



AUDIT COMMITTEE

16 October 2013

PRESENT:

Directors

George Clark (Chair)
Sheila Bouitieh
Robert Buckley
Mick Davison
Eileen Gill
Helen Hall
Peter Mole

Advisers

Jon Mallen-Beadle	Managing Director
Natalie Hewitt	Head of Corporate Services
Jim Farquhar	Chief Internal Auditor, Gateshead Council
Deborah Clark	Audit and Risk Manager, Gateshead Council
Stuart Gibson	Governance and Risk Officer

Apologies

Joachim Moussounda Mouanda

23 APPOINTMENT OF VICE-CHAIR

RESOLVED – That the appointment of a Vice-Chair be deferred until the next meeting of the committee when the new membership will have been agreed.

24 MINUTES

The minutes of the meeting of the committee held on 3 July 2013 were approved as a correct record.

25 MATTERS ARISING – DRAFT DIRECTORS' REPORT AND FINANCIAL STATEMENTS – 2012/13

The Company is still discussing whether it could recover the £115,000 provision against amounts due as a result of fire damage.

26 INTRODUCTION TO INTERNAL AUDIT AND THE ROLE OF THE AUDIT COMMITTEE

The committee received a presentation from Jim Farquhar, Chief Internal Audit, Gateshead Council. In particular, the following were highlighted: -

- What is Internal Audit
- The Three Lines of Defence Model
- Internal Audit Strategy
- Work Programme
- Risk Assessment Tool
- Performance
- Priority of Recommendations
- Reporting Opinions
- The process
- Action Plans for Management
- Statement of Internal Control
- Special Investigations
- Audit Committee's Terms of Reference
- An Effective Audit Committee

RESOLVED – That the presentation be noted and posted on the TGHC website.

27 CODE OF GOVERNANCE

The committee received an update on progress meeting the actions identified in the action plan following agreement to adopt the National Housing Federation: Excellence in Governance as the Company's Code of Governance.

One of the actions identified as good practice was that consideration should be given to whether the Chair of the Board should be appraised by an independent third party or Chair of Audit Committee. The Chair is currently appraised by members of Resources Committee. In line with good practice, it was proposed that in future the Chair of the Board should be appraised by the Chair of Audit Committee and the Chair of Resources Committee. The committee felt that the Managing Director should also have an input.

The NHF guidance advises that Boards should consider any potential conflicts of interest and adopt policies limiting the number of board members who are the paid staff or board members of other housing providers. As previously reported in the action plan, there are no paid staff on the TGHC Board of Directors.

In respect of potential conflicts of interest regarding the number of board members of other housing providers, the Company has previously had directors who are board members of other housing providers and this has never proved an issue. The Company has in place appropriate mechanisms for recording and declaring any interests and therefore it was proposed that there is no need to amend the Recruitment Policy to reflect this.

The Committee did consider however that the application form for the appointment new Independent Directors should be reviewed.

The action plan recommends a more structured reporting mechanism in place between TGHC and Keelman Homes. Recently a number of reports have been considered by Keelman Homes and reported to the Board for information which addresses this issue. In addition, the TGHC and Keelman Homes Board Meetings in September 2013 were both held at Kibblesworth Lounge with a joint visit of the new build site. This also provided an opportunity for both Boards to interact with each other.

It was recommended that the Board receives the minutes of the Keelman Homes Board for information.

The company currently has an informal arrangement whereby the committee chairs are Board Champions for these areas. It was proposed that the Governance and Risk Officer carry out further investigations into arrangements within other organisations and report back to the next meeting of the committee.

A number of policies within the Governance Handbook were out of date and with the exception of the Senior Management Key Responsibilities and Delegation to Managers (which are currently being reviewed) have now been updated to reflect the current committee and senior management structures.

The Protocol for Meetings of the Board and its Committees is out of date and most of this is no longer relevant or is picked up elsewhere within the organisation. It was proposed that the Protocol be deleted from the Governance Handbook.

The current Board induction process has been in place since the Company was established. On appointment, new directors are provided with a comprehensive Induction Pack, a mentor is identified and training needs are identified. In addition, new directors have an informal meeting with the Chair of Board after six months of service to see how they are settling in and whether they have any issues.

The action plan recommended that a time limited task group be set up to look at this. It was proposed that volunteers to sit on the task group be sought at the Board Meeting in November.

The Code of Conduct for Directors of the Company was re-written by Arvinda Gohil, Housing Quality Network in line with best practice and agreed by the Board in July 2008. The Code of Conduct has not been reviewed since then.

The National Housing Federation: Excellence in Governance which the Company's Code of Governance is based on was also written by Arvinda Gohil. A review of the Code of Conduct has been carried out to ensure it complies with this. Consultation has also been carried out with other ALMOs to identify any good practice.

Following the review, it appears that the Company's Code of Conduct for Directors of the Company already complies with good practice. However,

updates are proposed in some areas, details of which were reported. An updated Code of Conduct was submitted.

In addition, the committee suggested some further amendments to paragraphs 13, 15.2 and 19 of the Code.

The NHF suggested that all Board Members should be provided with copies of the following publications in order to familiarise themselves with them: -

- Excellence in Governance: Code for Members
- Excellence in Standards of Conduct: Code for Members

A request has been made to the NHF for sufficient licences to post these on the Board Members Website and the cost of these is being awaited.

RESOLVED – That the following proposals be recommended to the Board for approval: -

- The Chair of the Board be appraised by the Chair of Audit Committee and Chair of Resources Committee, with input from the Managing Director.
- No amendments be made to the Recruitment Policy regarding the number of board members of other housing providers.
- The application form for the appointment of new Independent Directors be reviewed.
- Further investigations be carried out into arrangements around Board Champions within other ALMOs.
- The Protocol for Meetings of the Board and its Committees be deleted.
- The Board receive the minutes of Keelman Homes for information.
- Volunteers to sit on time limited task group to look at the current induction process be sought at the Board Meeting in November.
- The updated Code of Conduct for Directors of the Company be approved, subject to some amendments in relation paragraphs 13, 15.2 and 19 of the Code and these be highlighted in a different colour when reporting to the Board.
- The Action Plan be updated and posted on the Board Members Website after consideration by the Board.

28 2013/14 INTERNAL AUDIT PLAN – PROGRESS REPORT

Progress made by the Internal Audit Service against the audit plan for the financial year 2013/14 was reported.

As at 30 September 2013, four final and one draft reports had been issued and a further nine were currently in progress. The four final reports issued equated to 18% of audits planned for the year.

As at 30 September 2013, 63% of actual to planned hours had been completed. This was therefore well in excess of the profiled target of 48.63% of actual hours being completed by the end of quarter two and on course to achieve the annual target of 97.25%. This included all time expended during the first two periods including audits completed in relation to the previous financial year and current year audits that were in progress.

The Chief Internal Auditor gave an assurance that all the internal audit reports currently in progress would be presented to the next meeting of the committee.

- RESOLVED – (i) That the information be noted.
- (ii) That future progress reports also include the risk score for each audit.

29 DATE AND TIME OF NEXT MEETING

The next meeting of the committee will be held on Tuesday 14 January 2014 at 2pm in Board Room 2.

30 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.