



Rosehill Housing Association Limited

Internal Audit 2024-25

Budgetary & Financial Reporting
February 2025

Overall Conclusion

Substantial

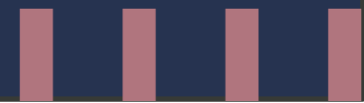
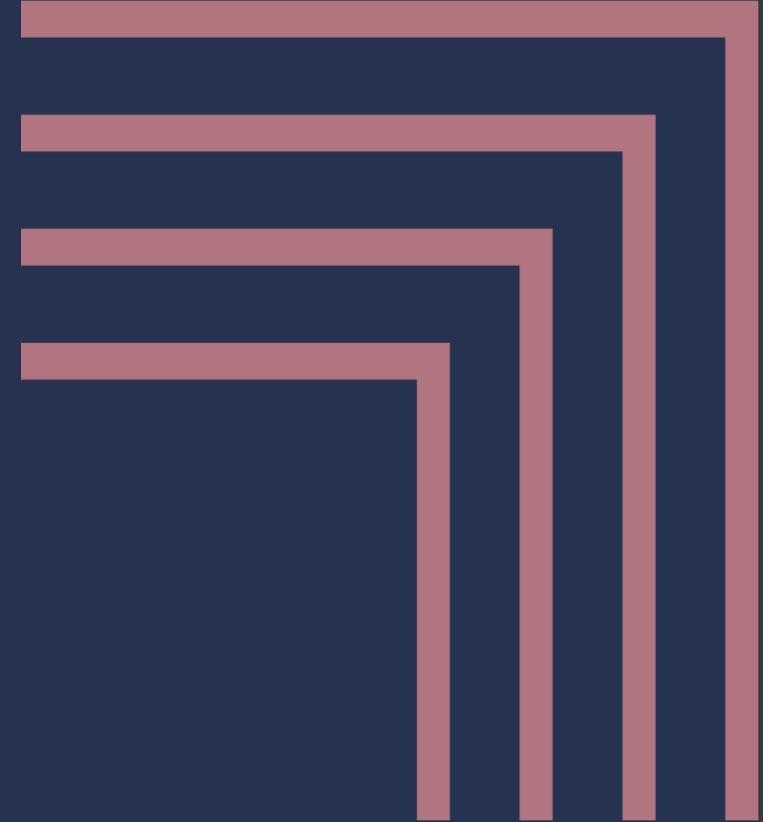


Table of contents

Section	Page
1 EXECUTIVE SUMMARY	2
2 BENCHMARKING.....	13
3 DETAILED RECOMMENDATIONS.....	14
4 OBSERVATIONS.....	20
5 AUDIT ARRANGEMENTS.....	21
6 KEY PERSONNEL.....	22
Appendix	Page
A GRADING STRUCTURE.....	24
B ASSIGNMENT PLAN.....	26

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 Association 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. Every sound system 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.

Overview

Purpose of review

The purpose of this assignment was to review the Association's budgeting, monitoring and reporting. Our review sought to provide assurance to the Audit & Risk Sub Committee that there was an effective budget setting process in place and that action was taken when adverse variances arise. Our review considered the financial reporting arrangements in place and whether the level of reporting was sufficient for decision making purposes.

This review formed as part of our 2024/25 Internal Audit Annual Plan.

Scope of review

Our objectives for this review were as follows:

- | The Management Committee/Senior Management receive sufficient reporting of performance against budget and against plans throughout the year to enable informed decision making.
- | The budget setting process is effectively linked to the operational planning process.
- | Budget holders are adequately trained and receive information regarding their budgets in a timely manner.
- | The Association has a set of comprehensive Financial Regulations to ensure that financial matters are managed professionally.
- | Deviations from budget are identified and investigated at an early stage.

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

1 Executive summary

Limitation of scope

There was no limitation of scope.

1 Executive summary

Background

Financial Regulations

The Association has an established set of Financial Regulations, which were previously reviewed in April 2022 and are set for review in April 2025. This comprehensive policy outlines the procedures for budget preparation and approval while clearly defining the responsibilities of the Management Committee and staff.

The Finance Manager is responsible for coordinating the budgetary process and overseeing the budget, while the Management Committee is responsible for approving the budget.

Budget Preparation

The budget will be prepared in a format agreed by the Management Committee and in line with the Association's Strategic Objectives. Two months prior to the financial year end, the Finance Manager will prepare a draft budget. During this process, discussions will take place with the Director and other members of the Management Team to revise the current year's budget and taking into account actual results for the year to date.

The budget will be presented to the Management Committee for discussion and approval prior to the start of the financial year. The 2024/25 budget was approved by the Management Committee on the 27 March 2024, and following adjustments was resubmitted and subsequently approved on the 24 April 2024.

Budget Control

Budget Control is the responsibility of the Finance Manager. The Finance Manager will report variance analysis to the Management Committee on a quarterly basis. Our review considered a sample of Management Account Reports presented to the Management Committee and we can confirm that the Management Account Reports held sufficient information regarding variances.

1 Executive summary

Budget Reporting

The primary method of budget reporting is through the Quarterly Management Accounts, which are prepared by the Finance Manager and presented to the Management Committee.

The accounts provide detailed information on the following:

- | Statement of Comprehensive Income;
- | Analysis of Turnover;
- | Analysis of Operating Costs;
- | Statement of Financial Position;
- | Key Performance Indicators; and
- | Loan Covenants.

The Finance Manager will prepare and present a monthly Cash Flow Analysis to the Management Committee. As part of our review, we reviewed the July 2024 - December 2024 Monthly Cash Flows Analysis and can confirm that the layout is consistent. We have raised an observation regarding the Management Committee receiving narrative on the monthly cash flow analysis. Please refer to **Section 4: Observations** for further information.

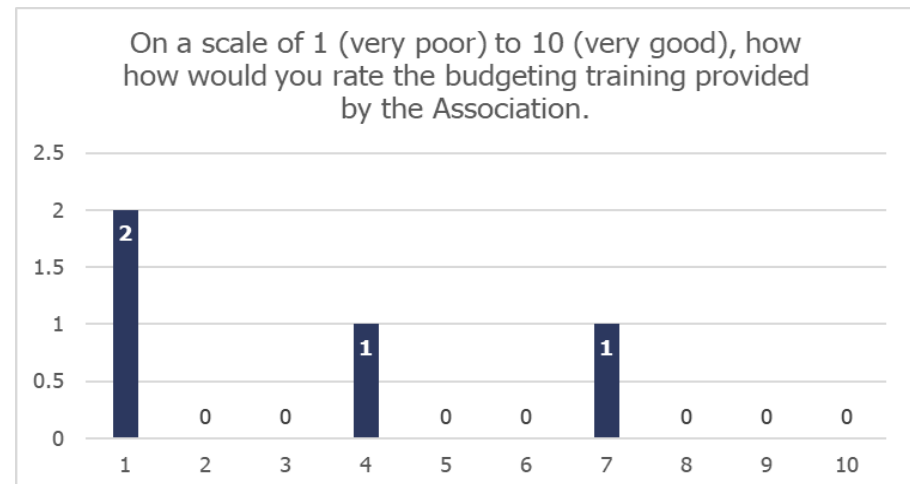
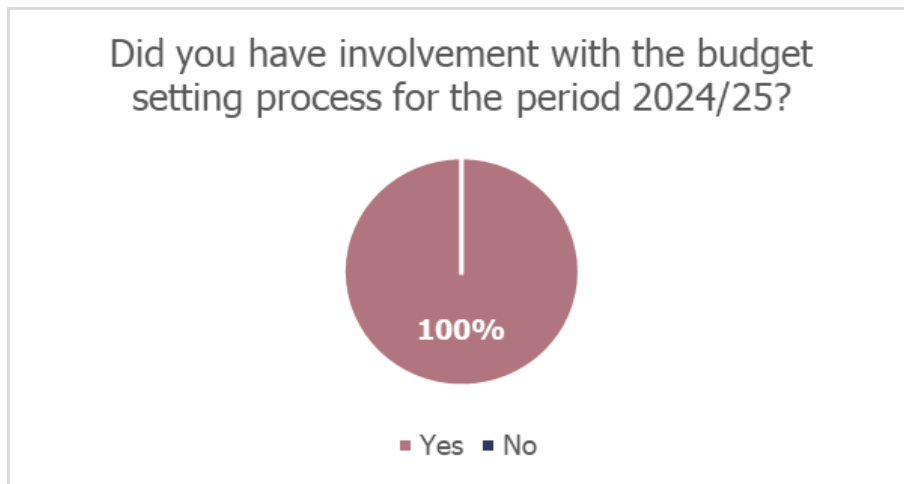
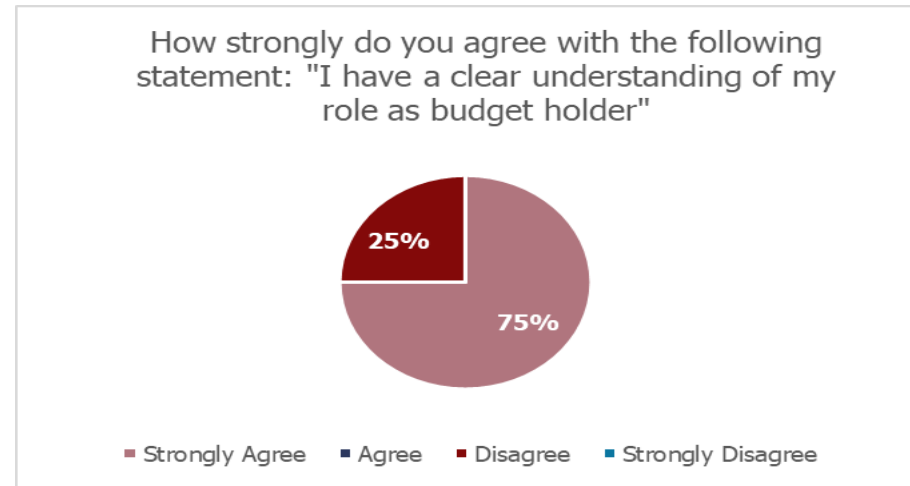
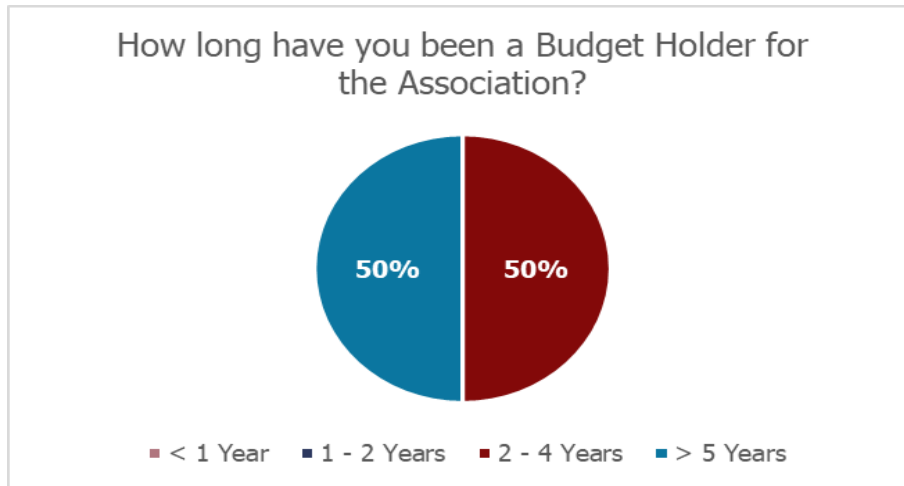
Budget Holder Questionnaire

To gather feedback from Budget Holders, we issued a questionnaire to all five Budget Holders, where we received a total of four responses. We received the following feedback:

- | Budget Holders do not meet often to discuss their budgets with Finance.
- | Budget Holders do not use the Association's Finance System - Omniledger - to monitor their live budgets.
- | Budget holders do not receive consistent reporting from Finance.
- | 2 out of the 4 Budget Holders do not feel confident that the information provided by Finance allows them to monitor and track their budget.
- | Budget Holders have not received appropriate training.
- | 1 out of the 4 Budget Holders does not have a clear understanding of their role as a budget holder.

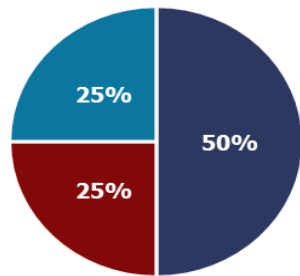
1 Executive summary

Below we have provided a further summary of the results:



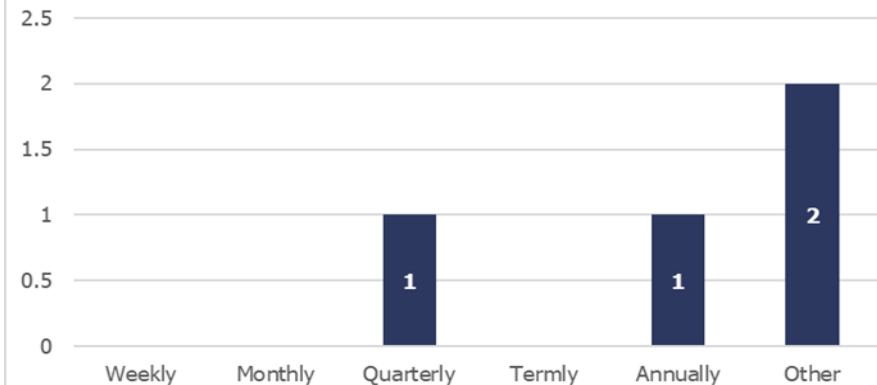
1 Executive summary

How strongly do you agree with the statement: The information provided by finance allows me to sufficiently monitor and track my budget.



■ Strongly Agree ■ Agree ■ Disagree ■ Strongly Disagree

How often do you receive Budget Reports from Finance.



How often do you meet with Finance to discuss your budget?



1 Executive summary

As a result of the above findings, we have raised two recommendations in relation to the responses from the questionnaire results. Please refer to **Section 3: Detailed Recommendations** for the three recommendations raised in relation to the points above.

1 Executive summary

Work Undertaken

In line with the objectives, we completed the following work:

Objective 1: The Management Committee/Senior Management receive sufficient reporting of performance against budget and against plans throughout the year to enable informed decision making.

- | We held discussions with the Finance Manager to identify the reporting channels in place and the frequency of reports.
- | We reviewed the Quarterly Management Accounts and corresponding minutes for the period June 2024, September 2024 and December 2024 to ensure management information was consistent and provided in a timely manner.

Objective 2: The budget setting process is effectively linked to the operational planning process.

- | We reviewed the development of the 2024/25 budget and assessed the Management Committee approval process.
- | We reviewed the Association Business Plan (2021 – 2026) and the Finance Operation Plan for 2024/25 to assess whether the budget setting process aligned with the strategic planning process.

Objective 3: Budget holders are adequately trained and receive information regarding their budgets in a timely manner.

- | We held discussions with the Finance Manager on whether Budget Holders have received adequate training.
- | We issued a questionnaire to all Budget Holders to gather feedback on the reporting arrangements, resources provided, and the sufficiency of training provided in relation to the budgeting processes.

Objective 4: The Association has a set of comprehensive Financial Regulations to ensure that financial matters are managed professionally.

- | We reviewed the Association's Financial Regulations Policy to assess coverage of the Budgetary process and to confirm this reflected current practice.

1 Executive summary

Objective 5: Deviations from budget are identified and investigated at an early stage.

- | We reviewed the quarterly Management Accounts and corresponding minutes for the period June 2024, September 2024 and December 2024 that are presented to the Management Committee to assess the coverage of key variances and ensure these were picked up timely and reported appropriately.

1 Executive summary

Conclusion

Overall conclusion

Overall Conclusion: Substantial

Following our review, we are able to provide a substantial level of assurance surrounding the budgetary and financial control arrangements in place at the Association. We have raised several good practice points, three recommendations for improvement and one observation for consideration. Please refer to **Section 3: Detailed Recommendations** and **Section 4: Observations** for further information.

Summary of recommendations

Grading of recommendations

	High	Medium	Low	Total
Budgetary & Financial Reporting	0	2	1	3

As can be seen from the above table there were no recommendations made which we have given a grading of high.

1 Executive summary

Areas of good practice

The following is a list of areas where the Association is operating effectively and following good practice.

1.	Management accounts are prepared by the Finance Manager on a quarterly basis. Through our review of the Management Accounts for the period June 2024 – December 2024 we are satisfied that these arrangements are adequate. We were able to confirm that the Management Accounts presented facilitate effective decision making.
2.	A rolling cash flow forecast of minimum 12 months is reported to the Management Committee on a monthly basis. The cash flow forecast clearly outlines how the cash has moved over the 12 month period.
3.	We reviewed the budget for 2024/25 and confirmed that it was appropriately reviewed and approved by the Management Committee in March 2024.
4.	The Financial Regulations in place clearly outline the Association's arrangements in place for budget setting, control, reporting and forecasting processes. This document was last updated in April 2022 and is next due to be reviewed in April 2025.
5.	The Budget Process is outlined in the Association Financial Regulations. This includes the budget preparation, control and approval process.
6.	Key variances are continuously monitored through the Association's Quarterly Management Accounts. This provides effective oversight of performance relative to the budget. Each quarter, a variance analysis is conducted, and comments are included with the reasons for the variances.

2 Benchmarking

We include for your reference comparative benchmarking data of the number and ranking of recommendations made for audits of a similar nature in the most recently finished internal audit year.

Budgetary & Financial Reporting

Benchmarking				
	High	Medium	Low	Total
Average number of recommendations in similar audits	0	0	1	1
Number of recommendations at Rosehill Housing Association Limited	0	2	1	3

From the table above it can be seen that the Association has a higher number of recommendations compared to those associations it has been benchmarked against.

3 Detailed recommendations

Reporting to Budget Holders			
Ref.	Finding and Risk	Grade	Recommendation
1.	<p>Budget Holders should receive quarterly reports to empower them to manage their finances proactively and adjust as necessary to stay on track with the overall budget.</p> <p>During our review, we discussed the reporting arrangements in place for Budget Holders with the Finance Manager, where it was identified that Budget Holders do not receive reports regarding their budgets. We do note that for the 2025/26 budget the Finance Manager plans to develop departmental budgets to allow Budget Holders to easily navigate their own budgets.</p> <p>As part of our review, we distributed a survey to budget holders where we identified key areas for improvement regarding the receipt of reports by Finance, uncertainty around actions when variances occurs and the lack of frequent meetings with Finance.</p> <p>Following our root cause analysis, we note that this is not in place due to historically inconsistent resourcing with the Finance Team and a lack of clearly communicating the role and responsibilities of budget holders.</p>	Medium	<p>We recommend that the Finance Manager begins reporting quarterly to the Budget Holders and holds timely meetings with them to ensure effective scrutiny of departmental budgets and budget variances.</p>

3 Detailed recommendations

	<p>There is a risk that budget holders cannot effectively scrutinise income and expenditure streams without sufficient reporting and understanding of the data.</p>		
<p>Management response</p>			<p>Responsibility and implementation date</p>
<p>This was already understood, and processes being undertaken prior to the review were/are in motion to drive departmental budgets, budget holder responsibility and oversight, and more timeous reporting.</p> <p>As noted in Recommendation three, there was a budget produced for 2024/25 of 87 tabs which has varying levels of ownership on each tab and current practice did not allow for this to be easily split and reported down efficiently. Time and resource constraints have meant continuing what was in place historically, and ensuring contentious areas were addressed, investigated, and mitigated, while planning around strategic long term, lasting improvement and efficiency.</p>			<p><i>Responsible Officer:</i> Finance Manager</p> <p><i>Implementation Date:</i> 31/07/2025</p>

3 Detailed recommendations

Budget Holder Training			
Ref.	Finding and Risk	Grade	Recommendation
2.	<p>The Association should ensure that staff are aware and fully understand their role as budget holders.</p> <p>During our review, we discussed the training arrangements in place for Budget Holders with the Finance Manager and identified that no formal training has been provided to Budget Holders.</p> <p>As part of our review, we distributed a survey to budget holders where we identified key areas for improvement, including the need for better Budget Holder training and a clearer understanding of their roles.</p> <p>Following our root cause analysis, we note that this is not in place due to historically inconsistent resourcing with the Finance Team and a lack of clearly communicating the role and responsibilities of budget holders.</p> <p>There is the risk that the Association is not providing the appropriate resources and support to ensure that all budget holders are sufficiently monitoring and tracking their budget. This can result in financial consequence.</p>	Medium	<p>We recommend that the Association provides sufficient training to the Budget Holders to enable them to manage their budgets and carry out their roles and responsibilities. This should include clearly communicating the role and responsibilities of budget holders.</p>

3 Detailed recommendations

Management response	Responsibility and implementation date
Recommendation is accepted and budget holders will receive training internally, before their new budget period, annual refresher, and provided ongoing support to manage their budgets.	<i>Responsible Officer:</i> Finance Manager <i>Implementation Date:</i> 30/04/2025

3 Detailed recommendations

Omniledger System			
Ref.	Finding and Risk	Grade	Recommendation
3.	<p>The Association should have their budget on a Finance System to ensure there is better financial oversight, transparency, and efficiency.</p> <p>During our review, we found that the Association currently do not utilise their Omniledger System to log and monitor their budget. Instead, the budget is outlined on an excel spreadsheet. We reviewed the budget and found that the Excel spreadsheet contains 87 tabs, making it challenging for budget holders to navigate and monitor their budgets effectively.</p> <p>We do note from our discussions with the Finance Manager that the Association is currently in the market of procuring a new System to input the budget.</p> <p>Following our root cause analysis, we note that this is not in place due to historically inconsistent resourcing with the Finance Team and a lack of clearly communicating the role and responsibilities of budget holders.</p> <p>There is a risk that due to the Association not using a System to monitor the budget this can undermine the Association’s financial integrity, hinder planning, and create inefficiencies.</p>	Low	<p>We recommend for the Association to input the budget into the Finance System once procured, and to continue with distributing departmental budgets to Budget Holders in the interim.</p>

3 Detailed recommendations

	<p>There is also a risk that there may be a lack of accountability, poor financial decision-making and missed opportunities for cost savings if Budget Holders are unable to navigate their budget.</p>		
<p>Management response</p>			<p>Responsibility and implementation date</p>
<p>The recommendation is accepted, although should be noted that this was identified prior to the audit review and the Associations Management Team have already discussed at Management Team Meetings the strategic direction of the digital tools and leveraging those within the Association.</p> <p>Further, the Management Team have begun to review the digital offering of the systems and have taken part in demonstrations with comparisons to follow. This will also be a supporting point in providing near live budget reporting to budget holders as noted in recommendation one.</p> <p>Additionally, as noted, inputting a budget figure on the system we currently have would not bring any benefit as the data model underpinning the system is geared towards extraction and offline manipulation. There would be no added value or efficiency in inputting the current budget into the current system other than providing a further task and administration process with no gain.</p>			<p><i>Responsible Officer:</i> Finance Manager</p> <p><i>Implementation Date:</i> 30/09/2025 – Decision only, procurement and implementation times unknown currently</p>

4 Observations

The following is a list of observations from our review

- | | |
|----|--|
| 1. | Following our discussions with the Finance Manager and review of Cashflow Analysis Reports provided to the Management Committee, we found that currently there is no narrative provided alongside financial data outlining the cash movements for the period. Rather, the Management Committee is provided with a verbal update surrounding the cash movement for the period. It is the Association's aim to include narrative going forward to support the Cashflow Analysis. |
|----|--|

5 Audit arrangements

The table below details the actual dates for our fieldwork and the reporting on the audit area under review. The timescales set out below will enable us to present our final report at the next Audit & Risk Sub-Committee meeting.

Audit stage	Date
Fieldwork start	17 February 2025
Closing meeting	24 February 2025
Draft report issued	28 February 2025
Receipt of management responses	4 March 2025
Final report issued	5 March 2025
Audit & Risk Sub-Committee	W.C 5 May 2025 or WC 12 May 2025
Number of audit days	3

6 Key personnel

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

Wbg			
Partner	Graham Gillespie	Partner of Internal Audit	gg@wbg.co.uk
Manager	Siobhan Archibald	Internal Audit Manager	sma@wbg.co.uk
Auditor	Megan Clarke	Internal Auditor	mc@wbg.co.uk

Rosehill Housing Association Limited			
Key Contact	Liam Donnachie	Finance Manager	Liam.Donnachie@rosehillhousing.co.uk
Wbg appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and co-operation.			

A 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.

A Grading structure

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

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

Purpose of review

The purpose of this assignment is to review the Association's budgeting, monitoring and reporting. Our review will seek to provide assurance to the Audit & Risk Sub Committee that there is an effective budget setting process in place and that action is taken when adverse variances arise. Our review will also consider the financial reporting arrangements in place and whether the level of reporting is sufficient for decision making purposes.

This review forms as part of our 2024/2025 Internal Audit Annual Plan.

Scope of review

Our objectives for this review are to assess if:

- | The Management Committee/Senior Management receive sufficient reporting of performance against budget and against plans throughout the year to enable informed decision making.
- | The budget setting process is effectively linked to the operational planning process.
- | Budget holders are adequately trained and receive information regarding their budgets in a timely manner.
- | The Association has a set of comprehensive Financial Regulations to ensure that financial matters are managed professionally.
- | Deviations from budget are identified and investigated at an early stage.

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

Limitation of scope

There is no limitation of scope.

Audit approach

Our approach to the review will be:

- | Discussion with relevant management, finance staff and budget holders to establish the budgetary and financial control arrangements and their involvement in this process.
- | Evaluating these arrangements to confirm their adequacy and whether they comply with current guidance and good practice.
- | Review of documentation to confirm that policies and procedures are in place and that current arrangements comply with good practice.
- | Appraisal of the adequacy of information provided to senior management for decision making.
- | An overall review of the internal control environment to ensure all relevant controls are evident and being complied with.

Potential key risks

The potential key risks associated with the area under review are:

- | The Management Committee/Senior Management receive sufficient reporting of performance against budget and against plans throughout the year to enable informed decision making.
- | The budget setting process may not effectively link to the operational planning process.
- | Budget holders are inadequately trained and do not receive information regarding their budgets in a timely manner, resulting in an increased risk of bad decision making.
- | The Association may not comply with financial regulations and may not consider funding guidelines.
- | The Association does not effectively monitor deviations between budgeted and actual income.