

**MINUTES OF THE MEETING OF THE AUDIT COMMITTEE OF
BLACKPOOL COASTAL HOUSING LIMITED
HELD AT COASTAL HOUSE, ABINGDON STREET, BLACKPOOL
ON WEDNESDAY 22 JANUARY 2020 AT 6.00PM**

Present: Mr A Szatkowski, Independent, Non-Executive Director (Chairman)
Mr Herring, Tenant Non-Executive Director
Mrs V O’Shea, Tenant Non-Executive Director

In attendance: Mr S Dunstan, Director of Resources
Ms C Lamprey Involvement and Communications Manager
Ms T Greenhalgh, Head of Audit and Risk (Internal Audit Advisor to the Board)
Mr J Pickup, Data Protection Officer’s representative, Blackpool Council
Mr P Walters, Housing Quality Network (HQN) (Observer)
Miss Y Burnett, Company Secretary Support

		Actions
1.	<p>Introductions</p> <p>The Chairman welcomed Mr Peter Walters from Housing Quality Network (HQN) who had attended to observe the Committee proceedings as part of the review of the Company. Around the table introductions were provided.</p>	
2.	<p>Apologies for Absence</p> <p>Apologies for absence were submitted on behalf of Mrs Upton, Independent Non-Executive Director and Councillor Robertson BEM, Non-Executive Director.</p>	
3.	<p>Declarations of Interest</p> <p>There were no declarations of interest.</p>	
4.	<p>Minutes of the last meeting held on 11 September 2019</p> <p>The Committee agreed: To approve the minutes of the Committee meeting held on 11 September 2019 as a correct record.</p>	
5.	<p>Matters Arising</p> <p><u>Audit and Scrutiny Action Tracker – Health and Safety Recruitment</u> Mr Dunstan advised the Committee that an internal transfer was being considered to provide support to the Health and Safety Officer and he anticipated the recruitment would be completed before the next financial year (April 2020).</p>	

	Actions
<p><u>Audit and Scrutiny Action Tracker – Repairs Service</u> It was reported that the accreditation of the Repairs Service, referred to at the September 2019 meeting, had been completed and HQN had unofficially confirmed that the accreditation had been awarded. Mr Dunstan added that Mrs Cornall would be presenting a report at the next Board meeting.</p> <p><u>Health and Safety Update – Priority Work Streams</u> Mr Dunstan informed the Board that the Company had undertaken a procurement exercise for the appointment of an external contractor for the removal of asbestos. He added that Stage One had been completed and Stage Two would be completed within the next fortnight and an update report would be presented at the next Board meeting.</p> <p><u>Strategic Deep Dive Briefing – Housing Account not financially viable</u> The Board was advised that the HRA Finance Group had reviewed the HRA Financial Metrics previously submitted and agreed a set of measures on which the HRA would be assessed. Mr Dunstan explained that they be included in the new Council Housing Investment Programme (CHIP) and a report would be presented at the next Board meeting to provide further details.</p> <p><u>Any Other Business – Inside Housing Article</u> Mr Dunstan confirmed that as part of the Strategy Away Day examples of the significant failings of other ALMO’s had been referred to.</p> <p>6. Appointment of External Auditor</p> <p>Mr Dunstan advised the Committee that the Council, in its role as Member, had appointed Smith Craven as External Auditors for all eight wholly owned companies. He explained that the Company already provided services to five of the wholly owned companies and the contract was for one year, with the option to extend for a further three audit cycles (four years in total).</p> <p>The Board was informed that a meeting with representatives from Smith Craven had been scheduled for 11 February and would be attended by Mr Donnellon, Mr Dunstan and Ms Murphy (Head of Finance). Mr Dunstan explained that an External Audit Plan would be presented at the next Committee meeting for consideration.</p> <p>In response to a number of questions, Mr Dunstan explained that as part of the procurement exercise potential suppliers had to demonstrate housing sector experience and Smith Craven already provided services to Blackpool Housing Company. He added that it was normal for a one-year contract to be issued, with the option of an extension to monitor performance.</p>	<p style="text-align: center;">SD</p>

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<p>Mr Dunstan reported, in response to a question from the Chairman that as this was a Member appointment there was no requirement for Board approval, but would be raised for noting at the next meeting. He added that whilst he had not received confirmation of the External Auditors fee, he expected there to be no additional cost to the Company due to the wholly owned company group procurement.</p> <p>The Committee agreed: To note the update.</p> <p>7. Audit Plan, Reports and Actions Plans</p> <p>Ms Greenhalgh informed the Committee that two Internal Audits had been undertaken.</p> <p><u>Internal Audit Report Final – Core Financial Controls Compliance Testing – Social Housing Rents 2019/ 2020</u></p> <p>The Committee was advised that the Internal Audit had been commissioned by the Council to provide assurance that the controls in place were operating as expected. Ms Greenhalgh confirmed that overall the audit had assessed that there was an adequate system of controls over the social housing rents systems. However, there was scope to enhance further controls and four recommendations had been made, of which one was a Priority 2. The recommendations included the process for checking manual rent adjustments and appropriate tenant identification. She added that evidence demonstrated a satisfactory level of compliance in all areas of key financial controls tested.</p> <p>In response to questions from Mr Herring, Mr Dunstan confirmed that recommendation R4 (Steps should be taken to ensure that two suitable forms of ID have been provided) should already been operating and all employees had been trained and it was perhaps related to a lack of documentation, but he would investigate the matter further.</p> <p>Ms Greenhalgh explained, in response to a question from Mr Herring that a sample size of 35 transactions had been audited in line with CIPFA recommendations. She added that sample sizes were extended to 56 if one error was identified, 74 for two errors etc. if four errors were identified in a sample of 109 this was considered as an absolute failure.</p> <p>The Chairman suggested that further details of the ‘agreed action’ was required in relation to Recommendation 4. It was agreed that further narrative would be provided for inclusion in the audit tracker.</p> <p>In response to a question from the Chairman, Ms Greenhalgh believed the Company operated a self-declaration basis, which required an employee to register an interest if they were also a social housing tenant. She offered to</p>	<p></p> <p>SD</p> <p>TG</p>

	Actions
<p>review the audit working papers and circulate further details after the meeting. In response to a further question, she confirmed that the National Fraud Initiative (NFI) software was not be used to match employees against tenancies, but the Council had in house software that could be used for that purpose should permission be granted by BCH to access the data.</p>	<p>TG</p>
<p><u>Internal Audit Report Final – Review of Recommendations Follow Up</u> Ms Greenhalgh advised the Committee that following its recommendation an audit had been undertaken on a random sample of recommendations from the Audit and Scrutiny Action Tracker, including a review of the disputed recommendations arising from the TOWER Anti-Social Behaviour (ASB) Scrutiny Report. She reported that the audit had identified some issues relating to the completeness of the tracker not reflecting an accurate or current position. The overall view was that good controls were in place and only minor control improvements were required to improve the quality and timeliness of updates.</p>	
<p>The Chairman referred to a Priority 2 recommendation from the Internal Audit - Review of Building Regulations and Fire Safety, which had recommended a formal review process for the Fire Safety Plan. He noted that the original completion date had been changed on three occasions from 30 March 2019, 30 September and now 31 March 2020 and sought assurance that this worked would be completed by the revised date. Mr Dunstan explained that the Senior Management Team and named responsible officers now met on a quarterly basis to update the Tracker. He added that whilst the Internal Audit Review of Fire Risk Assessments was not due until the end of March 2020, an invitation could be extended to the responsible officers Mr Mark Midgley, Health and Safety Advisor and Mr Jamie Weston, Head of Assets and Services to attend the March Committee meeting to update on progress.</p>	<p>SD</p>
<p>The Committee suggested that responsible officers be invited to attend future Committee meetings to provide an explanation should there be any further missed deadline dates. The Chairman also suggested improvements could be made to the Tracker e.g. percentage of completed recommendations and offered to discuss those in detail with Mr Dunstan and the Company Secretary.</p>	<p>AS/ SD/ Co Sec</p>
<p>The Committee agreed:</p> <ol style="list-style-type: none"> 1. To invite Mr Midgley and Mr Weston to attend the 18 March 2020 Committee meeting to explain the delay in completing the Priority 2 recommendation from the Internal Audit - Review of Building Regulations and Fire Safety. 2. To adopt the same approach as (1) if other recommendations were not completed by the agreed deadline. 3. To consider enhancing the Tracker. 4. To note the update. 	

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<p>8.</p>	<p>Audit and Scrutiny Action Tracker</p> <p>The Committee reviewed the updated Audit and Scrutiny Tracker and noted that overall good progress had been made. Mr Herring questioned why not all employees had completed data protection training by the March 2019 deadline. Mr Pickup explained that the Company's compliance rate was high in comparison to other organisations, but accepted that it should be aiming for 100%. Mr Dunstan added that only two employees had not completed the online training and new starters were now required to complete the training as part of their induction.</p> <p>In reviewing the Scrutiny element of the tracker, Ms Lamprey explained that there had been some confusion regarding the timescales for providing feedback, which had previously been reported as being three months. She circulated the TOWER Scrutiny Planner, explaining that following the completion of a Scrutiny report updates were provided to the TOWER Scrutiny Panel at their weekly meetings on an ad hoc basis and Panel Members were encouraged to ask for progress reports from service managers on a timely basis. In response to a question from Mrs O'Shea, Ms Lamprey explained that the TOWER Scrutiny comprised of six volunteers, but due to fluctuating attendance, this caused issues when ensuring all Members were informed about developments and progress and there was a need for a more formalised process. The Chairman suggested that the Tracker should be presented at a formal meeting, but TOWER Members should be responsible for determining the frequency of receiving updates.</p> <p>In response to a question from Mr Herring, Mr Dunstan explained that the IT repairs system had been replaced since the original TOWER recommendation had been made, but it was unclear why TOWER Panel Members had not received a demonstration following their Repairs Reassessment Report in 2017. He added that a responsible officer had not been identified on the Tracker as the post holder had left the Company and the post had subsequently been removed from the structure, but he would identify a suitable person from within the Repairs Service to progress the recommendation.</p> <p>It was suggested that in order to standardise the process, Scrutiny should adopt the priority system used by internal audit. Ms Lamprey proposed that the level of priority could be identified during the feedback meeting held with the relevant service manager to discuss the findings and agree an action plan, prior to being submitted to the Senior Management Team and the Board.</p> <p>The Committee noted the comments from the Internal Audit (Review of Recommendations Follow Up) that there had been sufficient time to implement the recommendations from the Repairs Reassessment Report</p>	<p></p> <p>SD</p> <p>SD</p>

		Actions
10.	<p>Fraud Update</p> <p>Mr Dunstan advised the Committee that a potential fraud was being investigated. He explained that a tenants' Direct Debit rental payments had been reclaimed (reversed) by the tenants' bank and initially, it was believed that the tenant had been the victim of a fraud. Mr Dunstan added that investigations were ongoing and he would liaise with Ms Greenhalgh to confirm whether this was an isolated case and if Police involvement was necessary. He agreed to provide an update at a future meeting.</p> <p>The Committee agreed: To note the update.</p>	SD
11.	<p>Health and Safety Update</p> <p>Mr Dunstan presented the Committee with an update on the current position regarding Health and Safety matters. In addition, he circulated the minutes of the Health and Safety Committee meeting held on 9 December 2019 and the Quarter 3 Performance Scorecard.</p> <p>The Committee welcomed the inclusion of the High Risk Monitoring Report, but questioned the timeliness of the information as the reported period was November 2019. Mr Dunstan offered to discuss the matter with the appropriate service managers to ascertain if data that was more current could be provided at Committee meetings. He also suggested the possibility of providing Committee members access to the ASSURE (Health and Safety software), if this was applicable.</p> <p>The Chairman suggested that the presentation of the Electrical Installation Condition (EICR) data could be improved by the additional use of percentages of properties.</p> <p>The Committee agreed:</p> <ol style="list-style-type: none"> 1. To continue to receive the High Risk Monitoring report and details of the Fire Risk Assessments at future meetings. 2. To note the update. 	SD SD
12.	<p>Strategic Risk 'Deep Dive' Briefing – Failure to Comply with Legislation and Significant Business Interruption</p> <p>Mr Dunstan advised Members that following the Strategic Away Day an additional risk had been added to the Strategic Risk Register, Risk 11 - Failure to address climate emergency. He offered to review the controls and mitigation and the associated net risk scores for the existing risks prior to the next Committee meeting and submission to the Board for approval, to ensure</p>	SD

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<p>they were still appropriate.</p> <p><u>Risk 9 – Failure to comply with legislation and best practice relating to service and tenant information leads to data breach, fraud or financial penalty</u></p> <p>Mr Dunstan presented his report, explaining that in 2019 a Business Continuity workshop had been convened involving the Senior Management Team and selected key managers. The Council’s Risk Services Team had facilitated the workshop reviewing the Company’s critical activities.</p> <p>The Audit Committee approved the new Business Continuity Plan in March 2019, but Mr Dunstan suggested that a full annual review would be appropriate and confirmed that this would be undertaken over the next few weeks, with the results reported to the next Audit Committee.</p> <p>Mr Dunstan reported that the Company had a role within the wider business continuity arrangements of the Council and had been due to participate in a corporate exercise in the autumn, but it had been cancelled due to Brexit. The Committee was informed that this exercise was unlikely to be rescheduled before 2021.</p> <p>It was reported that the Company had reciprocal arrangements for alternative accommodation with both the Council, Blackpool Housing Company and Housing Options.</p> <p>Mr Dunstan informed the Board that an incident had occurred over the Christmas period when the Council’s IT Department had undertaken work on the misapprehension that the Company offices were closed, which had resulted in the loss of data from the Orchard system. He added that arrangements were now in place for the Company to receive advance warning of any IT work and the Plan had been updated accordingly, proving that the Business Continuity Plan was a living document.</p> <p>In response to a question from Mr Herring, Mr Dunstan confirmed that the details of the Company’s critical activities were identified in the Business Continuity Plan and there was a Service Level Agreement with the Council. He added, in response to a further question, that the IT servers were located off site.</p> <p>Mr Dunstan confirmed, in response to a question from the Chairman, that in the event of significant customer related incident the Council’s Emergency Plan would be invoked. In response to a further question, Ms Greenhalgh reported that elements of the Plan had been tested, but the incidents had not been specifically housing related, but acknowledged that it would be beneficial to establish how the Company would respond. She added that this would require the involvement of the Lancashire Resilience Forum, a group of emergency</p>	<p>SD</p>

	Actions
<p>services and category one responders and could take two/ three years for this to be added to their work plan.</p> <p><u>Risk 3 – Significant business interruption</u> Mr Dunstan presented his report, explaining that the Company was an advocate of the benefits of relevant service accreditation and an increased number of services had been accredited including Rents, Lettings and the ASB, with the expectation that accreditation would shortly be secured for the Repairs Service and for Customer Involvement. He added that the assessment criteria ensured that key legislation and best practice in the relevant service area was adhered to.</p> <p>The Committee was also provided with overviews of the arrangements in respect of Data Protection/ GDPR, Complaints Handling and Fraud Prevention. Mr Dunstan explained that as part of the Strategic Away Day, a self-assessment against the HCA Regulatory Standard was undertaken to ensure that the Company remained compliant with the consumer standards.</p> <p>In response to a question from the Chairman, Ms Lamprey confirmed that complaints handling was a priority for the TOWER Scrutiny Panel and it received details of complaints relating to the service under review. She added, in response to a further question, that members of TOWER Scrutiny were not involved in the complaints process, but there was customer representation on the third stage Appeal Panel.</p> <p>The Committee agreed: To note the failure to comply with legislation and significant business interruption update.</p> <p>In considering future Deep Dives briefings, the Chairman suggested that the outstanding risks be reviewed outside of the meeting to identify the next two topics.</p> <p>Mr Dunstan informed the Committee that in relation to Risk 11 (Failure to address climate emergency), it was proposed to initially adopt the Council policies with regard to climate emergency and single use plastics and commission a baseline Audit from the Carbon Trust, which would be presented to the Board at the end of the financial year.</p> <p>13. General Data Protection and Regulation (GDPR) Compliance</p> <p>Mr Pickup, Data Protection Officer’s representative, Blackpool Council presented the Biannual Performance report covering the period 1 April 2019 to 30 September 2019, highlighting a number of key points.</p>	<p></p> <p>AS/ SD/ Co Sec</p> <p>SD</p>

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<p>During the specified period, there had been three personal data breaches or complaints, whilst the Data Protection Officer had confirmed a personal data breach had occurred all three incidents had been deemed non-reportable to the Information Commissioner's Office (ICO) and the Company had taken appropriate remedial actions.</p> <p>The Committee was informed that one subject access request had been received during the period and the requested information had been provided within the one-month deadline.</p> <p>Mr Pickup reported that two Data Protection Impact Assessment (DPIA), a process to enable the Company to identify and minimise the data protection risks of a project, had been undertaken in the period.</p> <p>It was reported that in order to mitigate the risk of a personal data breach occurring and of the likelihood of enforcement action by the ICO, work force training was essential. The Committee was advised that at the end of the reporting period, which was 30 September 2019 that of the 184 employees, 168 (91.30%) had received training. Mr Pickup added that since the report had been compiled, only two employees required training.</p> <p>Mr Pickup advised the Committee that the focus for GDPR compliance had primarily been on the main offices at Coastal House, but it was also important to consider the satellite offices. He explained that an unannounced site visit had been conducted at the Grange Park Housing Office on 18 December 2019. He explained that a number of concerns had been identified and those were being communicated to the teams located at the offices to provide management with the support and opportunity to introduce measures to address those concerns, prior to a formal visit in April 2020.</p> <p>The main areas of concern included:</p> <ul style="list-style-type: none"> • Inadequate CCTV Signage • Personal Data exceeding Agreed Retention • No Clear Desk Policy <p>The Committee was advised that the Data Protection Officer was also concerned that appropriate due diligence had not been carried out for all procurement processors, particularly where procurement was carried out locally within the Company outside the formal procurement process by Blackpool Council. He reminded the Committee that the Company was responsible for overall compliance with the GDPR and before engaging with any processors it must conduct appropriate due diligence to ensure compliance could be demonstrated.</p>	

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<p>It was reported that the DPO had conducted spot checks of existing contracts and was not satisfied that compliant contracts were in place with all processors. Mr Pickup advised that a more thorough examination would be conducted prior to undertaking an exercise with the Data Protection Lead (Mr Dunstan) to address concerns.</p> <p>In conclusion, Mr Pickup sought the Committees approval of three policies, Data Protection and Confidentiality, Data Breach Management and Subject Access Requests, which had been updated to meet GDPR requirements.</p> <p>In response to a question from Mrs O’Shea, Mr Dunstan explained that the Neighbourhood and ASB Manager was responsible for facilities management at the Grange Park offices, but in terms of Data Protection there was no one with overall responsibility as the offices housed employees from both the Operations and Resources Directorates. Mrs O’Shea asked if there was any merit in appointing a responsible person to avoid GDPR issues. Mr Dunstan acknowledged that the satellite offices were “work in progress” and that the unannounced visit had highlighted what was required to ensure compliance. He added that the employee newsletter would be used to promote the Clear Desk Policy.</p> <p>Mr Pickup explained, in response to a question from Mr Herring, that ideally, GDPR training should be undertaken as part of an employees’ induction and the Information Commissioner’s Office (ICO) guidance stated that best practice was for data protection training to be completed on an annual basis and as a minimum expectation every two years.</p> <p>The Board was informed, in response to a question from Mr Herring, that there had only been one incident of an email being sent to an incorrect recipient due to the email address being pre-populated. It was acknowledged that this could be due to the non-reporting as this was a cultural change, but Mr Pickup advised that this was not specific to the Company.</p> <p>Mr Pickup explained, in response to a question from the Chairman, that there was no defined risk threshold in the GDPR Legislation, but was based on professional judgement of the DPO in relation to the nature of the information and the potential impact of the breach.</p> <p>The Chairman welcomed the awareness of issues at the Grange Park offices and looked forward to receiving the formal report and recommendations after the April inspection.</p>	

	Actions
<p>The Committee agreed:</p> <ol style="list-style-type: none"> 1. To approve the following polices: <ul style="list-style-type: none"> • Data Protection and Confidentiality • Data Breach Management • Subject Access Requests 2. To note the update report. <p>14. Committee Member’s Training Needs</p> <p>The Chairman, at the Committee meeting held on 11 September 2019, had suggested that the training needs of Committee members should be discussed at the next meeting. The Committee considered a proposed list of training topics.</p> <p>The Committee welcomed the proposal and agreed to hold a briefing session prior to the next Committee meeting to consider the Role of the Audit Committee including its Terms of Reference and responsibilities. Mr Dunstan, with support from the Company Secretary, agreed to make the necessary arrangements.</p> <p>In response to a question from Mr Herring, Miss Burnett confirmed that the Committee had a set of Terms of Reference, which had been adopted by the Board as part of the Governance Framework.</p> <p>The Chairman reminded Members that their individual training needs could be discussed with the Chairman of the Board at their annual appraisal.</p> <p>The Committee agreed: To receive a briefing regarding the Role of the Audit Committee in March 2020.</p>	<p>SD/ Co Sec</p>
<p>15. Any Other Business</p> <p>There was no other business.</p>	
<p>16. Date of the Next Meeting – 18 March 2020</p> <p>Mr Dunstan advised the Committee that due to the timings of the Board meetings it would not be possible for the draft Budget 2020/ 2021 to be considered by the Board prior to the start of the financial year. Therefore, the draft Budget would initially be presented to the Audit Committee in March, before being submitted to the Board in April for final approval.</p>	

	Actions
<p>The Committee agreed:</p> <ol style="list-style-type: none"> 1) To note that the date of the next Board meeting would be held on Wednesday 18 March 2020 at 6.00pm. 2) In addition to the standing items the following items for consideration: <ul style="list-style-type: none"> • Budget 2020/ 2021 • Internal Audit Plan • External Audit Plan • Committee Member Training – Role of the Audit Committee • Deep dive review of two key risks to be identified by the Chairman and Mr Dunstan. 	

The meeting ended at 7.45pm

Signed by the Chairman

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Mr Andrei Szatkowski, 18 March 2020