Delivering Operational Effectiveness Through Enhanced Governance

LEARNING THE LESSONS FROM REGULATORY JUDGEMENTS

September 2022

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM

Contents

Overview

The Regulator of Social Housing (the Regulator) publishes regulatory judgements for all providers owning 1,000 or more social housing homes. Following an assessment carried out by the Regulator, providers are awarded a rating from one to four for governance and a separate rating from one to four for financial viability. These regulatory judgements determine whether the provider complies with the Regulator's governance and financial viability requirements.

Providers must score a compliance rating of G1/V1 or G2/V2 in both categories to meet the standards. For the purpose of this analysis, we focus on those judgements relating to governance. This is to help providers underpin the areas where focus is needed to ensure that they continue to provide the quality of service expected by the Regulator. The Regulator's Governance and Financial Viability Standard and Code of Practice notes that providers should ensure governance arrangements are effective and deliver the aims and intended outcomes for tenants. We explore the reasons why providers received a downgrade from their previous regulatory judgement.

The Regulator's assessment definitions are set out below.

G1	Compliant	The provider meets the Regulator's governance requirements.
G2	Compliant	The provider meets the Regulator's governance requirements but needs to improve some aspects of its governance arrangements to support continued compliance.
G3	Non-compliant	The provider does not meet the Regulator's governance requirements. There are issues of serious regulatory concern and, in agreement with the Regulator], the provider is working to improve its position.
G4	Non-compliant	The provider does not meet the Regulator's governance requirements. There are issues of serious regulatory concern, and the provider is subject to regulatory intervention or enforcement action.

Source: Regulatory judgements and notices, and gradings under review

Percentage of areas where providers received a downgrade

34% Governance arrangements and effective board oversight

24% Risk management and internal controls framework

13% Stress testing, recovery planning and mitigation strategies

11% Financial reporting and Value for Money (VfM)

8% Health and safety requirements

5% Data and records

5% Business planning

We have collated the report outcomes for each provider that has received either an upgraded or a downgraded outcome, following their previous regulatory judgement. We then carried out a thematic analysis of the data, focusing on the downgrades, to understand in more depth the reasons why providers had received a changed judgement. We also look at what providers and boards can do to improve on the judgements they receive. We base these insights on our analysis of reports where providers were awarded an upgraded regulatory judgement following a downgrade, looking specifically at the areas they had improved on.

In our research, we looked at all assessments undertaken during 2020/21 and 2021/22. The majority of assessment gradings did not change during the period, but there were:

- 20 upgrades, of which three moved to a compliant rating (from G3 to G2); and
- 18 downgrades, of which three moved to a non-compliant rating (from G2 to G3).

We found that, for most providers, there were often multiple reasons as to why their judgement had changed. The top three areas where providers received a downgraded judgement were:

- governance arrangements and effective board oversight;
- risk management and internal controls framework; and
- stress testing, recovery planning and mitigation strategies.

Key findings

Governance and effective board oversight

Notably, for all themes outlined in our paper, we highlight that an element of board oversight plays a significant role.

Risk management and internal controls framework

Providers are required to strengthen their risk management and internal controls framework to ensure that they are effective and robust. This helps to support providers in highlighting their relevant risks and monitoring them effectively. In doing so, it ensures that providers remain resilient and have business continuity.

Stress testing, recovery planning and mitigation strategies

The Regulator notes that providers need to strengthen the approach to stress testing and put appropriate mitigations in place. This will support the board's understanding of risk management and business planning.

Financial reporting and value for money

Providers must ensure that they are compliant with the VfM Standard. Providers should also undertake a review of its strategic approach to delivering VfM.

Health and safety requirements

For some providers, complying with health and safety requirements remains an area for improvement. Boards need to ensure that health and safety risks are effectively monitored and that tenants feel safe in their homes.

Data and records

Providers must maintain good quality records and data, including health and safety reporting, financial management and regulatory returns. Accurate data allows providers to better manage risks, and boards to make better business decisions.

We look at each of these areas in turn, highlighting points from regulatory reports and what providers can do to ensure they demonstrate compliance with the Regulator's standards.

Governance and effective board oversight

Top reasons for downgraded judgements

Ineffective board oversight of the business

Ineffective governance arrangements

Inconsistent board reporting

Good governance is important in managing the delivery of services to tenants and maintaining compliance with consumer standards. Ineffective governance structures and processes can prevent an organisation from achieving its strategic objectives, and result in poor reporting and decision making.

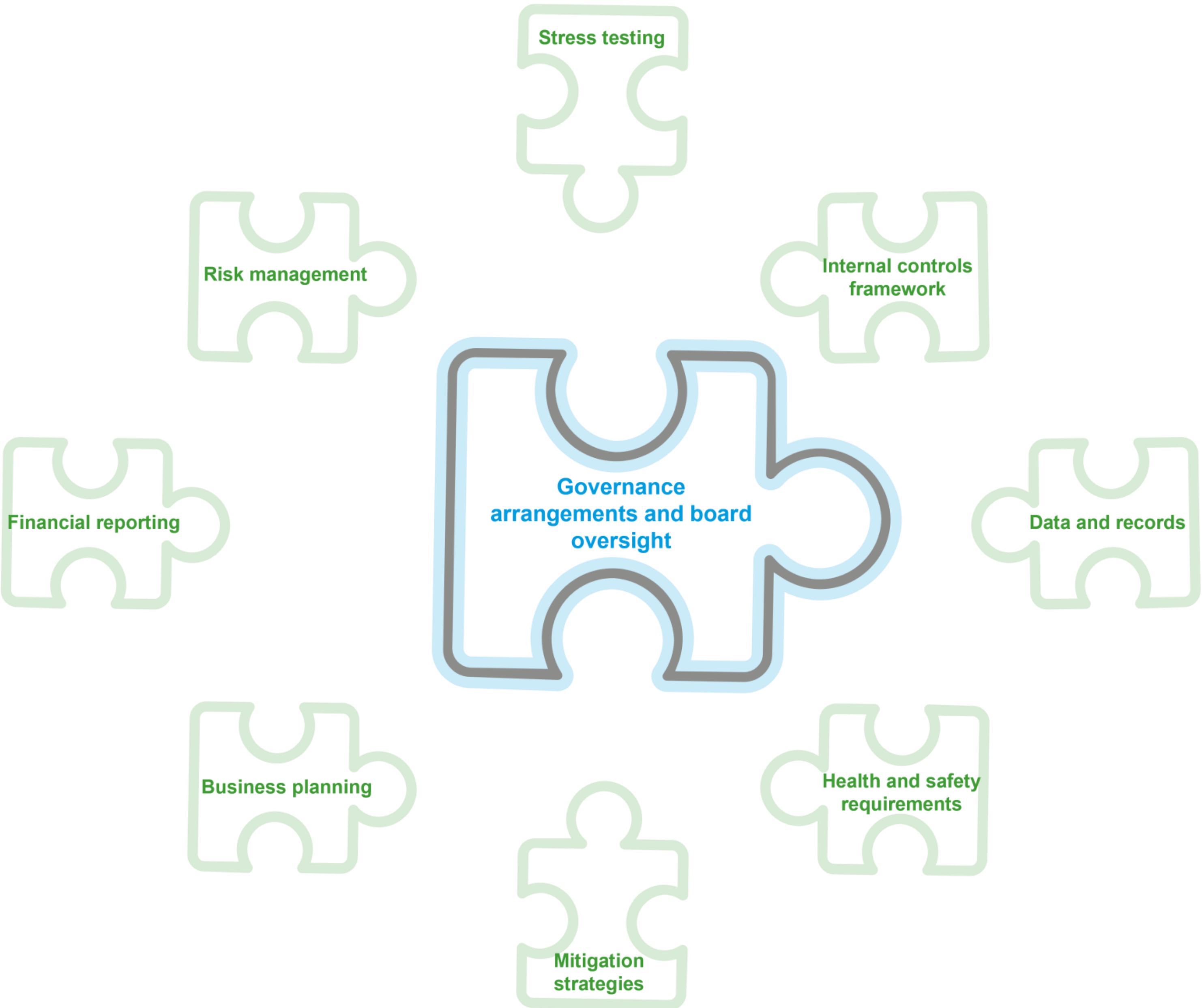
The latest Sector Risk Profile emphasises that boards need to make sure that their business planning, risk management, and control framework is effective and covers all aspects of the business. Business planning, risk management, and control frameworks were all areas where the Regulator had identified issues, which consequently resulted in a downgraded regulatory judgement.

Key questions

- What assurance do you have that the governance and decision-making processes remain effective and fully informed?
- Are the provider's values and culture, strategic direction and objectives understood by all members of the board and its sub-committees? How do you ensure this is the case?

Outcomes in reports where the judgement was downgraded	What can providers do to improve?
Where there has been a merger, ensure actions are taken to strengthen governance.	Boards need to be aware of their strengths and weaknesses if they are to govern effectively. As such, the board should regularly assess its own performance. As part of a merger, the governance structure should be clearly defined and understood – including roles, responsibilities and accountabilities.
Ensure that improvements are made to governance arrangements to support continued compliance with regulatory requirements. Some providers had not provided the Regulator with assurance that governance arrangements were effective. This included maintaining effective board oversight of health and safety compliance, strengthening board oversight of the business and ensuring that appropriate actions are being taken in relation to all significant due diligence findings.	Boards can strengthen their governance arrangements by undertaking a full governance review to understand strengths and identify any potential weaknesses. Boards should put in place appropriate systems and processes for providing assurance on compliance with landlord health and safety requirements, including data completeness and accuracy. The improvements will help support the facilitation of effective board oversight of this key risk area.
Improvements should be made when reporting to the board. In some instances, the Regulator found that there had been inconsistency when information was presented to the board. Improvements to the quality of reporting supports the board to facilitate more effective monitoring of performance against the provider's strategic aims. Information presented to the board and Regulator should remain consistent.	Sustainable organisations know exactly what is going on in day-to-day operations, enabling informed, confident decision making. It is vital that leadership takes a step back to understand what reporting should reflect, and to whom. Information presented to the board should be focused and reflect the objectives and the overall strategy of an organisation. Clear and relevant information allows boards to make better informed decisions.
Ensure that boards are able to demonstrate that they are managing their concerns with an appropriate degree of skill, independence, diligence, effectiveness, and judgement.	Ensure that the board skills mix is known, including any potential gaps in knowledge. Then ensure board appointments are made on a skills basis, aligned to the needs of the business, and supported by developed processes for board member appraisal and renewal. It is important that board members are able to collaborate with each other. An effective onboarding process should be in place to ensure new board members are able to flourish and integrate well with existing members. Boards should also ensure that necessary training is provided to keep them up to date.
Improvements need to be made to the oversight and delivery of strategic objectives.	Boards should ensure that they have the skillset necessary to devise and implement the organisation's strategy. In addition, board members should ensure they understand the strategic objectives of the business.

While reasons for downgrades covered more than one area, it is the board and its governance arrangements and oversight that ultimately play a key role in facilitating each aspect of the business. Governance arrangements and board oversight are key factors in the way providers operate, and play a significant role in each of the areas outlined in this report.



Risk management and internal controls framework

Top reasons for downgraded judgements

Ineffective board oversight of key risks	Ineffective risk management and internal control frameworks	Strategic and operational risk assessments are not aligned

Boards of registered providers are responsible for managing the risks their organisation faces, and are expected to have an effective risk management and internal controls assurance framework. In its 2021 Sector Risk Profile, the Regulator highlights that it is the role of each board to assess its own risks and to ensure that appropriate strategies are in place to mitigate them

The Regulator identifies effective governance, including good risk management practices, as essential to navigating uncertainties.

In addition, the National Housing Federation's (NHF) revised Code of Governance, is centred on four overarching principles, which include several new requirements for providers of social housing. To meet the requirements of the Code the board must ensure that:

- the organisation remains resilient to its risks;.
- there are appropriate risk mitigations in place; and.
- a complete, up-to-date, and tested business continuity plan is set.

Outcomes in reports where the judgement was downgraded	What can providers do to improve?
Risk frameworks should be improved to ensure that a provider is managing its key risks with an appropriate degree of effectiveness.	Where there had been an upgraded judgement, providers either developed a new risk framework or revised their existing one, and subsequently obtained independent assurance about the effectiveness of its approach. It is important that boards understand their risks and use the risk framework to both drive decision making and understand the assurances received. They must also know what this means for the risk profile. Adequate training should be provided to all relevant members of the board and staff so that risk is understood and managed effectively.
Ensure that there is alignment of strategic and operational risk assessments and the assurance the board receives on the management of key risks.	To ensure boards are exercising appropriate oversight, providers need to review and strengthen their risk management, internal control framework and assurance mechanisms. A risk appetite statement and risk management policy aligned to the framework should also be in place.
To strengthen strategic board oversight and ensure that key risks are being effectively managed, improvements in data integrity and management are needed.	In addition to the risk management oversight and framework, key elements for every organisation are data integrity, data quality and management information. This means clear policies and procedures, including those relating to statutory health and safety compliance, improved stock data and enhanced board reporting. Decisions can be made and areas such as statutory health and safety compliance can be overseen effectively. Boards should drive awareness of the critical role that technology and data play in enhancing risk management.
Ensure effective implementation of external and internal audit recommendations (within RSM UK Risk Assurance, referred to as 'management actions').	Boards, through the audit committee, should receive assurance that agreed actions have been implemented by management. Where these have been delayed and where they have not been implemented, this should include understanding of the implications and risks this poses for the organisation. Regularly delaying implementation dates can be a warning flag for audit committees and boards.

Risk management deep dive – key considerations

A ‘deep dive’ is an end-to-end review of a specific risk, priority, focus area or concern. Risk assessment deep dives are essential to better understanding inhibitors and opportunities, thereby improving your risk management strategy and practices. It is also an opportunity for organisations to understand the risk in more detail.

Primary considerations include:

- Being clear as to the purpose and approach of the deep dive.
- Making suitable preparations for a deep dive.
- Focusing the deep dive on a strategic risk or matter.
- Understanding (and exploring) the effectiveness of current risk management controls.
- Understanding (and exploring) the effectiveness of planned actions.
- Understanding (and exploring) the basis of assurance.
- Providing appropriate challenge.
- Document outcomes – actions to be taken, communicate and follow up.

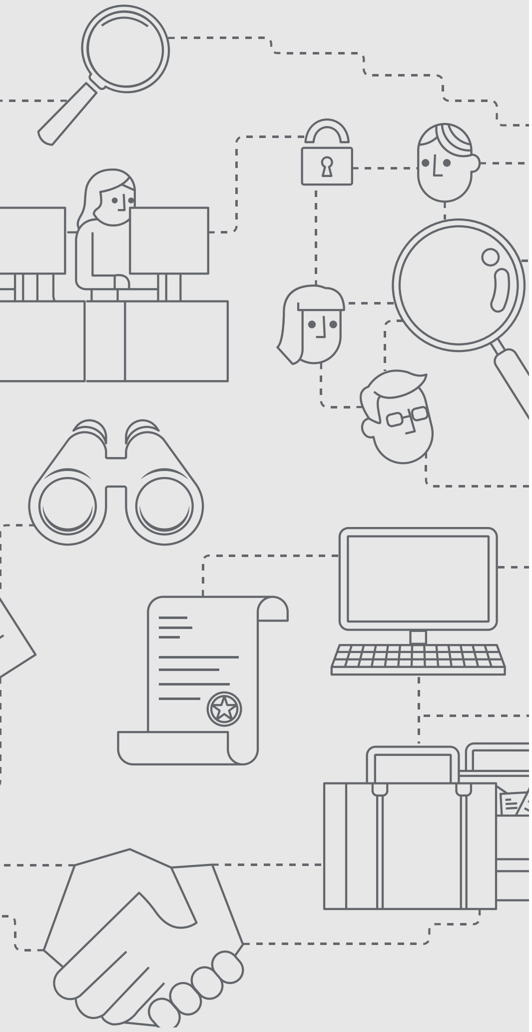
To find out more, watch a recording of our webinar on risk and governance assurance, hosted as part of our Social Housing Series week. To receive a copy of our risk management deep dive guidance, get in touch with your usual RSM contact.

Survey snapshot

As part of our risk management culture reviews for three of our social housing clients, we shared a survey with senior management and board members. We put the following statement to survey respondents and found that across 37 respondents, 19% felt they had not had sufficient training to meet their risk management responsibilities.

Key questions

- Has risk management training been rolled out to all key members of staff and board members involved in the process, and to new members of staff and board members with risk management responsibilities?
- Have you considered the effectiveness of the training?
- Have you mapped your assurances first, second and third line?



Assurance mapping

Mapping your assurances is vital to effective risk management. An assurance mapping exercise helps to highlight anomalies in respect of the quantum of assurances so that, in effect, assurances are better aligned to ensure a good balance across all strategic risks.

Assurance mapping identifies and records the key sources of assurance that inform management and the board about the effectiveness of how key risks are managed or mitigated, and about the key controls/processes that are relied on to manage risk and achieve the provider's objectives. The aim of assurance mapping is to provide a comprehensive picture of:

- where the social housing provider receives assurance;.
- has too much assurance;.
- where assurance is duplicated, or there is none at all; and.
- whether assurances are set at the right level to meet the provider's needs.

Providers may also want to consider the independence of any assurance provided in terms of how much reliance or comfort they can take from it.

Updating and ongoing assurance monitoring

As with risk management, managing your assurances through the assurance map is an ongoing process. The assurance map, like your risk register, should be a document that is updated throughout the year and the results fed back into your risk management framework and understanding. To ensure that the process is useful, the frequency with which updates are required should be considered as part of setting your assurance policy but may also evolve over time with familiarity.

Top reasons for downgraded judgements

Ineffective board oversight of stress testing

Mitigation strategies not developed and evidenced

Recovery planning is under-developed

Stress testing, recovery planning and mitigation strategies

The Governance and Financial Viability Standard requires providers to carry out detailed and robust stress testing against combinations of risks across a range of scenarios, and to put appropriate mitigations in place as a result. This helps the board to better understand and enhance its business planning, decision making and risk management. Providers should also ensure that their mitigation strategies are well developed, up to date, and can be implemented at short notice.

It is important that the board understands funding risks and capital requirements, including stress testing against a range of assumptions and develop mitigation plans in support.

For many organisations, improvements in stress testing were considered to be a key factor in receiving an upgraded judgement. Many providers had strengthened their approach to stress testing, including the potential mitigations. This was also reflected in business plans and an associated improvement in board oversight.

Business planning

Providers need to ensure that they have an appropriate, robust and prudent framework for business planning and risk and control. Stress testing and risk management should be integrated with the provider's overall approach to business planning, risk and performance management, as stated in Regulating the Standards.

The Regulator lacked assurance that downgraded providers had an appropriate and robust business plan. It highlighted that providers needed to improve the effectiveness of their business planning to ensure continued compliance.

<table>
<tr><th>Outcomes in reports where the judgement was downgraded</th><th>What can providers do to improve?</th></tr>
<tr><td>Strengthen the approach to stress testing so that it can be used to inform business planning and risk management.</td><td>Boards should take into account internal business risks, as well as a range of economic factors that have an influence on the organisation when creating the stress test.

The economic environment is rapidly changing, with rising inflation, cost pressures and the uncertainty of the rent regime. Boards will need to ensure that stress testing parameters are continually reviewed and revised where necessary. Also, where loans are in place with lenders, providers should ensure that loan covenants are complied with.

Where there had been an upgraded judgement, stress testing provided the board with a better understanding of its risk exposures, and mitigation strategies were identified to manage risks to long-term viability.</td></tr>
<tr><td>Scenarios do not test against security in stress situations, and the quality of routine reporting to the board on security does not give it adequate assurance on its non-stressed security position. The reporting therefore needs strengthening.</td><td>Improvements should be made in the quality of stress testing:
• having a clear understanding on securities;
• a range of appropriate risks and multivariate scenarios, with mitigations identified and modelled against downside scenarios to demonstrate effectiveness; and
• single and multivariant testing against cash and funder covenants for conditions that could cause the business to fail.</td></tr>
<tr><td>Recovery planning is under-developed, and the effectiveness of identified mitigation strategies needs to be evidenced.</td><td>Improvements should be made in the approach to stress testing and recovery planning so providers can demonstrate that the board is drawing on both to manage the risks associated with the delivery of its strategy.</td></tr>
<tr><td>Stress testing does not sufficiently demonstrate the financial impact of the range of risks to which the provider is exposed.</td><td>In designing the stress testing, boards should consider both the long term, cyclical nature of economic factors that affect the business and the internal business risks. Further to this, multivariant testing must be completed to understand the relevant breaking points.</td></tr>
</table>

Outcomes in reports where the judgement was downgraded	What can providers do to improve?
The approach to stress testing needs to be improved.	Boards need to have confidence that their stress testing meets the needs of their organisation. Stress testing allows the board to have a better understanding of the strengths and weaknesses of the business plan. Doing so will help underpin boards' understanding of where the risks lie and inform their consideration and planning for remedial action.
Further development of early warning triggers and mitigation strategies is also required to assist the board in recognising and controlling the impact of risks.	Risk mitigation strategies and related triggers should be in place and monitored, and the board should ensure that it has articulated its risk appetite.
More work is required to develop mitigation strategies and to complete assets and liabilities records. This will support the board's ability to respond to emerging risks in a timely and effective manner.	The provider's approach to stress testing should demonstrate the board's ownership and ensure that it is aligned to the organisation's key risks, with mitigation plans and trigger thresholds in place.

Key questions

- Do you understand the limits of the stress testing, e.g. when your business plan will break, including multivariant situations?
- Are you aware of how decisions might impact the business and financial planning?
- How are you planning and taking into account current economic uncertainties, including rising costs?

Financial reporting and value for money

Top reasons for downgraded judgements

Strategic approach in delivering VfM needs reviewing

Approach to VfM needs to be strengthened

Financial reporting is not adequate

Value for money (VfM) is not just about cutting costs and making savings. It is also about operational effectiveness, delivering quality to residents, being efficient and demonstrating transparency and accountability to stakeholders and regulators.

The Regulator has published its Value for money metrics and reporting 2021. VfM is a key regulatory standard that requires registered providers to clearly articulate their strategic objectives, and to report annually on their performance against a suite of measures defined by the Regulator, as well as against their own objectives.

The report reinforces the importance of good quality data-driven performance monitoring, alongside clear objective setting, to mitigate risks to providers' businesses. Section 4 of the VfM report addresses reporting under the VFM Standard in the annual Financial Statements. The Regulator sets out a number of areas where reporting as at 31 March 2021 was not in line with the Standard, including some of the metric calculations. In section 4 there is a clear articulation of the Regulator's expectations for improvement in VfM reporting in financial statements.

Outcomes in reports where the judgement was downgraded	What can providers do to improve?
Financial reporting requires improvement to ensure the board is fully aware of emerging issues.	Improvements to financial and development activity reporting should be strengthened on the board’s assurance on subsidiary liquidity risk and, where relevant, the performance of its development programme at both group and subsidiary level.
The approach to VfM needs to be strengthened to ensure that providers are compliant with the VfM Standard. Providers did not have measurable plans or targets that are demonstrably linked to strategic objectives. Monitoring and reporting arrangements require improvement to enable the board to challenge the executive on VfM performance. Providers need to review their strategic approach to delivering VfM so as to make more effective use of their financial resources.	The board must set financially sustainable plans. In doing so, it must give due regard to VfM and financial sustainability, but also environmental sustainability, carbon neutrality and social sustainability. Where there has been an upgrade, the quality of the provider’s recent regulatory returns and the publication of VfM metrics demonstrate compliance with regulatory requirements.

Health and safety requirements

Top reasons for downgraded judgements

Key Health and safety risks are not effectively managed

Health and safety requirements are not met

Ineffective board oversight of landlord health and safety

It is expected that boards oversee the processes that are being implemented, thereby ensuring that providers are complying with all health and safety statutory requirements and ensuring the safety of tenants' homes.

The Regulator states that the board is required to have a "strong and appropriate oversight of decisions around stock quality and health and safety compliance." The 2020 Sector Risk Profile emphasised that the sector must have an approach to ensuring that the quality of its housing stock is "maintained at a decent standard." Boards must ensure that they continue to invest sufficiently in providing stock that is "safe and of appropriate quality."

Key laws and regulations have progressed in the last 12 months. Boards need to have assurance that stock meets the relevant health and safety duties as well as understand their responsibility to fire and building safety under the new regulatory regime introduced by the Fire Safety Act 2021. The new Building Safety Act 2022 also introduces a more stringent building safety regulatory regime, in response to the Grenfell Tower fire and Dame Judith Hackitt's independent Review of Building Regulations and Fire Safety. To ensure tenants are safe in their homes, boards will need to understand how legal requirements are changing and ensure continued assurance regarding health and safety.

The government has also published its Social Housing Regulation Bill, putting into law a host of reforms to the regulation of the sector. Under the new Bill, the Regulator will be given stronger powers to regularly inspect landlords on things such as health and safety and repairs performance. Underperforming social landlords could face 'Ofsted-style' inspections. The length of time the English regulator has to warn organisations about property inspections will now be cut from 28 days to 48 hours.

If the Regulator finds that the standard of the home is putting tenants' lives at risk, it will be able to order emergency repairs that landlords will be liable to pay for. Unlimited fines will be levied at housing associations and councils that are found to be persistently underperforming.

Alongside the Bill, the government has also launched a consultation seeking views on electrical safety standards for social housing. Proposals in the consultation include:

- mandatory checks on electrical installations at least every five years for both rented and leasehold properties; and
- mandatory portable appliance testing (PAT) on all electrical appliances provided by social landlords.

Outcomes in reports where the judgement was downgraded	What can providers do to improve?
Failing to meet statutory health and safety requirements in relation to fire, electrical and asbestos safety.	Boards should strengthen internal controls and improve board reporting and oversight of its key risks. Boards should ensure providers have complete and accurate reporting on all tenant health and safety requirements, and that any potential issues are escalated promptly to the appropriate governance forum. Actions resulting from health and safety checks should be clearly documented and followed through to implementation.
Board oversight of its landlord health and safety obligations need to be strengthened.	Boards should put in place appropriate systems and processes for providing regular assurance on compliance with landlord health and safety requirements.

Data and records

Top reasons for downgraded judgements

- Ineffective board oversight of key risks
- Ineffective risk management and internal control frameworks
- Strategic and operational risk assessments are not aligned

Registered providers record and store huge amounts of data. It is therefore important that boards have assurance that their organisation has good quality data to enable the accurate assessment and management of risks and for effective decision making. Ensuring that data is kept accurate and up to date is fundamental for boards to monitor areas such as financial management and health and safety. The Regulator's ninth annual social housing consumer regulation review showed that organisations with good quality records and data about their properties and tenants were better able to manage risks to tenants' safety.

Outcomes in reports where the judgement was downgraded	What can providers do to improve?
Decision making has not been consistently supported by accurate data. This has affected the board's ability to foresee and manage risks in a timely way. There were also concerns raised about incomplete asset and liability records.	Providers should improve their controls and processes for ensuring the accuracy of business plan data, board reporting (including health and safety compliance reporting), and regulatory returns. New processes should be introduced to ensure data integrity around health and safety compliance reporting and improving the system and controls for collating and managing health and safety data. Where there had been an upgraded judgement, providers had also implemented additional controls to help ensure compliance with requirements relating to rents and service charges. There were also improvements made and new processes introduced to ensure data integrity and accuracy. Overall, the organisation needs a culture of good data management and there needs to be a clear data quality policy.

Key questions

- How do you know that the data provided in board/committee reports is timely, accurate and consistent?.
- Are you satisfied that your organisation's systems can deal with the increased demand for data-driven reporting?.
- Are you sure that your organisation has the expertise needed to make the best use of its data?.
- Does data inform the organisation's strategy, and does it help it inform business decisions taken towards achieving its objectives?.

Data quality – are you assured?

Everyone knows that data is important, but does everyone realise how fundamental data governance and accuracy is to drive a successful business?

In the housing sector data is held and used in every department, so good data quality is not an optional extra. It is a fundamental basis for the business and reputation of registered providers. All decisions need to be based on information of the highest quality.

Registered providers are required to submit returns to the Regulator, including the Statistical Data Return, the Financial Forecast Return and the business plan. Consistency and compliance with national standards are therefore essential, as organisations are measured and judged on the data they produce. And, as our research has shown, regulatory assessment ratings depend in part on good quality data.

Poor data quality may lead to:

- Avoidable safety incidents occurring.
- Staff, contractors, and customers being put at risk through invalid or incorrect information held.
- Loss of confidence in the validity of recorded information.
- Poor management decisions within or about the organisation.
- Loss of income to the organisation.
- Reputational damage to the organisation.

For more information on what you can do, please visit the RSM website.

Conclusion

The successful and sustained achievement of the provider's mission and objectives rely on robust governance and risk management. This means the board needs to be clear about what it wants to achieve, knows what the measures of success will look like, is open and honest in its dealings and alive to the key risks within and outside of its operating environment, both at strategic and tactical level. For this to be made a reality, the board needs to put in place a suitable assurance framework that provides it with the confidence it requires.

Registered providers need to ensure that risk profiles remain current, that robust internal controls are mapped to each risk and are in line with risk appetite, and that appropriate assurances are sought so that providers can take comfort in the knowledge that controls are operating as intended. The board is responsible for ensuring that it understands the key risks faced and how they are managed, but most importantly it should be seeking assurance that this is the case. The board needs to continually challenge its understanding and routinely ask: "Do we really know what we think we know?"

The volume of environmental, social and governance (ESG) reporting has increased in the private sector, and the same expectation is now extending to social housing. While the social housing sector leads the way on ESG, one of the biggest challenges is consistent measuring, recording, reporting and governance oversight, partly due to the number of different activities captured under the ESG banner.

A recent report by Savills on behalf of the National Housing Federation identifies £36bn, as a base case, that housing associations in England will need to find to decarbonise their existing homes, assuming that technological advances happen. This makes net-zero carbon emission targets for 2050 even more ambitious, to say the least. Even so, when compared to almost any other sector social housing is still streets ahead on each element of ESG. Finding the right vehicle for demonstrating a coherent, co-ordinated approach to its achievements is the next step. Our latest Health of the Sector survey found that 66% of respondents do not have an ESG strategy in place.

First and second line assurance is important in understanding operating practices and the related changes that have been and/or remain in place, and particularly in capturing any learning. Independent and objective assurance from internal audit allows the organisation to ensure that any amended or new internal controls occasioned by these changes are properly designed and are being implemented effectively.

Sustainable governance

Ethical decisions should be the foundation for all organisations, yet we have seen some major failings across most sectors in recent years.

It is critical for boards and senior leadership to sustainably secure their future – and to challenge themselves in that role. Stakeholders and boards alike must equip themselves with the skills and knowledge needed to ensure that the organisation they work for, and are responsible for, operates effectively.

RSM has developed a four-pronged framework that focuses on the main principles of good governance. You can also discover more about effective corporate governance by downloading our publication, Securing your future: leading through sustainable governance.

We like to triangulate our governance reviews to address the three top reasons identified for downgrades:

- governance arrangements;.
- board reporting; and.
- board oversight.

We do this by:

- carrying out a desk top review of key documents that describe the governance framework;.
- reviewing agenda, reports and minutes, which are then benchmarked against other organisations; and finally.
- observing the board to review its skills, knowledge and experience, and find out if it is performing its scrutiny, challenge and support role.

INSIGHT4GRC

Insight4GRC (www.insight4grc.com) is RSM's proprietary digital governance, risk and compliance solution.

We have over 250 organisations from all sectors licenced and use one, some or all, of the Insight4GRC modules. Insight4GRC provides management with real time information in connection with the identification, assessment and management of risks, the communication and acceptance of policies and the distribution and tracking of actions.

To find out how Insight4GRC can help you better manage your organisational risks contact matthew.humphrey@rsmuk.com.

Key contacts

Keith Ward
Head of Social Housing
keith.ward@rsmuk.com

Mark Jones
Head of Internal Audit
mark.jones@rsmuk.com

Karl George
Head of Governance
karl.george@rsmuk.com

Matthew Humphrey
Insight4GRC
matthew.humphrey@rsmuk.com

Zara Raza
Risk Assurance Technical
zara.raza@rsmuk.com

rsmuk.com

The UK group of companies and LLPs trading as RSM is a member of the RSM network. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm each of which practises in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction. The RSM network is administered by RSM International Limited, a company registered in England and Wales (company number 4040598) whose registered office is at 50 Cannon Street, London EC4N 6JJ. The brand and trademark RSM and other intellectual property rights used by members of the network are owned by RSM International Association, an association governed by article 60 et seq of the Civil Code of Switzerland whose seat is in Zug.

RSM UK Corporate Finance LLP, RSM UK Restructuring Advisory LLP, RSM UK Risk Assurance Services LLP, RSM UK Tax and Advisory Services LLP, RSM UK Audit LLP, RSM UK Consulting LLP, RSM Northern Ireland (UK) Limited and RSM UK Tax and Accounting Limited are not authorised under the Financial Services and Markets Act 2000 but we are able in certain circumstances to offer a limited range of investment services because we are licensed by the Institute of Chartered Accountants in England and Wales. We can provide these investment services if they are an incidental part of the professional services we have been engaged to provide. RSM UK Legal LLP is authorised and regulated by the Solicitors Regulation Authority, reference number 626317, to undertake reserved and non-reserved legal activities. It is not authorised under the Financial Services and Markets Act 2000 but is able in certain circumstances to offer a limited range of investment services because it is authorised and regulated by the Solicitors Regulation Authority and may provide investment services if they are an incidental part of the professional services that it has been engaged to provide. Whilst every effort has been made to ensure accuracy, information contained in this communication may not be comprehensive and recipients should not act upon it without seeking professional advice.

© 2022 RSM UK Group LLP, all rights reserved