

MINUTES

AUDIT, FINANCE AND RISK SUB-COMMITTEE

Name:	Audit, Finance and Risk sub-committee
Date:	Monday, 11 November 2024
Time:	10:30 am to 12:30 pm (GMT)
Location:	Default Location, Morrison House, Bayfield, Portree
Committee Members:	Mr Robin Nairn (Committee Chair), Mrs Audrey Sinclair, Mr David Clapham
Attendees:	Graeme Coull, Lowri Richards
Apologies:	Mr Ian Young

1. Opening Meeting

1.1 Apologies

2. Declarations of Interest

2.1 Declarations of Interest

There were no new declarations of interest noted.

3. Minutes of Previous Meeting

3.1 Minutes of Previous Meeting (12.08.24 - for information)

The minutes from the previous AFR Meeting on 12 August 2024 were provided for information and had been approved at the Board Meeting on 26 August 2024.

4. Decision Tracker

4.1 Decision Tracker from Previous Minutes (12.08.24)

Members were content that item 3.1 can be noted as complete.

Item 6.8 - DoFCS advised that there are a few items from ICE which are to be followed up on.

5. Matters Arising

5.1 Other matters arising

6. AFR Business

6.1 Quarterly Management Accounts to 30 September 2024

DOFCS provided the quarterly Management Accounts to 30 September 2024 and provided the report noting the key items. Members were asked if the information provided was sufficient and if there were amendments to be made to the new format. He noted that a more in-depth version was available to view if required and also that monthly reporting will be brought to the board which will highlight any major issues between AFR meetings. Members were in agreement that the new format was good and liked the concentrated version coupled with the commentary given in the memo, which is important.

DOFCS advised that he expects approximately £18k benefit from the interest rate cut announced last week. Despite this DoFCS noted that the overall projection is finely balanced at this stage of the year and that the CE and SMT are conscious of spending on optional items such as non-mandatory training.

A member asked about salary savings. DOFCS noted that he has developed a model which allows us to check actual vs budget for each position and this is being reviewed with the CE monthly. He also advised that the announced Budget change to NI contributions will lead to approximately £50k additional costs for next year and noted that we have started to consider the impact this and other position changes during this year will have on rent setting.

Members asked about the benefit heat pump installations have been on rent arrears, CE advised that it doesn't necessarily correlate.

Members would like targets to be reviewed by the end of the year to ensure they're realistic and achievable, especially around arrears.

A member asked about our high leverage / gearing costs and if it would be good to look more at this. DoFCS advised that the ratios are high relative to the Scottish average due to us being a developer which is a feature of our strategic plan.

Noted.



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Due Date: 31 Dec 2024

Owner: Graeme Coull

6.2 Quarterly Risk Register Report to 31 October 2024

DoFCS advised that a review had been carried out of the Strategic Risk Register noting that since the last version it had been updated to integrate the Business Plan Risk Register.

Members were grateful to have the information in one document. Although they agreed that we should aim to reduce the number of risks, they also were in agreement that the higher number could also reflect the difference in LSHA to other organisations and that we should let it run at the moment.

DoFCS noted that there are a few items in the Register where the colour coding is wrong and this will be amended before being uploaded to the Board Papers for the meeting on 25 November.

Members **reviewed** the Strategic Risk Register and confirmed they are content with the entries that exist;

Confirmed that they are content with the prioritisation of the individual risks

Recommended the Strategic Risk Register to the Board for approval with colour code changes.



DOFCS to amend colour coding on Strategic Risk Register before up...

DOFCS to amend colour coding on Strategic Risk Register before uploading with the Board Papers for the meeting on 25 November.

Due Date: 18 Nov 2024
Owner: Graeme Coull

6.3 Audit Findings Tracker Report to 31 October 2024

DoFCS provided the Audit Findings Tracker giving updates to outstanding items. There were no new recommendations from Internal Audit reports in this quarter.

A Member asked if the removal of items from the Tracker is reviewed by the Internal Auditor, DoFCS confirmed it is. The internal audit Follow Up assignment is due to commence at the end of November and will report to the February 2025 AFR meeting. The Internal Auditor will look for evidence for items which have been marked as complete. DoFCS noted that the Tracker is updated by responsible officers, so it is not all down to one person.

Members

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



Items newly marked as complete to be removed from the Audit Findi...

Items newly marked as complete to be removed from the Audit Findings Tracker.

Due Date: 18 Nov 2024
Owner: Graeme Coull

6.4 Internal Audit Reports

DoFCS provided the Internal Audit Reports which were issued by WBG and advised that the priority ratings have been slightly updated in the memo text to reflect WBG's wording.

In the Financial Controls and Budget Management Audit, 4 recommendations were made, 3 accepted in full and 1 accepted in part. For the Cyber Security Audit there were 7 recommendations, all were accepted in full. For the special Bank Reconciliations Audit there were no recommendations made, and one observation.

Members discussed the recommendations from each audit and advised that the recommendations seem higher than average, but this is not surprising with a new internal auditor.

In relation to the Cyber Security audit, a member suggested that it would be good to have a deep penetration test implemented and ensure any recover plan is actually tested in real life.

Members agreed the Audit Reports were in-depth and thorough, noting that the reports were quite long. DoFCS suggested that he will consider adding more to the covering memo to bring out the main issues, members advised this would not be necessary if it created too much additional work.

Members **reviewed** the Internal Audit Reports and **approved** the proposed management responses and timescales.



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Decision Date: 11 Nov 2024

Outcome: Approved

6.5 Review of Tenders for Provision of External Audit Services

DoFCS provided the Review of Tenders for Provision of External Audit Services. He advised that there had been 5 notes of interest, but only one tender had been received. In response to a Member's question, he advised that we do not receive reasons why tenders were not submitted via the PCS system. DoFCS noted that while it was disappointing that we were unable to test the market, and although the fee increase is large relative to the previous 3+2 year contract, it is not unreasonable given the cost increases incurred by RSM over the same period.

Members:

- **Reviewed** the tender response and scoring documents along with the options appraisal and management recommendation;
- **Considered** and **confirmed** the Management recommendation; and
- **Recommended** to the Board for final approval, the appointment of RSM as the successful tenderer.

6.6 Treasury Management Operations Report 2024

DoFCS provided the Treasury Management Operations Report 2024. He advised that the main treasury management activities undertaken in the last twelve months include the drawdown of the second tranche of loan funding from Unity Trust Bank and the placement in August 2024 of treasury reserve deposits valued at £3.15m with Royal Bank of Scotland.

Members discussed the difficulty in finalising the Unity Trust loan and the level of legal fees involved.

DoFCS advised that we have significant extra security with Triodos and that this could provide a route to further financing subject to competitive pricing.

Noted

6.7 Pension Review

DoFCS provided the Pension Scheme Review Report, providing a base level of information on LSHA's current pension arrangements and risks. Members discussed the risks to the organisation including actuarial losses being made through the discount rate being changed without discussion with RSLs.

Members agreed that it makes sense for an external review to be carried out to identifying and quantify levels of risk, to aid the Board in deciding what level of pension risk LSHA can carry. Afterwards, should changes to existing arrangements be proposed, this could go to staff consultation.

Members also discussed if this decision should go to the Board for approval. They agreed that this was not necessary and that DoFCS should not delay in contacting Spence and Partners for a quote. DoFCS was requested to include the paper relating to this item with the Minutes of the AFR meeting, to highlight the issues to the full Board.

Members **considered** the information provided in the pensions paper and **confirmed** the proposal to engage Spence & Partners for an initial options appraisal.



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Members **considered** the information provided in this paper and to **confirmed** the proposed approach to Spence & Partners for an initial options appraisal.

Decision Date: 11 Nov 2024
Outcome: Approved



DoFCS to contact Spence and Partners for an initial pension schem...

DoFCS to contact Spence and Partners for an initial pension scheme options appraisal.

Due Date: 15 Nov 2024
Owner: Graeme Coull

7. A.O.C.B

7.1 A.O.C.B.

DoFCS discussed timings for future AFR Meetings. He advised that in order to give time to close off the accounts and prepare the full and accurate financial information the existing timings following quarter end of 5 weeks for papers to be issued and 6 weeks for the AFR Meeting should stand. He advised that the June meeting is currently scheduled one week later and that this can be brought in line with the rest of the meeting dates. He noted that the current timeframes are partly driven by lenders and the quarterly statements which are received 2 - 3 weeks after quarter end.

Members asked if the fast close system would not make a difference. DoFCS advised that while the fast close system is very helpful tool in monitoring variance in operating budgets, there is a trade off between timeliness and accuracy and he recommended that the documents for AFR are based on the full quarter end accounting processes.

Members agreed with the proposed timescales for AFR meetings, and dates are to be scheduled. They requested that DoFCS speak with the banks to find out why it is taking so long for them to issue the statements.



Members agreed with the proposed AFR Meeting timescale, and dates...

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Due Date: 18 Nov 2024
Owner: Graeme Coull



DoFCS to contact banks to find out why it is taking so long for t...

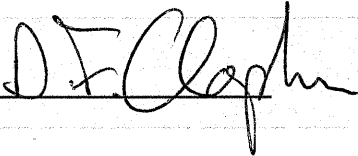
DoFCS to contact banks to find out why it is taking so long for them to issue the statements.

Due Date: 29 Nov 2024
Owner: Graeme Coull

8. Close Meeting

8.1 Close the meeting

Next meeting: Audit, Finance and Risk sub-committee - 10 Feb 2025, 10:30 am

Signature:  Date: 6/12/24