

Rosehill Housing Co-operative Limited

Internal Audit 2022/23

Follow Up Review

+ May 2023

Overall Conclusion

Strong





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The matters raised in this report came to our attention during the course of our audit and are not necessarily a comprehensive statement of all weaknesses that exist or all improvements that might be made.

This report has been prepared solely for Rosehill Housing Co-operative Limited's individual use and should not be quoted in whole or in part without prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any third party.

We emphasise that the responsibility for a sound system of internal control rests with management and work performed by internal audit should not be relied upon to identify all system weaknesses that may exist. Neither should internal audit be relied upon to identify all circumstances of fraud or irregularity should there be any although our audit procedures are designed so that any material irregularity has a reasonable probability of discovery. Even sound systems of control may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas that are considered to be of greatest risk and significance.



Purpose of Review

The purpose of this review was to assess whether the Co-operative has appropriately implemented the internal audit recommendations made in 2021/22 and earlier years. Our review considered whether any issues are outstanding beyond the agreed implementation deadline.

Our review considered all outstanding recommendations to provide the Management Committee, via the Audit Sub-Committee, with independent assurance that we are satisfied that these recommendations have been fully implemented by the Co-operative and can therefore be removed from the audit action plan.

This assignment is part of the agreed 2022/23 Annual Internal Audit Plan for the Co-operative.

Scope of Review

Our objective for this review was to ensure:

- + The Co-operative has appropriately implemented any outstanding internal audit recommendations made in prior years.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.



Conclusion

Overall Conclusion: Strong

Following our review, we can provide a strong level of assurance that the Co-operative has endeavoured to implement recommendations raised in prior years. This is highlighted as all 6 recommendations outstanding have been fully implemented.

Summary of Recommendations

Grading of Recommendations	High	Medium	Low	Total
Appendix A – Fully Implemented Recommendations	-	1	5	6

1. Executive Summary



Implementation of Recommendations – Summary of Implementation

Audit Area	Total	Fully Implemented
Risk Management (March 2022)	5	5
Follow Up (March 2022)	1	1
Total	6	6
Percentage of Total	100%	100%

The table below details the dates of our fieldwork and the reporting of the audit area under review.

Audit Stage	Date
Fieldwork start	27 April 2023
Closing meeting	2 May 2023
Draft report issued	11 May 2023
Receipt of management responses	24 May 2023
Final report issued	29 May 2023
Audit Sub-Committee	28 June 2023
No of audit days	1

2. Audit Arrangements



We detail below our staff who undertook the review together with the Co-operative staff we spoke to during our review.

Wylie & Bisset LLP			
Partner	Graham Gillespie	Partner	graham.gillespie@wyliebisset.com
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Rosehill Housing Co-operative Limited			
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Wylie & Bisset appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and co-operation.

Appendix A

Fully Implemented Recommendations

Fully Implemented Recommendations

Risk Appetite, Risk Management, March 2022			
<p>Original Finding</p> <p>It is good practice for a Risk Management Policy to outline the risk appetite where the term refers to the amount of risk that they are willing to accept, or tolerate, or be exposed to at any point in time which is defined on the risk matrix as the line of tolerance.</p> <p>During our review, we found that while the Co-operative’s Risk Management Policy includes a statement surrounding risk appetite however does not detail a specific risk appetite for the Co-operative. Specifically, the Policy details that risk appetite varies per activity.</p> <p>There is the risk that the Co-operative’s risk appetite is not fully developed.</p> <p>Original Recommendation</p> <p>We recommend that the Co-operative consider developing their risk appetite to determine this per the categories of risk. Once developed, we recommend that the Co-operative’s quarterly reports provided to the Audit Sub-Committee is updated to highlight risks that are above the risk appetite.</p>			
Ref	Finding from our 2022/23 Follow Up	Grade	Recommendation
1	The Co-operative’s Risk Management Policy now contains a Risk Appetite section as well as the Risk Appetite Model being included as an appendix.	Medium	No further action required.

Fully Implemented Recommendations

Risk Register: Inclusion of Mitigating Actions Score, Risk Management, March 2022

Original Finding

The Co-operative has a detailed risk register that outlines the following per risk detailed:

- Risk Issue;
- Specific Risks;
- Existing Controls;
- Risk Rating;
- Adequacy of Existing Controls;
- Risk Action;
- Additional Controls Required; and
- Lead Officer.

During our review we found that the only scores that were detailed on the risk register was that after mitigating controls where the inherent risk score is not identified.

There is a risk that the Co-operative do not know the risk score prior to mitigating controls in place.

Original Recommendation

We recommend that the Co-operative include the risk rating before and after putting controls in place to mitigate the risk.

Ref	Finding from our 2022/23 Follow Up	Grade	Recommendation
2	The Co-operative's Risk Registers now include the risk rating before and after putting controls in place to mitigate risk.	Low	No further action required.

Fully Implemented Recommendations

Deviating between Operational and Strategic Risk, Risk Management, March 2022

Original Finding

It is common practice throughout our client base that associations maintain a strategic risk register and an operational risk register. The strategic risk register records all strategic risks affecting the association and is reported to the relevant committee while the operational risk register is maintained by the Management Team with only risks above the risk appetite reported to the relevant committee.

During our review, we found that the Co-operative only maintains one register, this being split according to severity as per the following categories: material, medium and low. As a result, the Co-operatives register includes both strategic and operational risks. The Audit Sub-Committee will therefore receive reports detailing all the strategic and operational risks of the Co-operative.

There is the risk that the Co-operative are not adhering to best practice regarding risk management and that operational risks are being reported to the Audit Sub-Committee rather than the Management Team.

Original Recommendation

We recommend that the Co-operative categorise the risks detailed on their risk registers into strategic and operational and separate the operational risks to be managed by the Management Team on a different register.

Ref	Finding from our 2022/23 Follow Up	Grade	Recommendation
3	The Co-operative now have a separate Strategic and Operational Risk Register.	Low	No further action required.

Fully Implemented Recommendations

Risk Management Training, Risk Management, March 2022

Original Finding

Training for staff members at the Co-operative will give all staff an awareness of the types of risks they would be expected to manage within their own departments thereby facilitating a culture of compliance and accountability. In addition, training for members of the Audit Sub-Committee provides members with an awareness of the Co-operatives activities and updates members on strategy and developments, which may affect them as committee members.

During our review we found that the Co-operative has yet to provide any further training to the Audit Sub-Committee since the training we provided in September 2018. It should be noted that the Co-operative has scheduled training to be completed for Committee members in March 2022.

We also found that the Co-operative do not have scheduled risk management training for their staff or management.

There is the risk that Co-operative's Staff and Members will not be fully aware of the strategy and policy adopted for risk management, and how this should be applied on a day-to-day basis within their job roles.

Original Recommendation

We recommend that the Co-operative ensure that the risk management training is completed as scheduled for the Audit Sub-Committee. We also recommend that the Co-operative schedule risk management training for their staff members.

Ref	Finding from our 2022/23 Follow Up	Grade	Recommendation
4	<p>The Co-operative's Audit Sub-Committee completed Risk Management training in August 2022.</p> <p>All of the Co-operative's staff members completed Risk Management training in May 2022.</p>	Low	No further action required.

Fully Implemented Recommendations

Linking Risks with Strategic Objectives, Risk Management, March 2022

Original Finding

The Co-operatives Risk Register should align with the Business Plan's objectives and aims. Objectives are outlined as follows:

1. Provide high quality and affordable homes.
2. Engage effectively with tenants and service users.
3. Deliver value for money.
4. Be innovative and risk aware.
5. Build and contribute to effective partnerships.
6. Use our resources efficiently and effectively.
7. Achieve the highest standards in all that we do

During our review we found that the Co-operatives risk register does not link alongside their 6 strategic objectives.

There is the risk that the Co-operatives are not assessing risk in line with their strategic objectives.

Original Recommendation

We recommend that the Co-operative update their risk register to include an additional column that identify what strategic objective the risk is impacting upon.

Ref	Finding from our 2022/23 Follow Up	Grade	Recommendation
5	The Co-operative now have a heading within their risk registers which outlines what strategic objective the risk is impacting upon.	Low	No further action required.

Fully Implemented Recommendations

Feedback on Complaints Procedure, Complaints Handling, Follow Up, April 2020. Follow Up, March 2022

Original Finding

It is vital for the Co-operative to receive feedback on their complaints handling process to accommodate continuous improvement to their processes.

During our review, we found that the Co-operative do not receive any feedback from customers who filed a complaint regarding their experience of the complaints handling process. We do note that the Director is planning on incorporating feedback into the process following the review of the Procedure.

There is the risk that the Co-operatives Complaints Handling Procedure is not meeting customer standards.

Original Recommendation

We recommend that the Co-operative add, as the final step to their Complaints Handling Procedure, opportunity for customers to provide feedback on the process.

Finding from our 2020/21 Follow Up

The Co-operative have yet to develop a process for obtaining feedback from their tenants regarding the complaints handling process. They aim to begin developing this process once management has finished their SPSO training and when further advice has been sought from SHARE and the SPSO on the questions that should be included within the survey.

Recommendation from our 2020/21 Follow Up

We reiterate the original recommendation.

Finding from our 2021/22 Follow Up

The Co-operative have drafted their complaints satisfaction survey and they are currently in discussions with their website designers about creating the form on their website. The Co-operative will also hold a paper version, for issuing to complainants who still prefer to communicate that way.

Recommendation from our 2021/22 Follow Up

We recommend that the Co-operative ensures that the survey is finalised and put onto their website.

See next page



Fully Implemented Recommendations

Feedback on Complaints Procedure, Complaints Handling, Follow Up, April 2020. Follow Up, March 2022			
Ref	Finding from our 2022/23 Follow Up	Grade	Recommendation
6	The Co-operative has finalised the Complaints Satisfaction Survey and it is now available on their website.	Low	No further action required.



Appendix B

Grading Structure



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

Assurance	Classification
Strong	Controls satisfactory, no major weaknesses found, no or only 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:

Assurance	Classification
High	Major weakness that we consider needs to be brought to the attention of the Audit Sub-Committee and addressed by senior management of the Co-operative as a matter of urgency
Medium	Significant issue or weakness which should be addressed by the Co-operative as soon as possible
Low	Minor issue or weakness reported where management may wish to consider our recommendation



Appendix C

Assignment Plan



Audit Approach

Our approach to the review will be:

- + Review outstanding recommendations and gain audit evidence to ensure that these have been addressed by the Co-operation.

Potential Key Risks

The potential key risk associated with the area under review is:

- + The Co-operation does not address the areas of concern which may significantly affect its ability to continue to operate.



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