MINUTES OF THE AUDIT & RISK MANAGEMENT COMMITTEE MEETING
HELD ON THURSDAY 12 MARCH 2026
IN PERSON AT SUITE 4, SALTIRE HOUSE, WHITEFRIARS CRESCENT, PERTH
AND VIRTUALLY ON MICROSOFT TEAMS

Present:	Derek Robertson	Chair	(MT)
	Eric Farren	(from Item 6.26)	(MT)
	Douglas McLaren		(MT)
	Margaret McLay		(MT)
	Keri-Ann Osfield		(MT)

Apologies: Gary Grigor

In Attendance:	Kelly Adams	RSM UK Audit LLP (to Item 6.26)	(MT)
	Steve McNaught	Henderson Loggie (from Item 5.26)	(MT)
	Ross Carlin	Executive Director of Finance	(SH)
	Barry Johnstone	Executive Director of People & Governance	(SH)
	Robert Wright	Head of ICT	(SH)
	Stuart Robertson	Governance Manager	(SH)
	Jenny Dalton	Governance Officer (Minute Taker)	(SH)

The Chair welcomed Kelly Adams (KA) from external auditors RSM to the meeting and noted that both Eric Farren and Steve McNaught of Henderson Loggie would be late joining the meeting.

The Chair and members then extended their congratulations to Cameron Lyall on his appointment as Head of Finance.

01.26 Apologies

Apologies were **NOTED** from Gary Grigor.

02.26 Declaration of Interest

There were no declarations of interest.

ITEM for DISCUSSION and/or APPROVAL

03.26 Draft Minutes of the Audit & Risk Management Committee Meeting held on Tuesday 2 December 2025

Committee members **AGREED** that the minutes were a true and accurate record of the meeting. **APPROVAL** of the minutes was **PROPOSED** by Keri-ann Osfield and **SECONDED** by Margaret McLay. The Governance Officer (GO) would arrange for the minutes to be signed by the Chair.

04.26 Matters Arising

There were no matters arising that were not dealt with elsewhere on the agenda.

Steve McNaught (SMcN) joined the meeting at 5.10 p.m.

05.26 External Audit Plan 2025.26

The Chair introduced Kelly Adams (KA) of External Auditors RSM who then presented the Audit Plan for the financial year to 31 March 2026 and outlined the key points as follows:

The Audit Plan had been prepared prior to completion of the planning process and therefore, should further matters need to be brought to the Committee's attention on completion of the planning process, the Audit Plan would be updated prior to the execution stage.

Planning materiality was expected to be based on a percentage of net assets for the Group. As final figures were not yet available, these could not be calculated, however, based on preliminary discussions, it was not anticipated that the values would change substantially year on year. The values would be updated throughout the audit with the final materiality reported in the Audit Finding Reports.

The audit would focus on areas of higher assessed risk of material misstatement to the financial statements. These areas were:

- Management Override of Controls
- Impairment of Assets under Construction
- Valuation of Defined Benefit Pension Liability
- Cut-off and Completeness of Planned Maintenance
- Going Concern

KA explained that Management override of controls remained a significant risk due to the requirements of ISA (UK) 240, which required auditors to presume that there was an inherent risk of fraud in income recognition unless this could otherwise be disproved.

In conclusion, KA advised that the audit findings would be presented to the Committee at its meeting on 6 August 2026.

Committee **NOTED** the Audit Plan.

The Chair thanked KA for providing an overview of the Audit Plan and KA left the meeting at 5.25 p.m.

06.26 Internal Audit Reports

Steve McNaught (SMcN) presented the findings of the internal audit as follows:

<u>Internal Audit Report – Gas Safety and Lifts</u>

The audit review considered the systems in place to ensure compliance with landlord obligations for gas safety and lifts. The outcome of the audit was that the overall level assurance was "Satisfactory," with the systems meeting control objectives with some weaknesses present. Two Priority 3 recommendations were made and had been accepted by Caledonia's Management Team.

Internal Audit Report – Health & Safety

The scope of this audit was to review the adequacy of arrangements for dealing with Health and Safety matters across the Group. The report confirmed a robust programme of mandatory training, central risk assessments and active site-based spot-checks by the Health & Safety Officer. A small number of assessments were overdue due solely to the timing cycle. The outcome of the audit was that the overall level of assurance was "Good," with systems meeting control objectives. No recommendations were made.

The Committee noted the valuable participation of Board member Anne Culley in the audit process.

Internal Audit Report – Procurement and Creditors/Purchasing

This audit focussed on the controls in place for the ordering of goods and services and the payment of invoices. The outcome of the audit was that the overall level of assurance was "Satisfactory" with the systems meeting control objectives with some weaknesses present. Two Priority 2 and two Priority 3 recommendations were made and had been accepted by Caledonia's Management Team. The Management Team confirmed that work was ongoing, supported by digital transformation planning, to ensure the central contract data base was accurate and complete and assign new ownership lines for procurement governance.

Eric Farren joined the meeting at 5.35 p.m.

Internal Audit Report – Complaints Handling

The scope of this audit was to review the systems in place for managing complaints. The outcome of the audit was "Satisfactory" with the system meeting control objectives with some weaknesses present. Three Priority 3 recommendations were made and had been accepted by the Caledonia Management Team.

Following a query from Committee members, SMcN advised that overall, the policy and procedures for all recently audited areas were robust and that the control environment was well developed.

SMcN provided brief updates on two internal audits; one that had recently been completed and the other that was ongoing, as follows.

Fieldwork on the Reactive Repairs internal audit had concluded on the day of the meeting. The audit involved the review of systems for recording and carrying out repairs. No material issues had been identified. The final Internal Audit Report would be presented to the ARMC meeting in June 2026.

The Factoring internal audit commenced on 2 March 2026 and was ongoing. This audit involved the review of arrangements for the management of factoring related contracts, with particular focus on communal area maintenance. The final Internal Audit Report would be presented to the ARMC meeting in June 2026.

The Governance Manager (GM) highlighted that, per the plan, a further three internal audits were due to be undertaken between now and the June ARMC meeting and that it was intended that the final reports for these audits would be circulated to Committee members as soon as they were available

07.26 Draft Strategic Plan 2026 to 2029 and Draft Internal Audit Annual Plan 2026/27

SMcN advised that the Draft Strategic Plan and Draft Internal Audit Annual Plan were presented for consideration by the ARMC.

The Strategic Plan had been formulated to cover the normal three-year internal audit cycle and had been prepared following discussion with the EDPoG and GM, with feedback from the wider EMT. The 2026/27 internal audit programme included a review of the Digital Strategy, which had been deferred from 2025/26 at the request of the management team.

The EDoPG advised that, in accordance with previous discussions and agreement with ARMC, an ESG audit had been included in the Plan and that this replaced the previous Equalities and Diversity audit. AI considerations had also been incorporated following discussions at the December ARMC meeting, with attention given not only to the digital strategy but also to wider digital transformation activity. Members were reminded that the Business Plan allocated £1 million over the next two years to significant investment in system replacement and enhancement, and this priority was now reflected within the Audit Plan across all three years.

Given the strategic importance of rent harmonisation within the Shaping the Future Business Plan, and the detailed Board discussions held as part of the rent-setting process, this area had also been added to the Plan. In addition, insurance had been incorporated as a new audit area, following recent updates to the strategic risk register and its inclusion as a key business risk.

The proposed areas to be audited in 2026/27 were as follows:

Voids
Adaptations
Development Projects
People & Culture
General Ledger
Performance Reporting/KPIs
Digital Transformation Projects
Digital Strategy (including AI)
Follow-up Reviews

The scope and objectives of each audit was set out in the Plan.

08.26 AI Acceptable Use Framework

The Executive Director of Finance (EDoF) presented two key documents:

- The draft AI Policy – the policy summarised current regulatory expectations and best practice for AI usage within the organisation.

- The Data Classification Matrix – this document was designed to help staff understand what information could and could not be placed into AI tools, using practical examples such as Board papers and client data.

The EDoF emphasised that a long policy document would not assist staff and that a simpler, interpretable tool was needed, alongside an awareness and training programme, to guide day-to-day decisions.

Committee members welcomed the draft documents as a strong start and emphasised the need to consider organisational risk appetite, particularly because AI capability was often embedded within software without users realising it (e.g. summarising emails in Microsoft 365). The importance of understanding where AI may already be present within existing applications and ensuring the policy accounted for this was also noted.

The EDoF acknowledged the need for awareness and effective controls and the Data Classification Matrix would be important in this context, while restricting AI risks at procurement was also critically important. The aim was to harness the benefits of AI within a controlled environment.

A Committee member suggested strengthening the section within the policy on "due diligence on AI suppliers" so that it applied to all suppliers as most would incorporate AI in some form. The EDoF agreed and clarified that this was the intention.

The Chair recommended that the subject be discussed at a future Management Board meeting as the topic extended beyond the remit of this Committee.

In conclusion, the Committee agreed that the organisation was at the beginning of a long journey with AI and that the current draft documents provided a strong starting point, while ongoing development, training, governance and practical tools would be essential as part of the AI acceptable use framework.

It was **AGREED** that an updated AI policy and implementation plan would be presented to the May Board.

09.26 Review of Top Business Risks

The EDoPG presented the report and advised that, following discussion at the December ARMC meeting and further consideration by the Executive Management Team (EMT), a new Digital Transformation risk had been added to the Risk Register. The risk reflected the broader analysis of risk associated with the digital transformation aspiration of the new Business Plan 2026-31 – Shaping the Future, while acknowledging the need to incorporate AI within the Register.

The EDoPG also provided the following updates for risks not within risk appetite.

- **Health & Safety:** This residual risk had reduced during the quarter due to evidence from Fire Risk Assessments and recent internal audit outcomes; however, the risk remained outwith risk appetite.
- **Cyber Security:** This risk remained above appetite due to national threat levels and ongoing remediation demands.

- **Subsidiary Governance (Cordale):** Slight reduction in residual risk following four new appointments and strengthened oversight. Again, the risk remained outwith risk appetite.

The Committee **NOTED** the review and amendments to the risk register.

ITEMS for INFORMATION

11.25 Cyber Security Update

This report is confidential as it includes commercially sensitive information and publication would harm commercial interests.

11.26 Update on Internal Audit Actions

The Committee **NOTED** progress against open internal audit actions, as follows:

- Non-Rental Income – partially implemented. Revised target date of December 2027 as previously agreed with the ARMC to allow for transition to alternative finance system.
- IT Controls – work in progress. Timescale extended to allow for internal assurance and validation of PSCRF self-assessment. Expected to conclude by end of March 2026.
- Publicity – action plan had been drafted that defined action owners, timescale and performance indicators. This action was now complete.

12.26 Any Other Competent Business

As several Committee members were finding it difficult to attend the meeting at 5 p.m. the Chair suggested changing the start time to 5.30 p.m. for future meetings. This was **ACCEPTED** by Committee members.

There being no other competent business, the meeting concluded at 7.05 p.m.

Chair's signature: .....