

# **Bridgewater Housing Association**

**Audit Needs Assessment**

**2019 - 2022**

**April 2019**

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# 1. Introduction

## **Background**

Wylie & Bisset LLP were appointed as Internal Auditors by the Association with effect from February 2019 for a period of three years to 31 March 2022.

## **Internal Audit**

The prime responsibility of the Internal Audit Service (“IAS”) is to provide the Board, via the Audit & Risk Sub Committee, 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 Chartered Institute of Internal Auditors.

## **Terms of Reference – Internal Audit**

The provision of the IAS by Wylie & Bisset LLP is covered by the letter of engagement dated March 2019.

## **Formal Approval**

The Audit Needs Assessment (“ANA”) has been developed based on discussions with the Senior Management Team of the Association and review of various documentation. The initial ANA will be presented to the Audit & Risk Sub Committee for approval on 15 May 2019.

## 2. Approach

### **The Process**

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

- Discussions with the Association’s Chief Executive;
- Discussions with members of the Senior Management Team;
- Review of the Risk Register;
- The identification of all areas of work by system and sub-system;
- The grouping of systems for audit purposes;
- The identification of key controls and associated risks for each system and sub-system;
- The determination of the internal audit resource required to meet the identified audit needs.

### **Summary of Systems**

The summary of the systems operated by the Association is included in Appendix A.

## 2. Approach

### 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 Audit & Risk Sub Committee for discussion and approval.

### Core Audit Team

Name	Role	Email Address
Ross McLauchlan	Partner	<a href="mailto:ross.mclauchlan@wyliebisset.com">ross.mclauchlan@wyliebisset.com</a>
Stephen Pringle	Senior Manager	<a href="mailto:stephen.pringle@wyliebisset.com">stephen.pringle@wyliebisset.com</a>
Scott McCready	Audit Supervisor	<a href="mailto:scott.mccready@wyliebisset.com">scott.mccready@wyliebisset.com</a>
Andrew Collins	Audit Senior	<a href="mailto:andrew.collins@wyliebisset.com">andrew.collins@wyliebisset.com</a>
Neil Hall	IT Auditor	<a href="mailto:neil.hall@wyliebisset.com">neil.hall@wyliebisset.com</a>

# 3. Operational Plan

## Operational Plan – 2019/20

Audit Area	High level indicative summary scope	Total Number Of Days
Overall Financial Controls	We will perform a high level controls review across all key financial control systems. This will include a review of processes relating to purchasing, income, cash and banking, payroll and fixed assets.	3
Review of Annual Assurance Statement	The purpose of this assignment is to ensure that the Association has adequate systems and processes in place for the completion of the Annual Assurance Statement. We will review the Associations statement to ensure there are appropriate process in place.	2
Reactive Maintenance	This review will consider the Association's reactive repairs arrangements to ensure that the Association have the appropriate controls in place and that staff are complying with these controls. We will undertake sample testing to ensure the Association's policy and procedures are being adhered to and KPIs are being met.	3
Welfare Reform	The purpose of the review is to assess how the Association have monitored the impact of welfare reform and to ensure they have taken appropriate action with respect to relevant changes. We will also review the actions taken to ensure that tenants are aware of the effects of Welfare Reform.	3
Corporate Governance Follow Up	A review will be undertaken to follow up on the recommendations of the Governance and Regulatory Scrutiny carried out in March 2019 by Linda Ewart to ensure the Association has implemented the actions raised.	1
Follow Up	A review will be undertaken to follow up on prior year audit recommendations to ensure these have been fully implemented by the Association.	1

## 3. Operational Plan (cont'd)

### 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	Audit Areas	Key Association Personnel	Provisional Date for Visit	Date of Issue of Draft Report	Provisional Date for Reporting to the Audit & Risk Sub Committee
Visit 1	Welfare Reform Corporate Governance Follow Up Review of Annual Assurance Statement	Ruth Brogan Ian McLean Ian McLean	1 July 2019	19 July 2019	14 August 2019
Visit 2	Overall Financial Controls Reactive Maintenance Follow Up	Angie Kennedy Gary Stapleton Angie Kennedy	September/October 2019 (dates are flexible)	September/October 2019	November 2019

## 4. Reporting

The reporting arrangements for internal audit have been discussed and agreed with the Audit & Risk Sub Committee. The following reports will be produced by internal audit.

- An Audit Needs Assessment;
- A report for the internal audit assignments undertaken each year;
- An annual report on IAS's activities.

For each recommendation a target date for remedial action will be set taking into the 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.

# Appendix A – Summary of Internal Audit Input

## 1 April 2019 to 31 March 2022

System	Audit Area	Operating Plan (No. Of days)		
		2019/20	2020/21	2021/22
Financial Systems	Overall Financial Controls	3		
	Budgetary & Financial Controls			3
	Procurement		3	
	Payroll			2
Non Financial Systems	Reactive Maintenance	3		
	Planned Maintenance			2
	Care & Repair Service			3
	Gas Safety		3	
	Welfare Reform	3		
	GDPR & FOI Compliance		3	
	Review of Annual Assurance Statement	2		
IT	IT Systems		3	
Governance	Corporate Governance – Follow Up	1		
	Corporate Governance			2
Required	Follow Up review	1	1	1
	Audit Management	2	2	2
	<b>Total Days</b>	<u>15</u>	<u>15</u>	<u>15</u>

# Appendix B – Grading Structure

For each area of review we provide a level of assurance 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 & Risk Sub 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

# Appendix C – Key Performance Indicators

## Analysis of Performance Indicators

Performance Indicator	Target
Internal audit days completed in line with agreed timetable and days allocation	100%
Draft scopes provided no later than 20 working days before the internal audit start date	100%
Draft reports issued within 15 working days of exit meeting	100%
Management provide responses to draft reports within 15 days of receipt of draft reports	100%
Final reports issued within 10 days of receipt of management responses	100%
Recommendations accepted by management	100%
Draft annual internal audit report to be provided no later than 6 weeks of the year end each year	100%
Attendance at Audit & Risk Sub Committee meetings by a senior member of staff	100%
Suitably experienced staff used on all assignments	100%