



Rosehill Housing Association

Audit Needs Assessment

2025/26 to 2027/28

March 2025

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Introduction

Background

Wbg Services LLP (Wbg) were appointed as Internal Auditors of the Association for a period of 3 years, commencing 1 April 2025, with the option to extend for 2 years.

Internal Audit

The prime responsibility of the Internal Audit Service (IAS) is to provide the Audit and Risk Committee, the Chief Executive Officer and other Senior Management of the Association, with an objective assessment of the adequacy and effectiveness of management's internal control systems.

The IAS objectively examines, evaluates and reports on the adequacy of internal control thus contributing to the economic, efficient and effective use of resources and to the reduction of the potential risks faced by the Association.

Also, the operation and conduct of the IAS must comply with the standards and guidelines set down by the Institute of Internal Auditors.

Terms of Reference – Internal Audit

The provision of the IAS by Wbg is covered by the letter of engagement 24 March 2025.

Formal Approval

The ANA will be presented to the Audit and Risk Committee for approval on 6 May 2025.

Approach

Planning process and review

Approach

The Audit Needs Assessment (“ANA”) has been produced based on the following:

- | Consideration of the risks noted within the Association’s Strategic Risk Register;
- | Preparation of the Assurance Map;
- | Consideration of previous internal audit coverage and the key findings from these reports;
- | Meetings held with the Director;
- | Preparation of an Audit Universe;
- | The identification of all areas of work by system and sub-system;
- | The identification of key controls and associated risks for each system and sub-system; and
- | The determination of the internal audit resource required to meet the identified audit needs.

Planning Process

Below is a diagram which details our planning process:



Revisiting the ANA

The ANA will be reviewed continuously throughout our appointment and will take account of the results of audit work, the development of new systems and any other risk factors identified. Any proposed changes to the ANA will be presented to the the Audit and Risk Committee on at least an annual basis for discussion and approval. We have set out below the proposed Audit Team.



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Operational Plan

2025/26

Value for Money

| Audit area | High level indicative summary scope | Total number of days |
|-----------------|---|----------------------|
| Value for Money | <p>We will undertake a review to consider the adequacy of the value for money arrangements in place at the Association. Specifically, our review will consider how the Association are enhancing financial stewardship, service quality and long-term sustainability and how the Association is demonstrating value for money for its tenants.</p> <p>Our objectives for this review are as follows:</p> <ul style="list-style-type: none"> The Association has a robust Value for Money Framework in place that is communicated effectively throughout the Association and to its tenants. The Association’s Value Money Framework is effectively linked with the strategic planning processes of the Association. The Association has robust financial planning arrangements in place where value for money forms a key part of the annual budgeting process. We will consider how value for money is reviewed as part of the annual rent consultation process. The Association has robust processes to ensure that value for money is considered throughout operations. This will include reviewing arrangements in place in relation to procurement and service delivery. The Association has developed an adequate report that outlines their approach to achieving value for money where this is presented to the Board. | 3 |

Review of Annual Assurance Statement and Follow Up Review



| Audit area | High level indicative summary scope | Total number of days |
|--------------------------------------|---|----------------------|
| Review of Annual Assurance Statement | <p>We will complete a review to assess whether the Association has adequate systems and processes in place for the completion of the Annual Assurance Statement. We will review the content of the Assurance Statement and sample test for the information included within the Assurance Statement to determine whether the level of information is appropriate.</p> <p>Our objectives for this review are as follows:</p> <ul style="list-style-type: none"> The Association has adequate systems and process in place to enable the completion of the Annual Assurance Statement in an appropriate and timely manner. That the content of the Annual Assurance Statement is appropriate and in line with guidance provided by the Regulator. The level of information used to support the conclusion of the Annual Assurance Statement is appropriate. | 3 |
| Follow Up Review | <p>The effectiveness of the internal control system may be compromised if management fails to implement agreed audit recommendations. Our follow up work will provide the Audit and Risk Committee with assurance that prior year recommendations are implemented within the expected timescales.</p> <p>Our objective for this review is as follows:</p> <ul style="list-style-type: none"> The Association has appropriately implemented any outstanding internal audit recommendations made in prior years. | 1 |

Assignment Plans & Dates

Assignment Plans

A detailed assignment plan will be prepared for each audit undertaken, setting out the scope and objectives of the work, allocating resources and establishing target dates for the completion of the work. Each assignment plan will be agreed and signed off by an appropriate sponsor from the Association.

Key Dates

| Visit | Name | No. of audit days | Key Association personnel | Provisional start date for visit | Provisional date of issue of draft report | Provisional date for reporting to Audit and Risk Committee |
|-------|--------------------------------------|-------------------|--|----------------------------------|---|--|
| 1 | Review of Annual Assurance Statement | 3 | Director | 25 September 2025 | 10 October 2025 | November 2025 |
| 2 | Value for Money | 3 | Director, Housing Services Manager, Finance Manager, Corporate Services & HR Manager | 10 November 2025 | 28 November 2025 | February 2026 |
| | Follow Up Review | 1 | Director | | | |

Reporting & Initial 3-year Audit Needs Assessment

Reporting

The reporting arrangements for internal audit will be discussed and agreed with the Audit and Risk Committee.

The following reports will be produced by internal audit:

- | An Audit Needs Assessment; and
- | A report on each audit assignment.

For each audit report we will have an overall level of assurance.

For each recommendation, a target date for remedial action will be set taking into account the degree of priority associated with the recommendation.

The draft report for each assignment will be discussed with the auditees and the factual accuracy agreed prior to issue of the report in its final form.

The auditees will be required to respond to the recommendations stating their proposed action and nominating the person responsible for each action point.

Initial 3-year Audit Needs Assessment



| 1 April 2025 to 31 March 2028 | | Operating Plan (No. Of days) | | | Areas for Consideration |
|-------------------------------|---|------------------------------|----------|----------|-------------------------|
| System | Audit Area | 2025/26 | 2026/27 | 2027/28 | |
| Financial Systems | Value for Money | 3 | | | |
| | Fraud, Theft and Bribery | | 3 | | |
| | Budgetary & Financial Reporting | | | | * |
| Compliance | Tenant and Resident Safety | | 3 | | |
| | Compliance with Net Zero Standard | | | | * |
| Central Functions | Void Management and Allocations | | | | * |
| Assets | Estate Management | | | | * |
| | Maintenance (Planned and Reactive) | | | | * |
| | Asset Management | | | | * |
| | Compliance with Scottish Housing Quality Standard | | | | * |
| Customer Management | Tenant Satisfaction and Complaints Handling | | | 3 | |
| Staff/ HR | Staff Recruitment and Succession Planning | | | | * |
| IT Systems | Cyber Security | | | 3 | |
| Governance | Review of Annual Assurance Statement | 3 | | | |
| | Recruitment of Board Members | | | | * |
| Mandatory | Follow Up | 1 | 1 | 1 | |
| | Audit Management | 1 | 1 | 1 | |
| Total | | 8 | 8 | 8 | |

Appendices

- A - Grading Structure**
- B – Key Performance Indicators**
- C – Training Topics**
- D – Assurance Map**
- E – Audit Universe**

A – Grading Structure

For each area of review, we assign a grading in accordance with the following classification:

| Assurance | Classification |
|-------------|--|
| Strong | Controls satisfactory, no major weaknesses found, some minor recommendations identified |
| Substantial | Controls largely satisfactory although some weaknesses identified, recommendations for improvement made |
| Weak | Controls unsatisfactory and major systems weaknesses identified that require to be addressed immediately |
| No | No or very limited controls in place leaving the system open to significant error or abuse, recommendations made require to be implemented immediately |

For each recommendation we make we assign a grading either as High, Medium or Low priority depending upon the degree of risk assessed as outlined below:

| Grading | Risk | Classification |
|---------|-------------|---|
| High | High Risk | Major weakness that we consider needs to be brought to the attention of the Audit and Risk Committee and addressed by Senior Management of the Association as a matter of urgency |
| Medium | Medium Risk | Significant issue or weakness which should be addressed by the Association as soon as possible |
| Low | Low Risk | Minor issue or weakness reported where management may wish to consider our recommendation |

B – Key Performance Indicators

For each area of review, we assign a grading in accordance with the following classification:

| Performance Indicator | Target |
|---|--------|
| Internal audit days completed in line with agreed timetable and days allocation | 100% |
| Draft scopes provided no later than 10 working days before the internal audit start date and final scopes no later than 5 working days before each start date | 100% |
| Draft reports issued within 10 working days of exit meeting | 100% |
| Management provide responses to draft reports within 15 working days of receipt of draft reports | 100% |
| Final reports issued within 5 working days of receipt of management responses | 100% |
| Recommendations accepted by management | 100% |
| Attendance at Audit and Risk Committee meetings by a senior member of staff | 100% |
| Suitably experienced staff used on all assignments | 100% |

C – Training Topics

As a firm we offer a wide range of training topics to our clients, and we have listed below some of the topics which we would be able to Rosehill Housing Association.

| Topic | Summary |
|----------------------------|---|
| Risk Management | This can cover risk awareness, assessment of risks, responsibilities for monitoring risks, risk appetite and the scoring of risks. This is usually done as a workshop to ensure buy-in from management and committee members to the risk management process. |
| Role of Internal Audit | We would provide a short session on what the internal audit function should be delivering to the Association and the added value which we would bring. |
| Role of the Board | This would cover the roles and responsibilities of Board members, including the Chair. This has been particularly useful when new Board members have been appointed and allows members to obtain some knowledge on what the expectation of a Board member is and what they should be looking out for. |
| Finance for Non-Financials | This is useful for committee members who do not have a finance background and covers areas such as the management accounts, budget reporting and the statutory accounts. |
| Fraud Awareness | We would cover the importance of a having a strong control environment and areas to be aware of in relation to fraud. We would discuss some real-life examples of where we have identified or been asked to investigate allegations of fraud and the results of these investigations. |

D – Assurance Map

We have mapped out below, assurances from your risk register and internal audit reviews, against all the risks outlined on the risk register. The proposed audits were informed through our discussions with management and review of the Association’s risk register.

| Risk | Related Strategic Risk | Existing Controls | Internal Audit Assurance |
|--|--|---|--|
| <p>Failing to meet SHR expectations re: Regulatory Standards with specific reference to Governance Standards:</p> <ul style="list-style-type: none"> Non-compliance with Regulatory Framework; and We become subject to Regulatory Intervention. <p>Residual Score: 10</p> | <ul style="list-style-type: none"> Achieve the highest standards in all that we do. | <ul style="list-style-type: none"> Periodic Governance Reviews (every 4 years); Annual self-assessment of Committee (individual and collective); Internal Audit; Comprehensive Committee Handbook including role descriptions for Committee Members/Office Bearers; Annual signing up to Code of Conduct (Committee and Staff); Relevant Governance Policies in place including Scheme of Delegated Authority and Risk Management; Quarterly performance report to Management Committee; Assurance exercises monitored/updated by Management Team every 2 months and quarterly by Audit & Risk Sub-Committee. The review of the exercises (Regulatory Standards, Tenant & Resident Safety, Equalities and HR) are spread over the timetable of meetings; and Annual review by full Management Committee, in conjunction with governance consultant, re: preparations for Annual Assurance Statement. | <p>Review of Annual Assurance Statement.</p> |

D – Assurance Map

| Risk | Related Strategic Risk | Existing Controls | Internal Audit Assurance |
|---|--|---|------------------------------------|
| <p>Ineffective Financial Management:</p> <ul style="list-style-type: none"> We lose control over our expenditure and costs; We become subject to Regulatory Intervention; We breach our loan covenants; We fail to achieve value for money; and We jeopardise our financial viability. <p>Residual Score: 10</p> | <ul style="list-style-type: none"> Deliver value for money; Use resources efficiently and effectively; and Achieve the highest standards in all that we do. | <ul style="list-style-type: none"> Good quality management information systems in place; Short-, medium- and long-term budgets produced; 30-year cash flows prepared; Scheme of delegated authority; Financial regulations; External Audit; Internal Audit; Sensitivity analysis carried out on above; Above reviewed regularly for material changes; and Management Accounts prepared quarterly. | <p>Value for Money.</p> |
| <p>Fail to adequately invest in, maintain and improve our properties:</p> <ul style="list-style-type: none"> We base our property investment decisions on poor quality or out of date stock condition information; We invest in poor performing stock; We don't budget adequately; and Failure to achieve value for money. <p>Residual Score: 8</p> | <ul style="list-style-type: none"> Provide high quality affordable homes; Deliver value for money; and Achieve the highest standards in all that we do. | <ul style="list-style-type: none"> Documenting and regularly revising our Asset Management Strategy; Ensuring our capital and revenue budgets are set at levels to deliver our promises to tenants; and Having adequate provision within our 30 Year Cash Flows based on our planned programme. | <p>Tenant and Resident Safety.</p> |

D – Assurance Map

| Risk | Related Strategic Risk | Existing Controls | Internal Audit Assurance |
|--|--|---|-----------------------------------|
| <p>Risks associated with banking activities:</p> <ul style="list-style-type: none"> Failure to meet loan covenants; Change in credit ratings of bank; Inability to raise private finance for future developments; Ineffective borrowing strategy; Failure to maximise investment income; and Loss of funds due to cyber/internet fraud/impersonation. <p>Residual Score: 8</p> | <ul style="list-style-type: none"> Use resources efficiently and effectively; and Achieve the highest standards in all that we do. | <ul style="list-style-type: none"> Implement, monitor and review Treasury Management Policy; Monitor credit ratings; Loan covenants continuously monitored; Ability to repay loans in full; Early liaison between Finance and Technical Services re development projects; Achieve above target on loan covenants; Strong financial position; Monitoring of loan book; Financial assessment of fixed versus variable loans; Projected investment income is low as a % of turnover therefore Rosehill does not rely on investment income to fund day to day business expenditure; Regulations restrict the choice of investment opportunities available; Insurance in place; and Robust finance policies and procedures in place including independent verification of payee bank details. | <p>Fraud, Theft, and Bribery.</p> |

D – Assurance Map

| Risk | Related Strategic Risk | Existing Controls | Internal Audit Assurance |
|--|---|--|---|
| <p>Cyber Security/Cyber attacks:</p> <ul style="list-style-type: none"> Data breaches (phishing, malware, ransomware); Financial loss (due to cyber fraud); and Business disruption. <p>Residual Score: 8</p> | <ul style="list-style-type: none"> Be innovative and risk aware; Use resources efficiently and effectively; and Achieve the highest standards in all that we do. | <ul style="list-style-type: none"> ICT - Data Security Policy; ICT - Acceptable Use Policy; Multi-factor authentication; Annual Penetration Tests; Annual cyber security awareness training for all staff; Procedures for dealing with suspicious emails; Procedures for payment of invoices (Finance Team); Cyber Essentials Plus Accreditation; and More in-depth training for Management Team. | <p>Cyber Security.</p> |
| <p>Digital Exclusion :</p> <ul style="list-style-type: none"> Being unable to consult with tenants and tenant participation being severely impacted; and Customers being financially excluded. <p>Residual Score: 2</p> | <ul style="list-style-type: none"> Engage effectively with our tenants and service users; and Be innovative and risk aware. | <ul style="list-style-type: none"> Signatories to Scotland's Digital Charter; Continued use of traditional methods; Digital Inclusion Strategy; Involvement of Tenant Scrutiny Panel; and Leave no-one behind approach. | <p>Tenant Satisfaction and Complaints Handling.</p> |

E – Audit Universe



We have set out below the auditable entities, processes, systems and activities, which support the development of the internal audit plan, and the Internal Audit coverage since 2017. Please see page 16 for colour key of assurance ratings. The assurance levels identified were those at the time of the review where we have followed up on recommendations raised since the completion of the audit.

| Area | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|---------------------|-----------------------|-----------------------------------|--|--------------------|----------------------------|-------------------|---------------|---------------------------------|-----------------|----------------------------|---|
| Finance | | Financial Controls | | Arrears Management | Overall Financial Controls | | | Rent Setting & Affordability | Value for Money | Fraud, Theft & Bribery | |
| | | | | | | | | Budgetary & Financial Reporting | | | |
| Procurement | | Procurement & Contract Management | | | | | | | | | |
| Compliance | Data Protection/ GDPR | | | Gas Safety | | Electrical Safety | Tenant Safety | | | Tenant and Resident Safety | |
| Assets | | | Repairs (Reactive/ Cyclical & Planned) | | | | | | | | |
| Customer Management | | | Complaints Handling | | | | | | | | Tenant Satisfaction and Complaints Handling |

E – Audit Universe



| Area | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|------------|-----------------|---------|----------------------|------------------------------|-----------------|------------|------------|---------|--------------------------------------|---------|----------------|
| IT Systems | | | | Business Continuity Planning | | IT Systems | | | | | Cyber Security |
| Governance | Risk Management | | Corporate Governance | | Risk Management | | Governance | | Review of Annual Assurance Statement | | |