



Waverley Housing

Internal Audit 2020/21

Annual Report

April 2021

Table of contents

Section	Page
1. Introduction	3
2. Executive Summary	4 - 5
3. Audit Findings	6
4. Benchmarking	7
5. Key Performance Indicators	8
Appendices	
A . Grading Structure	9

1. Introduction

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

We conduct our activity within the overarching framework of the Chartered Institute of Internal Auditors, Definition of Internal Auditing, Code of Ethics and International Standards for the Professional Practice of Internal Auditing, together with the UK Public Sector Internal Audit Standards, first introduced in April 2013.

In line with these Standards, we have developed a robust quality assurance process to ensure that each of our activities and reports are of a high and consistent standard. Quality assurance activity includes interim reviews during the internal audit process and an extensive final review before reports are issued to clients and other stakeholders. We actively seek to improve the services we deliver through a programme of CPD, training, networking and engagement with internal peers, as well as by piloting new ways of working.

We had an extensive external assessment undertaken against these standards in October 2019. The assessment was undertaken by the Chartered Institute of Internal Auditors who concluded:

"We are pleased to report that the Wylie and Bisset LLP Internal Audit Department (IAD) fully meet all of the Standards, apart from a single Standard which the team partially conform with. The IAD conforms with the Definition, Core Principles and the Code of Ethics, which form the mandatory elements of the Public Sector Internal Audit Standards (PSIAS) and the Chartered Institute of Internal Auditors' International Professional Practices Framework (IPPF), the globally recognised standard for quality in Internal Auditing. We found no aspects of non-conformance. This is an excellent result and represents a further improvement on the results of our 2017 exercise."

This Annual Report should be considered by the Audit and Internal Controls Committee prior to the committee submitting their annual report to the Board of Management.

2. Executive Summary

Overall Opinion

We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a conclusion as to the adequacy and effectiveness of the Company's risk management, control and governance processes.

In our opinion Waverley Housing did have adequate and effective risk management, control and governance processes to manage its achievement of the Company's objectives at the time of our audit work. In our opinion, the Company has proper arrangements to promote and secure value for money.

Our fieldwork was carried out between September 2020 and February 2021 and we have not undertaken any further internal audit assignments at the time of this report.

The overall findings and conclusion of each report are highlighted in Section 3. As can be seen from the summary in Section 3 all areas included in the Operational Plan for 2020/21 have been completed.

In forming our opinion, we have carried out the following work:

- A review and appraisal of financial and other controls operated by the Company;
- A review of the established policies and procedures adopted by the Company;
- An assessment of whether or not the internal controls are reliable as a basis for producing the financial accounts;
- A review of accounting and other information provided to management for decision making;
- Compliance and substantive audit testing where appropriate;
- A review of the Company's procedures in place to promote and secure value for money.

The analysis of performance indicators for the internal audit work carried out in the year is included at section 5.

2. Executive Summary

Basis of Opinion

As the Head of Internal Audit at Waverley Housing we are required to provide the Audit and Internal Controls Committee with an opinion on the adequacy and effectiveness of the Company's risk management, control and governance processes.

In giving our opinion it should be noted that assurance can never be absolute. The most that we can provide to the Audit and Internal Controls Committee is reasonable assurance that there are no major weaknesses in the Company's risk management, control and governance processes.

In assessing the level of assurance given, we have taken into account:

- All audits undertaken during the year ending 31 March 2021;
- Any follow-up action taken in respect of audits from previous periods;
- Any significant recommendations not accepted by management and the consequent risks;
- The effects of any significant changes in the Company's objectives or systems;
- Matters arising from previous reports to the Audit and Internal Controls Committee;
- Any limitations which may have been placed on the scope of internal audit;
- The extent to which resource constraints may impinge on the Head of Internal Audit's ability to meet the full audit needs of the Company;
- What proportion of the Company's audit need has been covered to date;
- The outcomes of our quality assurance processes.

3. Audit Findings

Summary of Work Undertaken

The following table summarises the audit work undertaken in 2020/21. The grading structure used in our reports can be found in Appendix A.

Area	Planned Days	Actual Days	Status	Overall Conclusion	High Priority Recommendations	Medium Priority Recommendations	Low Priority Recommendations
Tenant & Resident Safety	6	6	Complete	Strong	-	-	2
Financial Planning	5	5	Complete	Strong	-	-	2
Procurement	5	5	Complete	Strong	-	-	5
Follow Up Review (Partially Implemented Recommendations)	2	2	Complete	Substantial	-	-	2
Audit Management	2	2	N/A	N/A	N/A	N/A	N/A
Total	20	20			-	-	11

4. 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 previous financial year.

Area	High	Medium	Low	Total
Tenant & Resident Safety				
Average number of recommendations in similar audits	1	-	3	4
Recommendations at Waverley Housing	-	-	2	2
Financial Planning				
Average number of recommendations in similar audits	-	1	1	2
Recommendations at Waverley Housing	-	-	2	2
Procurement				
Average number of recommendations in similar audits	1	2	1	4
Recommendations at Waverley Housing	-	-	5	5
Summary				
Average number of recommendations in similar audits	2	3	5	10
Recommendations at Waverley Housing	-	-	9	9

As highlighted above, Waverley Housing has an overall lower number of recommendations in comparison with the associations it has been benchmarked against.

5. Key Performance Indicators

Analysis of Performance Indicators

Performance Indicator	Target	Actual
Internal audit days completed in line with agreed timetable and days allocation	100%	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%	100%
Draft reports issued within 10 working days of exit meeting	100%	100%
Management provide responses to draft reports within 15 working days of receipt of draft reports	100%	100%
Final reports issued within 5 working days of receipt of management responses	100%	100%
Recommendations accepted by management	100%	100%
Draft annual internal audit report to be provided by 30 April each year	100%	100%
Attendance at Audit and Internal Controls Committee meetings by a senior member of staff	100%	100%
Suitably experienced staff used on all assignments	100%	100%

Appendix 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 Internal Controls Committee and addressed by senior management of the Company as a matter of urgency
Medium	Medium Risk	Significant issue or weakness which should be addressed by the Company as soon as possible
Low	Low Risk	Minor issue or weakness reported where management may wish to consider our recommendation