



## The Gateshead Housing Company Audit Committee

Wednesday, 15 May 2013 at 2.00 pm  
Meeting Room 5, The Gateshead Housing Company, Keelman  
House, Fifth Avenue Business Park, Fifth Avenue, Team Valley  
Trading Estate, Gateshead NE11 0XA

### *Agenda*

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Item	Business
1.	<b>Apologies for Absence</b>
2.	<b>Declarations of Interest</b>
3.	<b>Membership</b> To note the appointment of Mick Davison and Eileen Gill onto the committee
4.	<b>Appointment of Deputy Chair</b>  <b><u>ITEM FOR DISCUSSION</u></b>
5.	<b>Minutes of Audit Committee (Pages 3-6)</b> To note the minutes of the meeting of Audit Committee held on 13 March 2013
6.	<b>Matters Arising</b>
7.	<b>Internal Audit Plan 2013/14 (Pages 7-9)</b> Report of Chief Internal Auditor, Gateshead Council

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Item Business

**ITEMS FOR INFORMATION**

8. **2012/13 Internal Audit Update – Progress Report (Pages 10-12)**  
Report of Chief Internal Auditor, Gateshead Council
9. **Items for Future Agendas**
10. **Date and Time of Next Meeting**  
3 July 2013 at 2pm
11. **Exclusion of the Press and Public**  
The committee may wish to consider excluding the press and public from the meeting during consideration of the remaining items in accordance with categories 1 and 4 of the company's Access to Information Rules.

## **AUDIT COMMITTEE**

**13 March 2013**

### **PRESENT:**

#### **Directors**

George Clark  
Peter Mole

#### **Advisers**

Jon Mallen-Beadle	Managing Director
Neil Bouch	Director of Customers and Communities
Gareth Edmunds	Group Accountant, Gateshead Council
Jim Farquhar	Chief Auditor, Gateshead Council
Deborah Clark	Audit and Risk Manager, Gateshead Council
Mick Thompson	KPMG
James Morgan	KPMG
Stuart Gibson	Governance and Risk Officer

#### **Apologies**

Robert Buckley

### **1 MEMBERSHIP AND TERMS OF REFERENCE**

The membership and terms of reference of the committee were submitted.

RESOLVED – That the information be noted.

### **2 APPOINTMENT OF DEPUTY CHAIR**

RESOLVED – That the appointment of a Deputy Chair be deferred until there is a full composition of members on the committee.

### **3 MINUTES OF RESOURCES AND AUDIT COMMITTEE**

The minutes of the meeting of Resources and Audit Committee held on 30 October 2012 were submitted.

RESOLVED – That the minutes be noted.

### **4 IMPLEMENTATION OF AGRESSO VERSION 5.6.2**

The committee received a presentation on the new Agresso system which goes live on 2 April 2013. In particular, the controls, workflow and functionality were highlighted.

RESOLVED – That the presentation be noted.

(Note: Peter Mole declared a non-pecuniary interest in the matter due to be a member of the Northumbrian Policy Authority that would be using the system).

## **5 EXTERNAL AUDIT STRATEGY AND PLANNING MEMORANDUM**

The committee received the external audit strategy and planning memorandum for the financial year ended 31 March 2013 which has been produced by KPMG, the company's external auditors.

RESOLVED – That the external audit strategy and planning memorandum be approved.

## **6 OPERATIONAL RISK REGISTER – CORPORATE SERVICES**

The Operational Risk Register for the Corporate Services Directorate has been reviewed and an updated Register was submitted.

A number of future actions have been implemented and these are now identified as controls within the register. In addition, some new further actions have been identified for some of the risks. The updated operational register also now includes a summary at the beginning of the register.

The Resources and Audit Committee, at its meeting on 30 October 2012, received the Internal Audit Report following the audit of risk management. One of the recommendations in the report was to carry a review of how risks and mitigation are evaluated to allow the operational risk register to be developed to highlight the impact of the cost effectiveness of controls.

The current operational risk register gives the score for likelihood and impact after the risk has been evaluated with the controls in place. It also provides the future actions and recommended timescales for implemented.

It is proposed that the following columns be added to the operational risk register: -

- Residual likelihood after the future actions
- Residual impact after the future actions
- Impact of cost effectiveness of future actions (including any financial implications of implementing the actions)

RESOLVED – (i) That the updated operational risk register for the Corporate Services Directorate be approved, subject to the register being updated where implementation dates have passed and ensuring that the implementation dates of some of the future actions will be achieved.

(ii) That the additional columns in the operational risk register to address the Internal Audit recommendation be approved and the new register for both Corporate Services and Customers and Communities Directorates be presented at the July meeting.

## **7 CODE OF GOVERNANCE**

The Board, at its meeting on 17 May 2012 was informed of the revised regulatory framework for social housing in England which was applicable from 1 April 2012. In particular, the Board was informed that the Localism Act 2011 changed responsibility from the Tenant Services Authority to the Homes and Communities Agency (HCA) Regulation Committee.

The regulator produced an updated set of regulatory standards which contain specific outcomes that providers are expected to achieve as well as details of the role of the regulator. The standards are classified as either 'economic' or 'consumer' and some changed significantly.

The 'economic' standards include a standard around Governance and Financial Viability. This standard does not directly apply to local authorities. However, the regulator will proactively regulate these standards to assure itself that private registered providers are well-governed and financial viable.

One of the specific expectations with the governance standards is to adopt and comply with an appropriate code of governance.

Although the company has never formally adopted a Code of Governance, it does carry out an annual review of governance which have resulted in significant improvements to the way it is governed.

Previous governance reviews have been specifically linked to Codes of Governance that were considered to be best practice at that time,

The National Housing Federation's "Excellence in Governance" has been widely acclaimed as an example of best practice by a range of bodies. The Code makes a distinction between governance and accountability and will ensure that Board Members continue to follow the highest standards of governance.

A checklist which outlines each of the main principles and a list of provisions that must be met to comply with each principle was submitted. The company already complies with most of the provisions, however there further work is needed to meet some of the provisions and proposed timescales are identified in the Appendix to meet these. Once these have been complied with the company would be able to formally adopt the Code of Governance.

- RESOLVED –
- (i) That the Board be recommended to adopt the National Housing Federation: Excellence in Governance as the company's Code of Governance.
  - (ii) That the committee receive updates on progress meeting the actions identified.

## **8 2012/13 INTERNAL AUDIT UPDATE – PROGRESS REPORT**

Progress made by the Internal Audit Service against the 2012/13 audit plan was reported. As at 28 February 2013, 13 final and two draft reports have been issued, with a further two audits being substantially complete. 113% of

the audit plan in terms of actual audit days against planned days was achieved by the Internal Audit Service.

RESOLVED – That the progress report be noted.

**9 DATE AND TIME OF NEXT MEETING**

To be agreed.

**10 EXCLUSION OF THE PRESS AND PUBLIC**

RESOLVED – That the press and public be excluded from the meeting during consideration of the remaining business in accordance with the indicated categories of the company's Access to Information Rules.



## Report to the Audit Committee

13 May 2013

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**Title:** Internal Audit Plan 2013/14

**Report of:** Chief Internal Auditor, Gateshead Council

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### **Purpose of Report**

1. To approve the Internal Audit Plan for the year 2013/14.

### **Summary**

2. The Chief Internal Auditor has produced a plan for the year 2013/14 and it is attached at the Appendix to this report. The plan is based upon a requirement of 196 audit days (207 days for 2012/13).

### **Link to values**

3. This report links to the following company values: -
  - Being honest, accountable and transparent
  - Being motivated, trained and committed.

### **Impact on tenants**

4. No impact directly from this report.

### **Risk Management Implications**

5. The perceived risk of each audit is based on a twelve point assessment taking into account such areas as materiality, complexity of the system, potential for fraud and sensitivity. Based on a score derived from the assessment, audits are categorised as high, medium and low priorities. The Company's risk registers and the previous year's audit work is also reviewed. This informs the time allocation and the frequency in which audits will be carried out.

### **Financial Implications**

6. The cost of the internal audit work plan is fully provided for in the 2013/14 budget.

### **Equality and Diversity Implications**

7. There are no Equality and Diversity implications associated with this report.

### **Value for Money implications**

8. The delivery of the 2013/14 audit plan and the implementation of internal audit recommendations will assist in identifying efficiencies and achieving value for money.

### **Consultation carried out**

9. The plan has been developed following consultation with all relevant stakeholders within the company.

### **Recommendation**

10. The committee is asked to approve internal audit plan for 2013/14.



## Appendix A

	Internal Audit Plan 2013/14	Planned Days	Planned Report to Committee (Quarter)
	<b>CORPORATE SERVICES</b>		
1	TGHC Capital Programme	10.7	1
2	TGHC Counter Fraud Arrangements	6.7	1
3	TGHC Performance Framework	6.7	1
4	TGHC Governance	5.3	1
5	TGHC Asbestos Management	9.3	1
6	TGHC Business Continuity Arrangements	5.3	2
7	TGHC Human Resources	9.3	2
8	TGHC Complaints	6.7	2
9	TGHC Creditors	10.0	3
10	TGHC Budget Setting and Monitoring	5.3	3
11	TGHC Main Accounting	5.3	3
12	TGHC Information Security Management	9.3	3
13	TGHC Health and Safety	4.0	3
14	TGHC Company Payroll	6.7	4
15	TGHC Insurance Arrangements	3.3	4
16	TGHC Corporate IT	1.3	4
		<b>105.3</b>	
	<b>CUSTOMERS &amp; COMMUNITIES</b>		
17	TGHC Keelman Homes	13.3	1
18	TGHC Rent Arrears	20.0	2
19	TGHC Rent Collection	9.3	3
20	TGHC Tenancy Allocation and Lettings	13.3	4
21	TGHC Repairs	12.0	4
22	TGHC Housing Establishments	12.0	4
		<b>80.0</b>	
	<b>GENERAL</b>		
	TGHC Audit Committee	6.7	
	TGHC General Advice, Consultancy and Systems Review	4.0	
		<b>10.7</b>	

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**196**

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## Report to Audit Committee

15 May 2013

**Title:** 2012/13 Internal Audit Update – Progress Report

**Report of:** Chief Internal Auditor, Gateshead Council

### Purpose of Report

1. This report outlines progress made by the Internal Audit Service against the audit plan for the financial year 2012/13.

### Summary

2. The Audit Plan for 2012/13 was agreed by the Resources and Audit Committee on 10 May 2012. Progress against the plan is detailed in the Appendix to this report. As at 1 May 2013 nineteen final and two draft reports have been issued. Two audits are currently still in progress and one has been carried forward into 2013/14. 120.7% of the audit plan in terms of actual audit days against planned days have been delivered by the Internal Audit Service.

### Link to values

3. This report links to the following company values: -
  - Being honest, accountable and transparent
  - Being motivated, trained and committed.

### Impact on tenants

4. No impact directly from this report.

### Risk Management Implications

5. The perceived risk of each audit is based on a twelve point assessment taking into account such areas as materiality, complexity of the system, potential for fraud and sensitivity. Based on a score derived from the assessment, audits are categorised as high, medium and low priorities. This informs the frequency in which audits will be carried out.

### Financial Implications

6. The cost of the internal audit work plan is fully provided for in the 2012/13 budget.

### Equality and Diversity Implications

7. There are no Equality and Diversity implications associated with this report.

### **Value for Money implications**

8. The delivery of the 2012/13 audit plan and the implementation of internal audit recommendations will assist in identifying efficiencies and achieving value for money.

### **Health Implications**

9. There are no Health implications associated with this report.

### **Environmental Implications**

10. There are no Environmental implications associated with this report.

### **Impact on Customers**

11. Implementation of the recommendations will provide our customers with a better service in terms of customer care.

### **Consultation carried out**

12. The audit plan was developed following consultation with all relevant stakeholders within the company.

### **Recommendation**

13. The views of the committee are sought on whether it is satisfied with progress made by the Internal Audit Service against the audit plan for the financial year 2012/13.

## Appendix A

Internal Audit Plan 2012/13	Planned Days	Planned Report to Committee	Progress at May 2013	Opinion
<b>CORPORATE SERVICES</b>				
TGHC Business Continuity Arrangements	5	Jul-12	Final Report Issued	Satisfactory
TGHC Insurance Arrangements	3	Oct-12	Final Report Issued	Operating Well
TGHC Leaseholder Service Charges	7	Oct-12	Final Report Issued	Satisfactory
TGHC Risk Management	9	Oct-12	Final Report Issued	Satisfactory
TGHC VAT Procedures	4	Oct-12	Final Report Issued	Operating Well
TGHC VFM and Efficiency Arrangements	9	Oct-12	Final Report Issued	Satisfactory
TGHC Budget Setting and Monitoring	5	Feb-13	Final Report Issued	Operating Well
TGHC Company Payroll	9	Feb-13	Final Report Issued	Satisfactory
TGHC Creditors	7	Feb-13	Final Report Issued	Satisfactory
TGHC Equality and Diversity	9	Feb-13	Final Report Issued	Operating Well
TGHC Main Accounting	5	Feb-13	Final Report Issued	Operating Well
TGHC Health and Safety	9	Jul-12	Final Report Issued	Satisfactory
TGHC Information Security Management	9	Jul-12	Carried forward	
TGHC Corporate IT	5	Apr-13	Final Report Issued	Satisfactory
	<b>98</b>			
<b>CUSTOMERS &amp; COMMUNITIES</b>				
TGHC Gas Servicing	5	Feb-13	Draft Report Issued	
TGHC Repairs	11	Feb-13	In Progress	
TGHC Furnished Tenancies	9	Jul-12	Final Report Issued	Satisfactory
TGHC Rent Arrears	20	Jul-12	Final Report Issued	Satisfactory
TGHC Rent Collection	9	Oct-12	Draft Report Issued	
TGHC Home Rewards	9	Apr-13	In Progress	
TGHC Tenancy Allocation and Lettings	13	Apr-13	Final Report Issued	Operating Well
TGHC Void Management	9	Apr-13	Final Report Issued	Operating Well
TGHC Anti-Social Behaviour	7	Jul-12	Final Report Issued	Satisfactory
TGHC Housing Establishments	7	Apr-13	Final Report Issued	Satisfactory
	<b>100</b>			
<b>GENERAL</b>				
TGHC Audit Committee	4			
TGHC General Advice, Consultancy and Systems Review	7			
	<b>11</b>			