

SUB-COMMITTEE PAPER

FOR APPROVAL



MINUTES

of the Meeting held on Thursday 26 October 2023
Virtual meeting

COMMITTEE MEMBERS IN ATTENDANCE:

Victoria Bluck
Craig Morton
Martin Joyce

APOLOGIES:

Adam Turner

STAFF IN ATTENDANCE:

John Davidson
Craig Porter
Sandy Young
Tammy Allan

Chief Executive
Director of Finance and Business Support
Director of Housing Management
Business Improvement Officer (minutes)

OTHERS IN ATTENDANCE:

Scott McCready – For items 837 to 846

Please note that these minutes have been edited to remove any commercially sensitive or confidential discussions.

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STANDING ITEMS

837	<p>Welcome VB welcomed all attendees to the meeting.</p>
838	<p>Remit of Audit and Finance Sub-committee – Extract from Standing Orders CP informed the Sub-committee that the remit sets out the element of financial requirements under both the SHR and FRC guidance. It also details what risk management should be in place.</p>
839	<p>Apologies A record was made of apologies from non-attendees.</p>
840	<p>Election of Chair It was noted that as this was the first meeting following the AGM, a Chair must be appointed. MJ nominated VB and CM seconded the nomination.</p>
841	<p>Approval of Previous Minutes – July 2023 The minutes of the meeting held on 27 July 2023 were approved without amendment.</p>
842	<p>AOCB Approval None</p>
843	<p>Declaration of Interest on any Agenda items None</p>
844	<p>Matters Arising/Update None</p>

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845	<p>Internal Audit Reports – Staff Wellbeing and Mental Health SM presented the Staff Wellbeing and Mental Health report and noted that the audit received substantial assurance which is the second highest grading available. He moved on to advise that a confidential survey was issued to staff and whilst there were some concerns raised, overall, the survey provided positive results.</p> <p>SM noted that following the review, 2 recommendations were made, however 15 areas of good practise were highlighted, and it was recognised that the Association are offering a lot to their staff. In terms of the recommendations that were made, SM advised that he could feel SMT’s frustration as it is apparent that AHA are providing a lot of support, however staff were saying otherwise. SM reassured the Sub-committee noting staff raised concern around morale and requested more team building exercises, however this is something that he a see’s with many clients.</p> <p>The sub-committee noted the positive report but also noted that AHA must ensure that they are note missing staff concerns. JD was able to reassure the Sub-committee that there has a been a significant move forward from what was in place historically and having the new HR team in place gives focus on what the Association requires.</p> <p>The Audit and Finance Sub-committee agreed the Audit Summary Report including the draft Representation Letter and are satisfied that the points raised within the report and the representations being requested can be agreed by the Board prior to the approval of the Financial Statements.</p>
846	<p>Internal Audit Reports – Tenant Safety SM informed the Sub-committee that the Tenant Safety was a strong report and received the highest grading available.</p> <p>SM noted that following the review, 2 low grade recommendations were made but there were also 12 areas of good practise highlighted. In terms of benchmarking the number of recommendations made, it was noted that AHA compared well only receiving 2 against an average of 5 recommendations.</p>

	<p>SM referred to the recommendations made and noted that AHA must ensure dates are being recorded accurately as during testing, some were found to be incorrect. There was also a recommendation made with regards to the damp & mould policy which was out of date.</p> <p>The Audit and Finance Sub-committee noted the internal audit report and recommendations as provided by Wylie & Bissett.</p>
847	<p>Internal Audit Action Plan</p> <p>The internal audit action plan was presented to the Sub-committee and it was noted that there were some recommendations sitting with an October due date, however IT confirmed that there is currently a lot of work being carried out with regards to procurement which would allow these recommendations to be closed down.</p> <p>The Audit and Finance Sub-committee noted the inclusion of recommendations in respect of recent audit exercises, as well as progress made in relation to the outstanding recommendations.</p>
848	<p>Management Accounts – to end 30 September 2023</p> <p>CP noted that within the Management Accounts, it states that AHA are £790k better off than originally anticipated.</p> <p>CP referred to the statement of comprehensive income and noted that AHA were down on both receivable rent and factoring income but up on aids and adaptations and we had received unbudgeted gift aid from AEL. CP also noted that there has been cost savings of £108 due to repairs and termination works. There was reference made to savings made in terms of management costs primarily due to Aareon providing a refund of £60k following their withdrawal from the market and in-house savings made with regards to the new housing management system. Other elements of major savings are in interest receivable due to higher deposit rates.</p> <p>CP concluded noting that Katherine Street has had a positive impact on the management accounts.</p> <p>The Audit & Finance Sub-committee noted the financial position at 30 September 2023. The review and control of finances is both a Regulatory requirement as well as a requirement of our funding from our lenders.</p>
849	<p>Budget Revision – Forecast Out-turn 2023/24</p> <p>CP informed the Sub-committee that we are predicting that we will be ahead of the budgeted surplus reporting £810k against an original budget of £692k. [REDACTED]</p> <p>CP noted that some variances within the management accounts occur throughout the year, however, SMT were able to utilise savings which allowed an additional £440k to be spent on capital works along with an additional £500k to be used on windows and doors replacements.</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>The Audit and Finance Sub-committee approved the budget revisions for 2023/24.</p>
850	<p>Budget Assumptions 2024/25</p> <p>CP presented the assumptions for 2024-25 and advised that is not currently known where inflation is going to land and may be lower than predicated. He advised that AHA have utilised the AFS predictions which set CPI at 6.7% in August and the proposed rent increase of CPI + 1, with CPI being 3.9% at the end of Q1 in 2024.</p> <p>CP noted that the proposals are in line with what we have previously stated and include 2 additional members of staff – 1 to cover policy & governance and an additional member of staff to assist the housing</p>

	<p>support team. He did however note that additional support will be required during the implementation of the Housing Management System which could equate to 4 x FTE's.</p> <p>The Audit and Finance Sub-committee approved the high-level budget assumptions for 2024-25.</p>
851	<p>Annual Rent Review – 2024/25</p> <p>SY informed the Sub-committee that it is proposed that we consult on three options for another year and next year there will be discussions with the tenant focus group on how the consultation is carried out. In terms of affordability, SY advised how any rent increase would not be met with popularity and whilst some tenants do choose the higher options, most opt for the lower amount. The SFHA tool ensure that our rents aren't sitting as an outlier, specifically within West Lothian. SY also provided details of other methods used to review where the proposed increases sit and noted that it was comforting to see that AHA always fall somewhere in the middle.</p> <p>There were further discussions regarding how each option could affect the budget and how comfortable the Association are with each and it was agreed that contingency details should the lower option be unachievable would be included within the November Board paper. The Sub-committee were also made aware that the Association can opt to proceed with a fourth option, which has been done in the past.</p> <p>JD informed the Sub-committee that the SHR have indicated that there will be a clear focus in terms of Cost of Living and they will be looking closely on what RSL's are consulting on, but he was confident with what AHA are proposing.</p> <p>The Sub-committee noted that they were happy to consult on the proposed rent increase levels.</p> <p>The Audit and Finance Sub-committee approved consultation methods with options for 4.4%, 4.9% and 5.4% increase in rent for 2024-25.</p>
852	<p>Risk Map: Quarter 2 Review</p> <p>CP noted that the report provides a highlight of the Associations risks, he also confirmed that he is in receipt of information from VB with regards to how risk could be managed better within the Association and a new proposal will be brought to the Sub-committee. However, at present the risk map is based on the current risk management structure.</p> <p>The Audit and Finance Sub-committee noted the status of the risk map.</p>
INFORMATION PAPERS	
853	<p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>The Audit and Finance Sub-committee noted that a VAT late penalty payment has been made for the VAT quarter June 2023, and corrective action has been adopted to ensure this does not re-occur.</p>
854	<p>ICT Network Vulnerability Assessment (penetration Testing) August 2023</p> <p>The report was presented to the Sub-committee and there was a query raised around whether the Associations system prevents staff from sending emails to their personal email address as this could be vulnerability and could allow others to potentially have access to AHA systems. CP noted that this wasn't something that is prevented but that he would raise the matter with the ICT manager.</p> <p>There was also a discussion around Board email addresses and the potential for Board members to be given AHA email addresses. CP informed the Sub-committee at this point that AHA were currently exploring the option to create an internal SharePoint page where Board members can collaborate.</p>

	The Audit and Finance Sub-committee noted the Network Vulnerability Assessment Report August 2023 on our External Infrastructure. Due to the extensive changes to our network for working from home, the external infrastructure is tested annually and was last tested in June 2022, with recommendations already actioned. This report has been carried out by our new supplier Cyber and Fraud Centre Scotland.
855	<p>Sole Supplier Justification Review</p> <p>CP informed the Sub-committee of the sole supplier arrangements that had been agreed in the last quarter.</p> <p>There were no queries received from the Sub-committee.</p> <p>The Audit & Finance Sub-Committee noted the sole supplier arrangements entered into since the last meeting.</p>
856	<p>AOCB</p> <p>None.</p>
857	<p>Date of next meeting</p> <p>The next meeting will be held on Thursday 25th January 2024</p>

Approved by:

Date: