

findlays

Chartered Accountants 

PENTLAND HOUSING ASSOCIATION LIMITED

**Internal Audit Report
Annual Assurance Statement**

February 2021

DRAFT

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EXECUTIVE SUMMARY

Background and Introduction

In 2019, The Scottish Housing Regulator (SHR) revised its Regulatory Framework. This placed a new requirement on all social landlords to submit an Annual Assurance Statement to the Regulator by the end of October each year. This statement must either confirm that the Governing Body or appropriate Committee is assured that the landlord is complying with all relevant regulatory requirements and standards or highlight any material areas of non-compliance and how the landlord will address these.

The SHR requires that RSLs are responsible for delivering good outcomes and services for their tenants and service users. They advise that landlords need to be 'self-aware, analytical, open and honest about their performance, and identify and drive improvement'.

As a registered social landlord (RSL), Pentland Housing Association submitted its first Annual Assurance Statement to the SHR in 2019, followed by a second submission in 2020.

The focus of this report will be to review and assess the Association's bank of supporting evidence necessary to support the Annual Assurance Statement and confirm that the Association complies with the Regulatory Standards of Governance and Financial Management and the requirements of Chapter Three of the Regulatory Framework (2019).

Objectives

The main objectives of the Internal Audit on the Annual Assurance Statement are to:

Ensure the Association:

- Can demonstrate compliance with the Regulatory Standards of Governance and Financial Management and the requirements of Chapter Three of the Regulatory Framework (2019).
- Has drafted an action plan for each occurrence of immaterial/insignificant non-compliance.
- Has established a follow-up process for each action plan to ensure continuing improvement and validate ongoing assurance.

Work required to meet these objectives is as follows:

- general review of the Annual Assurance Statement
- discussions with staff, particularly Corrine McKay (acting CEO)
- systems testing on the data collated as evidence to demonstrate compliance

Key Findings

The Association have established a procedure to assess their compliance with the regulatory requirements. ACEO Corrine Mackay has summarised the regulatory obligations into two spreadsheets detailing:

- The Regulatory Standards of Governance and Financial Management
- Chapter Three of the Regulatory Framework

Each requirement has been assigned to the relevant Lead Person or Department. A detailed assessment has been carried out in respect of each requirement which evaluates compliance or non-compliance. Identified areas of non-compliance have been discussed with the relevant Lead Person or department for immediate resolve or for formulation of an action plan. Action plan progress is recorded on the respective spreadsheets.

A sample of regulatory requirements was selected in which compliance was examined and the respective evidence reviewed.

We have found the following:

1. In all items reviewed, it was confirmed that the regulatory requirements were effectively interpreted by the association and did agree to SHR guidance. There were no instances of miscommunication identified.
2. There was one instance of non-compliance discovered in which the association had no action plan in place. Per Requirement 1 of Chapter 3 of the Regulatory Framework, RSLs must make their engagement plan easily available and accessible to tenants and service users, including online. It was found that the Engagement Plan was not available on the website at the time of the audit, despite this being marked as complete by the Association.
3. There was one instance of non-compliance discovered where an action plan had been formulated but no action had been taken. Per Requirement 1 of Chapter 3 of the Regulatory Framework, RSLs must ensure they have effective arrangement to learn from complaints and from other tenant and service user feedback in accordance with SPSO guidance. The Association had self-assessed that they were not fully compliant but that steps had been taken to resolve, including the publishing of data on their website relating to a recent complaints satisfaction survey. On review of the website, no data relating to this had been published.

Overall Conclusion

The Association has established an adequate process for testing compliance with the regulatory requirements.

We have identified some areas that could be strengthened to improve the process.

We would like to take this opportunity to thank the staff of the Association for their assistance and co-operation during the audit conducted in November 2020.

To make our reports a more useful tool to management, we apply an overall assurance level to the issues that we have reviewed. The assurance level for our review of the Annual Assurance Statement is:

Reasonable Assurance – there are strong systems and reporting in place but with some minor problems that could allow for misinterpretation of procedures or for errors to be

We also categorise our recommendations according to their level of priority:

Priority 1	major issues for the attention of senior management and the Board
Priority 2	other recommendations for management action
Priority 3	recommendations for minor matters

DETAILED FINDINGS AND RECOMMENDATIONS

1. Staff Responsibilities

RECOMMENDATION	
The Association should ensure that members of staff are carrying out the tasks that have been delegated.	
RATIONALE	
<p>There was an instance of non-compliance in which the engagement plan had not been added to the website. On discussion with ACEO Corrine Mackay, it was found that responsibility had been delegated to a member of staff who had incorrectly reported back that this had been actioned. As a result, the Association were non-compliant with Requirement 1 of Chapter 3 of the Regulatory Framework and had no action Plan in place.</p> <p>In another example, an action plan had been formulated in which the results of a recent complaints satisfaction survey were to be uploaded to the website. Again, this responsibility had been delegated to a staff member, but had not been actioned.</p> <p>We recommend that further measures are implemented to ensure staff responsibility for delegated tasks. Where staff are deemed unreliable, follow up procedures should be implemented by senior members of the team to ensure that no further episodes of non-compliance are overlooked.</p>	
PRIORITY	RESPONSIBILITY
Priority - 2	ACEO
MANAGEMENT RESPONSE	
<p>PHA confirm – <i>“A formal line of communication between the management team/supervisors has been set in place to follow up of tasks delegated by a line manager out with their own department to ensure they are followed through”.</i></p> <p>A review of the PHA website has been undertaken. The home page has been updated for the Partnership progress and latest engagement plan and both of these can be accessed via the search station in place.</p>	

2. Monitoring Procedures

RECOMMENDATION	
<p>The Association should ensure that Action Plans are regularly reviewed, and that compliance is continuously monitored.</p>	
RATIONALE	
<p>Where action plans have been drafted to tackle episodes of non-compliance, record should be maintained of progress or steps taken to resolve.</p> <p>Individual actions are delegated to the relevant person/department and on investigation it was found that steps had been taken in all cases of non-compliance. However, these steps had not been documented and were not reflected within the management spreadsheet. As such, there was no overview of the current level of compliance across all of the requirements.</p> <p>We recommend that a quarterly review is implemented, in which action plans are examined and progress is recorded. A swift general review should be carried out across all of the standards to ensure no changes have transpired which inadvertently affect the Association's compliance.</p>	
PRIORITY	RESPONSIBILITY
Priority - 2	ACEO
MANAGEMENT RESPONSE	
<p>The various Action Plans in place have been fully reviewed by the Partnership Manager/Management Team/ and Staff.</p> <p>The final detail, which reflects only actions that require to be addressed form part of the Business Plan "Delivery Plan" for 21/22 and will be reported to the boards/committees on a quarterly basis.</p>	

STATEMENT OF RESPONSIBILITY

We take responsibility for this report, which is prepared on the basis of the limitations set out below.

Findlays
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The matters raised in this report are only those which came to our attention during the course of our visit and are not necessarily a comprehensive statement of all the weaknesses that may exist in this area, or all improvements that may be made. You should assess recommendations for improvements for their full commercial impact before they are implemented. This report has been prepared solely for your individual use and should not be quoted either in whole or in part without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose.

We emphasise that the responsibility for a sound system of internal control rests with management and the organisation's Board of Management and that work performed by us should not be relied upon to identify all system weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud or irregularity although our procedures are designed so that any material irregularity has a reasonable probability of discovery. Even sound systems of internal control may not be proof against collusive fraud. Our procedures are designed to focus on areas that are considered to be of greatest risk and significance. Effective implementation of our recommendations by management is important for the maintenance of a reliable internal controls system.

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Audit Team: Sandy Squires, Vicki McGuire and Abbie Brown

ACTION PLAN

	RECOMMENDATION	PRIORITY	RESPONSIBILITY	TIMING
1.	Staff Responsibilities	2	Acting CEO	
2.	Monitoring Procedures	2	Acting CEO	

ASSURANCE LEVELS

Potential assurance levels and definitions:

Full	the system is very strong and reliable, with no risk of errors being undetected
Substantial	strong systems and reporting are in place but there are some minor problems that could allow for some misunderstanding of procedures or for errors to be undetected
Reasonable	the systems are sound but there are problems that could allow for some misunderstanding of procedures or for errors to be undetected
Limited	there are basic systems in place but a large number of areas that may allow errors to be undetected or put the objectives of the system/organisation at risk
None	the system is very poor and unreliable; errors are very likely to go undetected