

**MINUTES OF THE MEETING OF THE AUDIT COMMITTEE OF
BLACKPOOL COASTAL HOUSING LIMITED
HELD VIA MICROSOFT TEAMS
ON WEDNESDAY 13 JULY 2022 AT 6.00PM**

Present: Mr A Szatkowski, Independent Non-Executive Director (Chair)
Councillor D Robertson, Non-Executive Director
Mr N Herring, Tenant Non-Executive Director

In attendance: Mr S Dunstan, Director of Resources [Items 1-16 only]
Mrs T Greenhalgh, Audit Advisor to the Committee
Mrs S Chadwick, Assistant Company Secretary
Mr J Pickup, Blackpool Council Data Protection Officer [Items 1-5 only]
Mr M Cousins, External Auditor, Xeinadin Audit Limited (formerly Smith Craven Chartered Accountants)

		Actions
1.	<p>APOLOGIES FOR ABSENCE</p> <p>Apologies for absence were received from Ms M Gilkes, Independent Non-Executive Director, Mr M Towers, Company Secretary and Mr K Fitton, Xeinadin Audit Limited (formerly Smith Craven Chartered Accountants).</p>	
2.	<p>DECLARATIONS OF INTEREST</p> <p>There were no declarations of interest made at this meeting.</p>	
3.	<p>MINUTES OF THE LAST MEETING OF THE AUDIT COMMITTEE HELD ON 23 MARCH 2022</p> <p>The Committee agreed: To approve the minutes of the Audit Committee meeting held on 23 March 2022 as a true and correct record.</p>	
4.	<p>MATTERS ARISING</p> <p>An update was provided on matters arising from the minutes of the meeting on 23 March 2022:</p> <p><u>Minute 6 – Audit and Scrutiny Action Tracker</u> The Repairs Performance Action Plan was still being considered by Scrutiny and would be brought back to the Committee by Mr S Dunstan, Director of Resources, at a later meeting.</p> <p><u>Minute 7 – Audit Plan and Reports</u> Work on the OFSTED Inspection audit report had still to be scoped and Mrs T</p>	SD

	Actions
<p>Greenhalgh, Audit Advisor to the Committee, agreed to share details with the Committee once done.</p> <p><u>Minute 8 – Budget 2022/23</u> Mr Dunstan confirmed that the reduction in expenditure on training and welfare was due to funds from the training budget instead being used towards funding additional HR staff.</p> <p><u>Minute 9 – Policy Review update and Policy Tracker</u> Mr Dunstan advised that due to the policy tracker being amended to a three year revision cycle the Financial Regulations Policy was now not due to be reviewed until 2023.</p> <p>All other matters arising from the previous minutes had been completed or were covered elsewhere on the agenda.</p> <p>5. GENERAL DATA PROTECTION REGULATION ANNUAL PERFORMANCE REPORT AND AUDIT REPORT</p> <p>Mr J Pickup, Blackpool Council’s Data Protection Officer, highlighted the key findings from the company’s GDPR Annual Performance Report. There had been six reported data incidents between 1 April 2021 and 31 March 2022 although not all cases had been proven and none met the threshold to be reported to the Information Commissioner’s Office (ICO). In response to a question from the Chair, Mr Pickup confirmed that if any incidents had required reporting this would be done by the company itself, as a separate legal entity for GDPR purposes, rather than by Blackpool Council.</p> <p>Nine “Subject Access” requests had been made, all of which had been responded to within the statutory timeframe except one which had been due to a delay in collating the information. The company had recently updated its data protection refresher training frequency from three years to two years in accordance with guidance from the ICO. 84% of the workforce had undertaken training under the new two year cycle to date with more due to complete the training in the coming weeks.</p> <p>The GDPR Audit report was positive overall with a small number of areas recommended for strengthening or review. Mr Pickup complimented the officers who took responsibility for data protection at the company and noted that good governance was in place. The Company’s main housing management system, Orchard, was praised for its data protection and data security with the audit not recommending any areas for improvement in relation to that system. Of the 11 recommendations in the report, one had been categorised as Category 1 in relation to the legal requirement to have an Appropriate Policy</p>	<p>TG</p>

	Actions
<p>Document however Mr Pickup confirmed that this had already been put in place since the report had been written.</p> <p>The Committee agreed:</p> <ol style="list-style-type: none"> 1. To note the reports. 2. That the outstanding recommendations from the GDPR Audit Report be added to the Audit Action Tracker. <p>[Mr Pickup left the meeting at the conclusion of this item.]</p> <p>6. DRAFT FINANCIAL ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2022</p> <p>Mr M Cousins from the company's external auditors Xeinadin Audit Limited (formerly Smith Craven Chartered Accountants) presented the draft audited accounts for the financial year ended 31 March 2022. Mr Cousins extended his thanks to Ms L Murphy, Head of Finance and the team at BCH for their help and assistance throughout the audit process.</p> <p>The accounts showed an operating deficit of £1,461,000 for the financial year ending 31 March 2022 which was attributed to pension scheme funding obligations. Pension scheme adjustments were required to be included under International Accounting Standards (IAS 19) however exclusion of those adjustments would result in a surplus of £76,000 being reported.</p> <p>Revenue had increased, largely due to an uplift in the management service contract fee from Blackpool Council. Costs relating to maintenance, utilities and expenditure following the lifting of Covid restrictions had also increased along with the pension scheme obligations.</p> <p>Mr Cousins referred to the section of the report which highlighted potential significant risk areas to the accounts, none of which were raised as a concern by the auditors. Despite the company being in deficit as a result of the pension scheme the auditors had concluded that there was no material uncertainty in respect of going concern due to a letter of support having been received from Blackpool Council and a contract which extended the services to the Council to March 2026. The report showed no adjusted or unadjusted misstatements and Mr Cousins reported no significant deficiencies in internal controls.</p> <p>In response to a question from Mr N Herring, Tenant Non-Executive Director, regarding the pension scheme valuation provided by the actuary, Mercer, Mr Cousins confirmed that the figure received would always be an estimate based upon the valuation at that moment in time and that it was continually subject to change due to volatility in the stock market. Other factors such as life expectancy, pensionable age and the number of members in the scheme</p>	

	Actions
<p>would also have an impact.</p> <p>Mr S Dunstan, Director of Resources, referred to the proposal for Jobs, Friends & Houses Community Interest Company to become a subsidiary of Blackpool Coastal Housing and asked whether that would need to be considered when completing the post balance sheet review. Mr Cousins confirmed that the auditors were aware of the proposal but as there had been no agreement at Board level to date there was no requirement for disclosure in the opinion of the auditors.</p> <p>The Committee agreed: To recommend that the Board considers and approves the draft Financial Accounts for the year ended 31 March 2022 and Letter of Representation at its meeting on 20 July 2022.</p>	
<p>7. AUDIT AND SCRUTINY ACTION TRACKER</p> <p>Mr S Dunstan, Director of Resources, updated the Committee on progress with the Audit and Scrutiny Tracker. The number of outstanding actions had reduced overall although there remained some rents recommendations which had passed their target completion date. Mr Dunstan noted that there were new GDPR recommendations to be added following the latest Audit and acknowledged the outstanding actions which had yet to be completed from the 2021 GDPR Audit.</p> <p>The Chair welcomed the progress on the tracker and noted that the number of actions had reduced however he requested that progress was made urgently on the outstanding Rents Team Service and GDPR recommendations, some of which had first been raised almost two years prior. He suggested that if those actions had not been completed by the Committee's next meeting on 14 September then the officers responsible for those actions should be invited to attend to explain to the Directors the reasons for the continued delay which Mr Dunstan agreed to arrange.</p> <p>Mr N Herring, Tenant Non-Executive Director, made reference to the Climate Change and Agile Working audit actions which had passed their deadline date and asked whether the priority category should be moved up once past the deadline date. In response, Mr Dunstan explained that actions categorised as priority 3 were "best practice" recommendations and that, whilst climate change was a key priority, actions had not been re-categorised historically when deadlines had passed. In relation to the overdue Agile Working action regarding the provision of first aiders and fire wardens, Mr Dunstan agreed that this would be resolved by September's meeting and, if not, the officers responsible would attend to explain the delay.</p>	<p>SD</p> <p>SD</p>

		Actions
8.	<p>The Committee agreed:</p> <ol style="list-style-type: none"> 1. To note the progress on the Audit and Scrutiny Action Tracker. 2. That officers responsible for any actions which remained overdue by the time of the next Audit Committee meeting on 14 September would be invited that meeting to explain the reasons for the delay. <p>POLICY REVIEW UPDATE AND POLICY TRACKER</p> <p>Mr S Dunstan, Director of Resources, provided the Committee with an update on progress with policy revision.</p> <p>The ICT Security, Usage and Monitoring Policy had been updated and was presented to the Committee for its consideration and approval having already been circulated to the staff consultation group for feedback.</p> <p>Mr Dunstan suggested that the Local Lettings Policy was removed from the Policy Tracker as it was a Blackpool Council policy which, although the company contributed to its content, it had no control over. Revisions to the Code of Conduct and Conflicts of Interest policies remained outstanding due to the HR Team prioritising implementation of the new iTrent computer system and the Committee was assured that work on revising those policies would begin as soon as possible.</p> <p>The Committee agreed:</p> <ol style="list-style-type: none"> 1. To approve the ICT Security, Usage and Monitoring Policy. 2. That the Local Lettings Policy be removed from the Policy Tracker. 	
9.	<p>FRAUD AND IRREGULARITY UPDATE</p> <p>The Committee received a verbal update on any frauds uncovered or under investigation and any fraud detection activity during the period since its last meeting.</p> <p>Mr S Dunstan, Director of Resources and Mrs T Greenhalgh, Audit Advisor to the Committee confirmed that there were currently no fraud investigations to report relating to the company.</p> <p>The Committee agreed: To note the update.</p>	
10.	<p>HEALTH AND SAFETY UPDATE</p> <p>Mr S Dunstan, Director of Resources, provided the Committee with a Health</p>	

		Actions
<p>11.</p>	<p>and Safety update and explained that, following the Health and Safety Advisor's move to the Compliance Team, interviews had taken place for the vacant post however none of the candidates were considered appointable. The existing Health and Safety Assistant had recently passed the NEBOSH general certificate qualification and it was proposed that they took on Health and Safety responsibility for the company with assistance provided by the Council's Health and Safety Team. The previous Health and Safety Advisor, who was still within the organisation, albeit in a difference role, could therefore also provide guidance if required and had produced a Compliance Report for the Committee's information.</p> <p>The Chair welcomed the format of the new Compliance Report and suggested that for future reports it would be useful to include some narrative around steps that were being taken to complete outstanding actions to provide assurance to the Committee. Mr Dunstan agreed to pass the suggestion on the Compliance Manager and highlighted section 4 of the report – installation of Carbon Monoxide Alarms – as an area which needed prioritising.</p> <p>The Committee agreed: To note the update.</p> <p>STRATEGIC RISK REGISTER AND "DEEP DIVE" REVIEW</p> <p>Mrs T Greenhalgh, Audit Advisor to the Committee, presented her report on the updated Strategic Risk Register which had been revised into a format similar to that as for the other group companies in line with Blackpool Council's expectations as Member. Risk categories and target risk scores had been introduced and the Risk Register had been condensed to concentrate on strategic risk areas as discussed with the Audit Committee and Chair. The Director of Resources had also been consulted and any required changes actioned following the feedback received.</p> <p>A standard format for regular "deep dive" reviews was proposed and a timetable for future "deep dives" for the remainder of the financial year was presented to the Committee. Additional information was provided in the written report around the adaption of risk matrices and defining risk appetite however as the company already had a risk management strategy Ms Greenhalgh did not consider that additional work needed to be undertaken in that regard.</p> <p>The Chair welcomed the new standardised format for "deep dives" and the updated Risk Register but suggested that for each of the key risk headings, an overall "risk owner" should be identified in addition to the Register having "action owners" who would be responsible for mitigating each individual</p>	<p>SD</p>

	Actions
<p>impact of that risk. Mrs Greenhalgh agreed to work with Mr Dunstan to identify the owners of each risk and to amend the Register prior to it being submitted to the Board for approval.</p> <p>Mr S Dunstan, Director of Resources, then presented the findings of the “deep dive” review into inflationary cost pressures which it was acknowledged remained an ongoing problem at a national level. The report explained the various cost pressures that affected tenants, the company, staff and the Housing Revenue Account.</p> <p>The company had a number of initiatives to help with tenants’ standard of living and to support those having difficulty paying their rent and essential bills, particularly those groups and areas that had been identified as having the greatest needs. There were plans to offer furnished tenancies to those who could not afford to furnish their properties, a community launderette was due to open at the end of the month and work was being undertaken to identify properties for care leavers. Work was also continuing with the Council on the “Levelling Up” agenda to improve the lives of tenants.</p> <p>Despite all the work being undertaken Mr Dunstan accepted that inflation was a difficult problem with the rising cost of living very challenging for residents, reminding the Committee that Blackpool had some of the most deprived wards in the country. Mr N Herring, Tenant Non-Executive Director, thanked Mr Dunstan for the work undertaken to date and noted that it was a significant area of concern for tenants which the company needed to continue to consider moving forwards. The Chair added that the company needed to be mindful of any decision on the level of rent increases for the next financial year and the impact that could have on tenants or the company itself.</p> <p>The Committee agreed:</p> <ol style="list-style-type: none"> 1. That subject to the addition of “risk owners” to each of the key risk headings that the Strategic Risk Register 2022/23 be recommended to the Board for its consideration and approval. 2. To the programme of “deep dive” reviews of specific strategic risks at future Audit Committee meetings. 3. To note the “deep dive” review. 	<p>TG/SD</p>
<p>12. INTERNAL AUDIT REPORT - CORE FINANCIAL CONTROLS COMPLIANCE TESTING SOCIAL: HOUSING RENTS</p> <p>Mrs T Greenhalgh, Audit Advisor to the Committee, presented the internal audit report on Core Financial Controls Compliance Testing which was completed on a three yearly basis to examine the Housing Rents System. Overall the report provided adequate assurance with no significant high risk</p>	

	Actions
<p>areas identified.</p> <p>Six recommendations were agreed as part of the action plan, four of which were priority 3 with the remaining recommendations categorised as priority 2, all of which had been agreed with the Senior Management Team and Blackpool Council's Head of Housing.</p> <p>Mr N Herring, Tenant Non-Executive Director, queried those recommendations which had been given an "immediate" target date and asked for feedback as to whether those actions had been completed. In response, Mrs Greenhalgh confirmed that as the report had now been seen by the Committee the recommendations would be added to the Audit Tracker for Directors to receive an update on progress and compliance at the next meeting.</p> <p>The Committee agreed:</p> <ol style="list-style-type: none"> 1. To note the Core Financial Controls Compliance Testing internal audit report. 2. To note that the recommendations would be added to the Audit Tracker. <p>13. INTERNAL AUDIT REPORT – REVIEW OF GOVERNANCE AND CUSTOMER SATISFACTION</p> <p>Mrs T Greenhalgh, Audit Advisor to the Committee, presented the report on internal audit's Review of Governance and Customer Satisfaction. The audit looked in particular at whether tenant satisfaction measures were in place in accordance with the recommendations of the Social Housing White Paper and that plans were in place for adequate reporting systems going forwards.</p> <p>The report gave adequate assurance and found that overall the procedures in place were in line with the requirements of the Social Housing White Paper. An action plan had been agreed which consisted of three priority 2 recommendations as outlined in the report for each of which a management response had been received and target dates agreed.</p> <p>In regards to the recommendation that an annual review of issues and trends arising from complaints handling should be undertaken and shared with management and the Board, the Chair suggested it would be useful for the report to also be shared with the resident scrutiny panel. In response, Mr Dunstan confirmed he would discuss sharing that information with the TOWER scrutiny panel and suggested that the recommendations could be added to the Scrutiny Tracker.</p>	<p>SD</p>

		Actions
14.	<p>The Committee agreed:</p> <ol style="list-style-type: none"> To note the Review of Governance and Customer Satisfaction internal audit report. To note that the recommendations would be added to the Scrutiny Tracker. <p>AUDIT COMMITTEE WORK PROGRAMME</p> <p>The Audit Committee considered the updated Work Programme for the remainder of 2022. The Assistant Company Secretary advised of the intention to produce a draft 2023 Work Programme for the Committee's next meeting in September and confirmed that the proposed schedule of "deep dives" would be added to that programme.</p> <p>The Committee agreed: To note the updated Work Programme.</p>	<p>Ass. Co. Sec.</p>
15.	<p>ANY OTHER BUSINESS</p> <p>The Chair advised that Non-Executive Directors would have the opportunity to discuss the draft financial accounts with the external auditor in private at the end of the meeting without representatives from the senior management team being present.</p>	
16.	<p>DATE OF NEXT MEETING – 14 SEPTEMBER 2022</p> <p>The date of the next meeting was confirmed as 14 September 2022 at 6pm via Microsoft Teams.</p> <p>[Mr Dunstan left the meeting following the conclusion of this item.]</p>	
17.	<p>CONFIDENTIAL ITEM – NON-EXECUTIVE DIRECTORS' PRIVATE MEETING WITH EXTERNAL AUDIT</p> <p>Due to the confidential nature of this item, minutes have been circulated under separate cover to Directors only.</p>	

The meeting ended at 7.23pm

Signed by the Chair

.....

Mr Andrei Szatkowski

Blackpool Coastal Housing Limited
Company Number: 05868852