

Please note – these Minutes have been edited to remove any commercially sensitive or confidential discussions

## ITEM 2

### MELVILLE HOUSING ASSOCIATION LIMITED

Minute of the Audit Committee Meeting held on Monday 29 July 2019 at 6.00pm in the Board Room, Corn Exchange, 200 High Street, Dalkeith

**PRESENT:** Glen Alexander  
Donna Bogdanovic  
Paul Cameron  
Robert Jack  
Clare Marshall

**IN ATTENDANCE:** Morag MacDonald, Chief Operating Officer  
Euan Morrison, Chiene + Tait  
Stephen Pringle, Wylie & Bisset  
Mary Monteith, PA to Chief Executive (Minute)

#### G ALEXANDER IN THE CHAIR

**1a OPENING REMARKS**

**Action  
Required**

The Chair welcomed everyone to the meeting, especially representatives from Chiene + Tait and Wylie & Bisset.

**1b DECLARATION OF ANY OTHER COMPETENT BUSINESS**

**Noted** that there was one item of any other business to be raised – The Engagement Letter from Wylie & Bisset, arrived today for signing by the Audit Committee.

**Note**

**DECLARATION OF INTEREST**

**1c**

**Noted** that the Chief Operating Officer declared that they are a Director of Ironmills Development Ltd.

**Note**

**1d APOLOGIES**

**Noted** that apologies were received from Caron Quinn and Andrew Noble.

**Note**

2	<b>MINUTE FROM PREVIOUS MEETING 14 JANUARY 2019 AND MATTERS ARISING</b>	<b>Action Required</b>
2.1	<b>Noted</b> that the Chair took members through the minutes and these were <b>approved</b> by Clare Marshall and seconded by Paul Cameron	<b>Approve</b>
	<b>Matters Arising</b>	
2.2	There were no matters arising from the previous meeting.	<b>Note</b>
3	<b>NOTIFIABLE EVENTS</b>	
3.1	<b>Noted</b> that as reported – we have no notifiable events.	<b>Note</b>
3.2	<b>Noted</b> that the Chair asked members if they were aware of any other notifiable events. Members confirmed that there were no other notifiable events that they were aware of.	<b>Note</b>
3.3	The Audit Committee <b>noted</b> the contents of this report.	<b>Note</b>
4	<b>RISK MAP</b>	
4.1	<b>Noted</b> that due to a formatting issue, new A3 copies of the Risk Map with changes highlighted (mainly relating to Housing) were presented at Members places.	<b>Note</b>
4.2	<b>Noted</b> that the Chief Operating Officer was asked if the communication issues with the DWP, which can be problematic, should be included in the Risk Map. It was noted that we do provide feedback to the DWP however responses tend to be generic. It was also pointed out the changes to the risk register, which highlight the wrap around services to increase referral and outcome reporting on direct services, will mitigate against ongoing issues with the DWP and Universal Credit in particular.	<b>Note</b>
4.3	The Audit Committee <b>noted</b> the additions to the Risk Map	<b>Note</b>
5.	<b>EXTERNAL AUDIT ANNUAL REPORT AND ANNUAL ACCOUNTS</b>	
5.1	<b>Noted</b> that the representative from Chiene & Tait, introduced the External Audit report and gave a brief explanation of the	<b>Note</b>

	audit process. Members were directed to the Audit Summary Report.	<b>Action Required</b>
5.2	<b><u>Noted</u></b> that it was explained that the auditors were awaiting confirmation from the Bank on a very minor presentational adjustment and that no internal weaknesses were identified during the audit.	<b>Note</b>
5.3	<b><u>Noted</u></b> the main business risks which were identified at the planning stage and tailored to Melville had been satisfied during the audit, including: <ul style="list-style-type: none"> <li>▪ Existence and ownership of our housing stock - which had been confirmed by solicitors since the report had been issued</li> <li>▪ Recoverability of Rent Arrears</li> <li>▪ Completeness of rental income, void loss etc</li> <li>▪ Provisions with regard to our properties affected by CO2 at Newbyres Avenue, Gorebridge</li> <li>▪ Borrowings and Covenants</li> <li>▪ Accounting and disclosure in respect of subsidiary company</li> <li>▪ Accounting for major works and development</li> <li>▪ Accounting for derivatives</li> <li>▪ Checks for the opportunity for Fraud</li> <li>▪ Related parties Transactions</li> <li>▪ Liabilities</li> <li>▪ Compliance</li> </ul>	<b>Note</b>

**Issues arising during the Audit**

5.4	<b><u>Noted</u></b> that as advised during last year's audit, following changes to FRS 102 it was necessary to have a Deed of Covenant in existence by the year end to accrue the payment of gift aid from IDL. This was duly approved and signed. It was also noted that the presentation of gift aid payments has changed slightly to show the payment as a distribution of reserves rather than expenditure of income.	<b>Note</b>
5.5	<b><u>Noted</u></b> that as previously agreed, there was no separate audit of Ironmills but their financial transactions were reviewed during the Melville audit and Chiene & Tait were satisfied that the	<b>Note</b>

	group financial statements are not misstated.	<b>Action Required Note</b>
5.6	<b><u>Noted</u></b> that whilst the auditors were satisfied with the treatment of the HEEPS Loan for energy efficiency works, it has been included as an unadjusted difference on the letter of representation.	
5.7	<b><u>Noted</u></b> that with regards to property revaluation, the auditors were satisfied that it was not necessary to impair the new build costs in advance of the next external valuation.	<b>Note</b>
5.8	<b><u>Noted</u></b> that in relation to issues with high levels of carbon dioxide in our housing stock at Newbyres, Gorebridge, C+T were satisfied that given the improvements highlighted by independent consultants there was no material impairment in the carrying value of the properties.	<b>Note</b>
5.9	<b><u>Noted</u></b> that service charges had been closely monitored during the year and the difference between income and expenditure had reduced during the year.	<b>Note</b>

### **Letter of Representation**

5.10	<b><u>Noted</u></b> that Members were asked to review the Letter of Representation and recommend approval and signing by the Board at their meeting on 7 August.	<b>Note</b>
5.11	The Audit Committee <b>noted</b> the contents of this report and agreed to recommend the Accounts and Letter of Representation to the Board for <b>approval/signing</b>	<b>Note Approve</b>

### **6. MEETING IN PRIVATE WITH EXTERNAL AUDITOR**

6.1	<b><u>Noted</u></b> that in line with good practice, staff members left the meeting to allow audit committee members to meet in private with the external auditor.	<b>Note</b>
-----	--	-------------

### **7. INTERNAL AUDIT – ANNUAL REPORT FOR 2018/2019**

7.1	<b><u>Noted</u></b> that the auditor referred Members to the Overall Opinion detailed in the Annual Report which states that Melville has adequate and effective risk management, control	<b>Note</b>
-----	---	-------------

	and governance processes in place. He also pointed out that we had done really well with a lower number of action points than many of his other clients.	<b>Action Required</b>
7.2	<b>Noted</b> that it was highlighted that 100% of their KPI's had been met.	<b>Note</b>
7.3	<b>Noted</b> that members were reminded that at the March Audit Committee, approval was given to extend the Wylie & Bisset appointment for a further two years and that following this extension, the Auditor met with the Chief Executive to discuss the Audit Plan for 2019/2020. He noted that following areas were scheduled for audit during the year: <ul style="list-style-type: none"> <li>▪ Property Development &amp; Housing Allocations on site for 5 days w/c 28 October 2019</li> <li>▪ Fire Safety – 3 days w/c 3 February 2020</li> <li>▪ Follow up Reviews – 2 days</li> </ul>	<b>Note</b>
7.4	<b>Noted</b> that the Audit Committee members were asked if they were happy to approve this timetable. One member commented that they were happy, as it covered all the areas that had been previously discussed.	<b>Note</b>
7.5	<b>Noted</b> that it was pointed out that there was no specific financial control audit during 2019/20 and the Auditor assured the Committee that there were no concerns as there would be the annual external audit.	<b>Note</b>
7.6	<b>Noted</b> that Members asked about a review of the Annual Assurance Statement and the timings of the Audit Plan for 2020/21. Following a discussion on this it was agreed that this would come to the March Committee to allow time for preparation of the 20/21 Annual Statement.	<b>Note</b>
7.7	<b>Noted</b> that it was commented that it would be useful to have Governance covered in the Audit Plan for 2020/21.	<b>Note</b>
7.8	The Audit Committee <b>approved</b> the Audit Plan for 2019/2020.	<b>Approve</b>

<b>8.</b>	<b>MEETING IN PRIVATE WITH INTERNAL AUDITOR</b>	<b>Actions Required</b>
8.1	<b>Noted</b> that in line with good practice, staff members left the meeting to allow audit committee members to meet in private with the internal auditor.	<b>Note</b>
<b>9.</b>	<b>INSURANCE SUMMARY</b>	
9.1	<b>Noted</b> that the Chief Operating Officer advised members that the summary table provided in the report set out the relevant insurances in place, including terrorism. It was explained that this was in place to cover such eventualities as a tenant detonating a device they were making and damaging surrounding properties (as well as direct attacks).	<b>Note</b>
9.2	<b>Noted</b> that it was highlighted that whilst insurance costs had risen in the past year, they were still considerably lower than they had been prior to our tendering a new service.	<b>Note</b>
9.3	<b>Noted</b> that members were reminded that our insurance services were tendered in 2016 and a new broker, Arthur J Gallagher (AJG), was appointed for three years from 1 April 2017 to 31 March 2020 with an option to extend for a further 2 years. It was commented that we have received an excellent level of service and support from AJG during the contract, with significant reductions to our. The Audit Committee were asked to consider approving the extension of this contract.	<b>Note</b>
9.4	The Audit Committee <b>noted</b> the contents of this report and advised that they were happy, given the value for money advice provided, to <b>approve</b> the continuation of the AJG Contract for a further two years.	<b>Note Approve</b>
<b>10.</b>	<b>AUDIT COMMITTEE CHECKLIST</b>	
10.1	<b>Noted</b> that it was explained to members that this check list is a means of allowing members to assess their performance as a Committee and their support to the Board in line with their remit.	<b>Note</b>

<p>10.2 <b>Noted</b> that members discussed the checklist and agreed that they would like to see more Audit Committee specific training included in the Induction training given to new Board Members. It was suggested that this be added to the Away Day Agenda.</p>	<p><b>Action Required Pass info to AN</b></p>
<p>10.3 The Audit Committee <b>noted</b> the contents of this report and <b>agreed</b> that the information on the checklist was an accurate representation of the Audit Committee performance for the year</p>	<p><b>Note Agree</b></p>
<p><b>11. AUDIT COMMITTEE DRAFT ANNUAL REPORT</b></p>	
<p>11.1 <b>Noted</b> that Members reviewed the Draft Annual Report which set out the activities covered by the Committee in the last year and the Audit Committee Remit.</p>	<p><b>Note</b></p>
<p>11.2 <b>Noted</b> that there was a lengthy discussion regarding information contained in the Policy Register. It was explained that the Employment Policies, which have been out of date for a while, were held back to allow the Job Review and Pay and Grading exercise to be completed. They are being combined into a new Employee handbook and will be presented to the November Board Meeting – these individual policies will then be removed from the Register.</p>	<p><b>Note</b></p>
<p>11.3 <b>Noted</b> that members were advised that although nothing is written in the current status box (unless the policy is overdue) staff are sent any policies due for review timeously. Members were also reminded that the review date was set as a guide and was not a fixed date, ie. slippage of a few months would not be critical; the date was simply there to ensure policies were reviewed at least every 3 years. It was also pointed out that with the exception of the policies that must be presented to the Board, the Senior Management Team has delegated authority to review and approve policies with minor amendments.</p>	<p><b>Note</b></p>
<p>11.4 <b>Noted</b> that after consideration the Audit Committee agreed that the Annual Report of the Audit Committee should be submitted to Melville’s Board on 7 August.</p>	<p><b>Note Approve</b></p>

<b>12. POLICY REGISTER</b>	<b>Action Required</b>
12.1 <b><u>Noted</u></b> that Members discussed the Policy Register during the previous item.	<b>Note</b>
12.2 The Audit Committee <b><u>noted</u></b> the contents of the updated policy register.	<b>Note</b>
 <b>13. REGISTERS</b>	
13.1 <b><u>Noted</u></b> that there had been the following entries in the registers since the last meeting of the Audit Committee:	<b>Note</b>
<ul style="list-style-type: none"> <li>▪ 6 items recorded in the Entitlements, Payments and Benefits Register</li> <li>▪ 3 entries in the Declaration of Interests Register</li> </ul>	
13.2 <b><u>Noted</u></b> that there have been no entries to any of the other registers since the last Audit Committee meeting.	<b>Note</b>
13.3 <b><u>Noted</u></b> that registers were signed following the meeting.	<b>Note</b>
 <b>14. ANY OTHER COMPETENT BUSINESS</b>	
14.1 <b><u>Noted</u></b> that there was one Item of Other Competent Business:-	<b>Note</b>
<p>Following the two year extension to their appointment, Wylie &amp; Bisset’s Engagement Letter arrived today for signing, if approved, by the Audit Committee.</p> <p>The Audit Committee <b>approved</b> the signing of this document by the Chair.</p>	<b>Approve</b>
 <b>15. DATE OF NEXT AUDIT COMMITTEE MEETING</b>	
15.1 <b><u>Noted</u></b> that the next Audit Committee meeting will be held on 2 December 2019	<b>Note</b>