particularly in relation to Stage 1 complaints and work was ongoing to remind staff to ensure all complaints and/or expressions of dissatisfaction were recorded.

The Committee noted the contents of the Complaints Report for the period 1 April 2016 - 31 March 2017.

(iv) Confidential Item: Development Performance Report

(v) Confidential Item: Property Services – Year End Report

(vi) Annual Return on the Charter (ARC) – Update

The Committee received Report PAC/7(vi)/JUN/17 and a report in relation thereto from the Business Improvement Manager. It was noted that the Board approved the ARC on 18 May which was thereafter submitted to the Regulator on 26 May. A report would be provided to the Committee following the publication of the Regulator's summary report which was due to be available in August.

The Performance & Audit Committee noted that the Annual Return on the Charter (ARC) and ESSH Return had been approved and submitted to the Scottish Housing Regulator.

225. Policies

Nil

226. Risk Management

(i) Annual Report on Risk

The Committee received Report PAC/9(i)/JUN/17 and a report in relation thereto from the Chief Executive. It was noted that the report highlighted the severe or substantial risks.

A suggestion had been made, and was agreed, to add 'Remuneration Committee' to the responsibility – Member level section of Risk Maps 2 and 5 and to add 'Board of Management' to the same section of Risk Map 1.

The Performance & Audit Committee:

(i) considered the terms of the paper; and

(ii) confirmed that there existed a satisfactory system in place for the review of risk.

(ii) Risk Register

The Committee received Report PAC/9(ii)/JUN/17 and a report in relation thereto from the Business Improvement Manager. He explained that the report provided a summary of any changes which had been made to existing risks since the last Committee meeting, and also any new risks which had been identified.

It was noted that 2 risks had their review date amended, one risk was removed due to it being closely linked to another already on the Risk Register and one new risk was added.

The Performance & Audit Committee noted the exception report of the Bield Risk Register.

227. Any Other Business

- (i) Confidential Item: Annual Appraisal of the External Auditor

228. Date of Next Meeting

Tuesday 15 August 2017 in Edinburgh.