

MINUTES

AUDIT, FINANCE AND RISK SUB-COMMITTEE

Name:	Audit, Finance and Risk sub-committee
Date:	Monday, 13 November 2023
Time:	10:30 am to 12:15 pm (GMT)
Location:	Default Location, Morrison House, Bayfield, Portree
Committee Members:	Mr Robin Nairn (Committee Chair), Mrs Audrey Sinclair, Mr Ian Young, Mr John Watson, Ms Liz Williams
Attendees:	Graeme Coull, Jennifer MacInnes, Neil Clapperton, Sarah Williams

1. Opening Meeting

1.1 Apologies

The minutes from the AFR Sub-Committee meeting held on 14 August had previously been agreed at the Board Meeting

2. Declarations of Interest

2.1 Declarations of Interest

There were no declarations of interest noted.

3. Minutes of Previous Meeting

3.1 Minutes of Previous Meeting (14.08.23)

The minutes of the meeting AFR Sub-Committee Meeting held on 14 August 2023 were approved at the Board Meeting on 28 August 2023, however a small error was noted where EVH was referred to instead of SFHA and members were content with this amendment.

4. Progress Report

4.1 Progress Report from Previous Minutes (14.08.23)

DoFCS advised that the SHR data for Rent Arrears performance for 2022-23 has not yet been published. He also advised that Paul McNeil is carrying out a review on the Treasury Management Policy & Procedure which will be presented in due course.

5. Matters Arising

5.1 Other matters arising

Item 3 - Appointment of Chairperson

A Member advised that they had noticed that according to the Rules the Sub-Committee does not have the authority to appoint the chair of the Sub-Committee and this position should be appointed by the Board. It was noted that the Board had agreed to the minutes, however this will have to be formally rectified.

Item 9 - Audit Findings Tracker Report

DoFCS confirmed that the Action item to review Corporate Services items relating to IT and provide actions for the November Meeting has been included in the updated Audit Findings Tracker.

Item 10 - Internal Audit Reports August 2023 - Budgetary Control and HR Management

Members asked about the sickness figures as it had been agreed this would be included in the quarterly reports. CE suggested it could be reported annually as part of the annual round up as it was operational rather than strategic. Members advised that any member of staff being on long term sick would have an impact on the service and workload of other staff and should be provided as it will be significant to future decision making. DoFCS advised that this information is readily available through Who's Off and can be provided to the CE this week.



Sickness Absence and Absenteeism

DoFCS to provide sickness and absence records to the CE.

Due Date: 17 Nov 2023

Owner: Graeme Coull

6. AFR Business

6.1 Quarterly Management Accounts to 30 September 2023

DoFCS advised Members that the most important issue in the results and projections for the quarter is the overspend in Reactive Repairs against budget, and an in depth discussion followed. Members noted there has been a more than 30% increase in the average Reactive Repair cost over the last 2 to 3 years, even with less repairs being carried out. DoFCS advised that analysis of the variance had been provided with the papers, the key issue is the increase in external costs incurred, and the Asset Management budget has not kept pace with this. Some of the increase this year is attributable to remedial works being carried out as part of the backlog of EICRs; and also due to increased Change of Tenancy costs following the change in the Allocations Policy discussed at previous AFR meetings. Neither of these issues are likely to diminish over the remainder of the financial year. DoFCS discussed challenges with the existing Asset Management system, concluding that it is inadequate and requires substantial investment, in order to allow the Technical Manager to monitor Asset Management activities accurately and in real-time. Based on the projections as provided to Members, we could potentially see a budget overrun in the region of £200k this financial year.

In response to Members' questions, DoFCS advised that the cyclical maintenance programme is on track and close to budget. Tenants were asked last year about their priorities for spending on routine maintenance and the CE advised that it is our intention to ask again this year as part of the Rent Consultation. He also advised that other Associations are making substantial cuts to repairs and maintenance. Members suggested that it is difficult to say no or cut back on Reactive Repairs and may need to have a strategic discussion about "what repairs we do" before going out to consultation on rents so we can ask the right questions. They would like information and recommendations as to what would be necessary and acceptable. DoFCS noted that will also

have to consider what is included with Service Charges, and if any further costs can potentially be recovered by the Association.

It was acknowledged it will be difficult to get the information together in time for the November Board Meeting and that they may require to have an additional Board Meeting in January with a one item agenda.

DoFCS noted that a capital budget had been provided this financial year for Varragill House Roof and CE confirmed the work hasn't proceeded as there have been no tenders. This will impact on next years' available capital budgets. DoFCS noted that is potentially income from the Biomass Sale if it proceeds before financial year end, although this is not certain t due to the required legal processes.

Members also asked about Campbell's Farm sales; DoFCS advised there has been interest in one of the Shared Equity Properties, the others will revert to Social Rent if there is no further interest.

DoFCS confirmed that, based on the projections provided, there is sufficient headroom across all Covenants.

Members **noted** the rest of the Report.

6.2 Quarterly Risk Register Report to 30 September 2023

In response to a Member's question, the CE confirmed that EA and TESM have sufficient in house expertise and provide continuity for tenants.

CE agreed to add in training provided to the Governance Arrangements section of the Strategic Risk Register.

Item 10 - In response to a Member's question the CE advised that the Heat in Buildings Working Group had been overtaken by the Fuel Poverty Working Group, however it will be resumed to refocus on technical issues.

Item 11 - Amendment required to date.

Item 12 - CE advised that the date for HSM has not yet been confirmed as she is still to complete her treatment.

Item 14 - CE to update as this was discussed at the Away Day.

Item 15 - A Member questioned if the statement is correct due to the issues at Munro Place. CE confirmed that it is because some improvements have been made and it's our priority for next year and felt the language is appropriate as the work is underway although more time is required to work through the technical side.

Item 21 - A discussion took place regarding the numbering and it was agreed the Impact should be changed to 4, the Risk Score to 10 and the residual risk to 3.



Governance Training

CE to add training provided to the Governance section of the Risk Register.

Due Date: 17 Nov 2023
Owner: Neil Clapperton



EESSH2

Correct date of Asset Management Programme at Section 11 of the Strategic Risk Register.

Due Date: 17 Nov 2023
Owner: Neil Clapperton



Strategic Risk Register - Item 14

Item 14 of the Strategic Risk Register to be updated as discussed at the Away Day.

Due Date: 17 Nov 2023
Owner: Neil Clapperton



Strategic Risk Register Item 21

Impact of Item 21 on Strategic Risk Register to be changed to 4, the Risk Score to 10 and residual risk to 3.

Due Date: 17 Nov 2023
Owner: Neil Clapperton



Recommendation

Other than the amendments noted, members were content with the entries that exist and the prioritisation of the individual risks and **recommend** the Strategic Risk Register to the Board for approval.

Decision Date: 13 Nov 2023

6.3 Audit Findings Tracker Report

Item AM.1 - In response to a Member's question, DoFCS advised that HomeMaster system has the ability to do the necessary work, but there will be extra costs involved, also it may be the end of the Financial Year before we can get it in place. The Board advised that they consider this to be a priority.

Item CS.8 - DoFCS advised that the training is mandatory and he will follow up this week to ensure all staff are complying.

Item FS.23 is coloured green, but not yet started and to be updated.

Members advised that the comments are difficult to read and would appreciate if this could be improved, however also realising that all the columns are necessary and it may not be possible.



Audit Findings Tracker - Item CS.8

DoFCS to email staff to ensure online ICT training is complete.

Due Date: 17 Nov 2023
Owner: Graeme Coull



Audit Findings Tracker Report - Item FS.23

Item FS.23 colour code to be amended.

Due Date: 14 Dec 2023
Owner: Graeme Coull



Audit Findings Tracker Report

DoFCS to amend layout to make it easier to read if possible.

Due Date: 15 Dec 2023
Owner: Graeme Coull



Decision

Members **reviewed** the Audit Findings Tracker, **noted** the changes and updates since last quarter and **approved** the removal of items newly marked as complete.

Decision Date: 13 Nov 2023

6.4 Treasury Management Operations Report 2022-23

Members asked for it to be made clear in future when documents are for example purposes so they cannot be confused for live reports.

Members **noted** the contents of the report.

6.5 Tender for Provision of Internal Audit Services

DoFCS advised members that the tender for the provision of Internal Audit Services could be done in house, without using the PCS system. In response to members questions DoFCS advised that historically there hasn't been an internal legal check on tenders. The Internal Audit Programme is due to be considered at the next AFR.

DoFCS to add the date to paragraph 3.7, it will be 26 January 2024.

DoFCS to update paragraph 3 of Appendix.



Draft Invitation to Tender - Internal Audit Service 2024 to 2027

DoFCS to add date, 26 January 2023 to paragraph 3.7 and also update paragraph 3 of Appendix 3.

Due Date: 30 Nov 2023

Owner: Graeme Coull



Approve the Internal Audit Tender documents

Members **Reviewed** the draft Tender documents and propose any changes to the content; **Confirmed** the tender timeline; and **Delegated** the running of the Tender process to management; while reserving the decision to recommend the successful provider to the Board for final approval.

Decision Date: 13 Nov 2023

Outcome: Approved

7. A.O.C.B

7.1 New Agenda Item

AFR papers are to be distributed to all Board Members for their information.

Members noted that it appears as though Ian Young is Chair of the AFR, however this is due to the way BoardPro is designed and when you go into the AFR Section then Robin Nairn is correctly marked as the Chair.

Members discussed the length of the papers and advised they could be reduced slightly by only providing the most recent Allia Interest Rate Report in future.

Pensions

DoFCS advised that details of the last tender date for Internal Audit are reported annually to the SHR, therefore completing this tender is not negotiable. He discussed the pension advice tender noting that while it is an important issue, is not mandatory at this time and he asked Members if it could be deferred. Members noted that there is a potential issue with equality due to the different pension rates for office based and technical staff. Members, however, were content to revise the timetable to submit to the June AFR, following which a 90 day staff consultation period will likely be required.

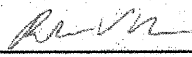
8. Close Meeting

8.1 Close the meeting

Next meeting: Audit, Finance and Risk sub-committee - 12 Feb 2024, 10:30 am

New Actions raised in this meeting

Item	Action Title	Owner
5.1	Sickness Absence and Absenteeism Due Date: 17 Nov 2023	Graeme Coull
6.2	Governance Training Due Date: 17 Nov 2023	Neil Clapperton
6.2	EESSH2 Due Date: 17 Nov 2023	Neil Clapperton
6.2	Strategic Risk Register - Item 14 Due Date: 17 Nov 2023	Neil Clapperton
6.2	Strategic Risk Register Item 21 Due Date: 17 Nov 2023	Neil Clapperton
6.3	Audit Findings Tracker - Item CS.8 Due Date: 17 Nov 2023	Graeme Coull
6.3	Audit Findings Tracker Report - Item FS.23 Due Date: 14 Dec 2023	Graeme Coull
6.3	Audit Findings Tracker Report Due Date: 15 Dec 2023	Graeme Coull
6.5	Draft Invitation to Tender - Internal Audit Service 2024 to 2027 Due Date: 30 Nov 2023	Graeme Coull

Signature: 

Date: 27 November 2023