



# Waverley Housing

## Internal Audit Annual Report 2017/18

February 2018



Scott-Moncrieff  
business advisers and accountants



# Waverley Housing

## Internal Audit Annual Report 2017/18

Introduction	1
Overall internal audit opinion	2
Internal audit work performed	3
Appendix 1 – Planned v actual days 2017/18	9
Appendix 2 – Summary of Internal Quality Assurance Assessment	10



# Introduction

The Institute of Internal Audit International Standards (IIAIS) state that:

“The Chief Audit Executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.”

“The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control.”

To meet the above requirements, this Annual Report summarises our conclusions and key findings from the internal audit work undertaken at Waverley Housing during the year ended 31 March 2018, including our overall opinion on Waverley Housing’s internal control system.

## Acknowledgement

We would like to take this opportunity to thank all members of management and staff for the help, courtesy and co-operation extended to us during the year.

# Overall internal audit opinion

## Basis of opinion

As the Internal Auditor of Waverley Housing, we are required as per IIAIS to provide the Audit and Internal Control Committee with assurance on the whole system of internal control. In giving our opinion it should be noted that assurance can never be absolute. The most that the internal audit service can provide is reasonable assurance that there are no major weaknesses in the whole system of internal control.

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

- All reviews undertaken as part of the 2017/18 internal audit plan;
- Any scope limitations imposed by management;
- Matters arising from previous reviews and the extent of follow-up action taken including in year audits;
- Expectations of senior management, the Board and other stakeholders;
- The extent to which internal controls address the client's risk management /control framework;
- The effect of any significant changes in Waverley Housing's objectives or systems; and
- The internal audit coverage achieved to date.

In my professional judgement as Chief Internal Auditor, sufficient and appropriate audit procedures have been conducted and evidence gathered to support the basis and the accuracy of the conclusions reached and contained in this report. The conclusions were based on a comparison of the situations as they existed at the time against the audit criteria. The conclusions are only applicable for the entity examined. The evidence gathered meets professional audit standards and is sufficient to provide senior management with the proof of the conclusions derived from the internal audit.

## Internal Audit Opinion

In our opinion Waverley Housing has a framework of controls in place that provides reasonable assurance regarding the organisation's governance framework, effective and efficient achievement of objectives and the management of key risks.

**Jennifer Alexander**  
**Scott-Moncrieff**

**February 2018**

# Internal audit work performed

## Scope and responsibilities

### Management

It is management's responsibility to establish a sound internal control system and maintain an effective internal audit function. The internal control system comprises the whole network of systems and processes established to provide reasonable assurance that organisational objectives will be achieved, with particular reference to:

- risk management;
- the effectiveness of operations;
- the economic and efficient use of resources;
- compliance with applicable policies, procedures, laws and regulations;
- safeguards against losses, including those arising from fraud, irregularity or corruption; and
- the integrity and reliability of information and data.

### Internal auditor

The Internal Auditor assists management by examining, evaluating and reporting on the controls in order to provide an independent assessment of the adequacy of the internal control system. To achieve this, the Internal Auditor should:

- analyse the internal control system and establish a review programme;
- identify and evaluate the controls which are established to achieve objectives in the most economic and efficient manner;
- report findings and conclusions and, where appropriate, make recommendations for improvement;
- provide an opinion on the reliability of the controls in the system under review; and
- provide an assurance based on the evaluation of the internal control system within the organisation as a whole.

## Planning process

In order that we can provide an annual assurance statement supporting the Governance Statement, we include all of Waverley Housing's activities and systems within the scope of our internal audit reviews.

Our strategic and annual internal audit plans are designed to provide the Audit and Internal Control Committee with assurance that Waverley Housing's internal control system is effective in managing the key risks and best value is being achieved. The plans are therefore informed by the client's risk management system and linked to the Corporate Risk Register.

The Strategic Internal Audit Plan was agreed in consultation with senior management and formally approved by the Audit and Internal Control Committee

The Annual Internal Audit Plan is subject to revision throughout the year to reflect changes in Waverley Housing's risk profile.

We have planned our work so that we have a reasonable expectation of detecting significant control weaknesses. However, internal audit can never guarantee to detect all fraud or other irregularities and cannot be held responsible for internal control failures.

## Cover achieved

Our Internal Audit Plan comprises 22 days per annum. We completed 22 days of core internal audit work in 2017/18 with no additional audit work.

A comparison of actual coverage against the 2017/18 plan is attached at Appendix 1.

We confirm that there were no resource limitations that impinged on our ability to meet the full audit needs of Waverley Housing and no restrictions were placed on our work by management.

We did not rely on the work performed by a third party during the period.

## Reports

We have prepared a report for each of the internal audit reviews completed and presented these reports to the Audit and Internal Control Committee.

Where relevant, all reports contained action plans detailing responsible officers and implementation dates. The reports were fully discussed and agreed with management prior to submission to the Audit and Internal Control Committee.

We made no significant recommendations that were not accepted by management.



## Performance summary

As part of our internal monitoring of performance, we monitor and report our performance against a range of key performance indicators (KPIs). Our 2017/18 performance for the KPIs agreed is set out below:

KPI	Description	2017/18 result
1	The annual internal audit plan is presented to and approved by the Audit and Internal Control Committee at the start of the audit year.	Draft plan presented at March 2017 AICC meeting. Final approved at June 2017 AICC meeting.
2	90% of draft reports are issued within 15 working days of completing fieldwork.	100% of reports issued within 15 working days.
3	90 % of management responses are received within 10 working days and the final report issued within 5 working days.	60% of management responses received with 10 working days (however delay attributed to festive season). 100% of final reports issued within 5 days.
4	At least 90% of the audit recommendations we make are agreed with and accepted by management.	91% of audit recommendations were agreed and accepted.
5	An Internal Audit Manager will attend AICC meetings as agreed within the audit timetable, to present and discuss our reports.	Internal Audit Manager attended all AICC meetings as required.
6	The annual internal audit plan is delivered within agreed cost and time parameters.	Plan delivered within agreed cost and time parameters.
7	The annual internal audit report and opinion is presented to and approved by the Audit and Internal Control Committee at the first meeting after the year-end each year.	Presented with annual report in March 2018.
8	All internal audit outputs are finalised and submitted at least 10 working days before the AICC meeting.	100% of outputs finalised and submitted within 10 working days of AICC meeting.

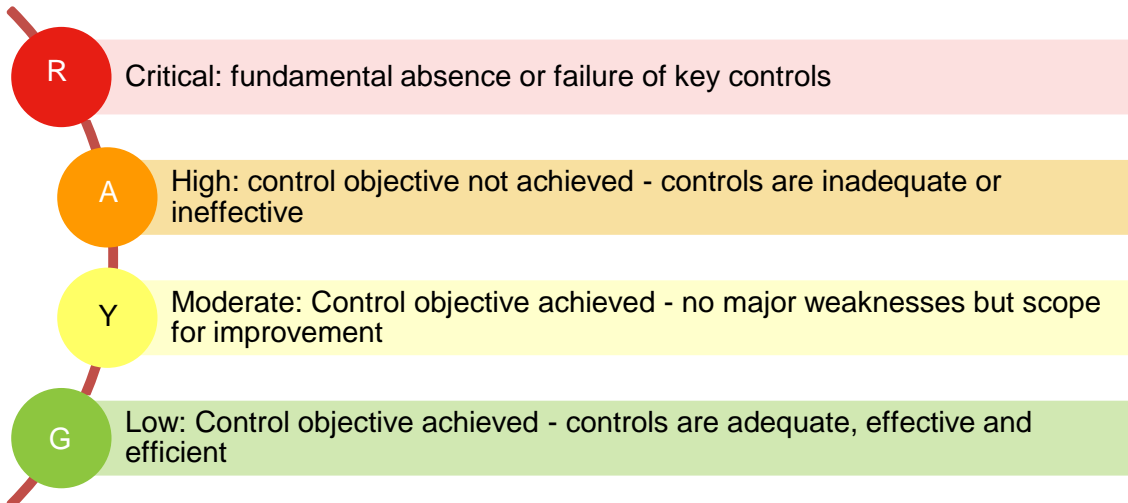
# Summary of reports by control objective and action grade

Five internal audit reports have been completed during 2017/18, as summarised in the table below.

Review	Control objective assessment	No. of issues per grading			
		4	3	2	1
Financial Sustainability		-	2	-	-
Choice Based Letting System Review		-	-	2	-
Governance		-	1	2	-
EESSH		-	4	-	-
Regulatory Standards		-	-	1	-

A summary of the conclusions from the 2017/18 reports is provided at Appendix 3

## Control objective assessment definitions

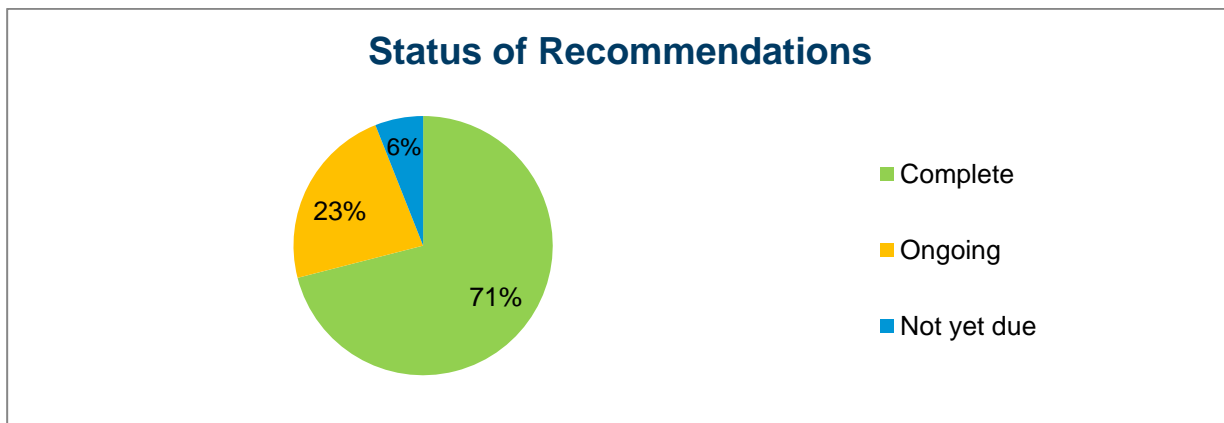


## Management action prioritisation definitions

4	•Very high risk exposure - major concerns requiring immediate senior management attention.
3	•High risk exposure - absence / failure of key controls
2	•Moderate risk exposure - controls not working effectively and efficiently.
1	•Limited risk exposure - controls are working effectively, but could be strengthened.

## Progress in implementing internal audit actions

We reviewed management's progress in implementing the 17 recommended actions and obtained sufficient evidence to close 12 (71%) of these actions. Of the 5 remaining actions, 4 (80%) are considered to be ongoing, none are incomplete and 1 (20%) is not yet due for completion.



## Key Themes

Good progress has been made in completing the internal audit recommendations, with the majority being completed and the remainder being close to completion. All of the remaining recommendations are Grade 3, indicating an absence or failure of controls. Management have advised implementation of these is slightly delayed, and the completion dates have been revised from March 2018 to May 2018.

Once these points have been actioned, Waverley will see an improvement to the current controls in place. We will continue to monitor Waverley's progress towards the implementation of these actions as part of our follow-up work.

## Independence

IIAIS require us to communicate on a timely basis all facts and matters that may have a bearing on our independence.

We can confirm that the staff members involved in each 2017/18 internal audit review were independent of Waverley Housing and their objectivity was not compromised in any way.

## Conformance with Public Sector Internal Audit Standards

We confirm that our internal audit service conforms to the Public Sector Internal Audit Standards, which are based on the International Standards for the Professional Practice of Internal Auditing. This is confirmed through our quality assurance and improvement programme, which includes cyclical internal and external assessments of our methodology and practice, against the standards.

A summary of the results of our most recent internal assessment is provided at Appendix 2.

# Appendix 1 – Planned v actual days 2017/18

Internal review	Planned Days	Actual Days
Choice Based Letting System Review	2	2
EESH	4	4
Financial Sustainability	4	4
Governance	4	4
Regulatory Standards	2.5	2.5
Follow up of previous recommendations	1.5	1.5
Audit management, annual planning and audit needs assessment, AICC liaison	4	4
<b>Total</b>	<b>22</b>	<b>22</b>

# Appendix 2 – Summary of Internal Quality Assurance Assessment

We are required by Public Sector Internal Audit Standards to disclose the outcome of our regular internal and external quality assessments.

The table below summarises the outcome of our most recent internal quality assessment, in which we have assessed the extent to which our internal audit methodology conforms to the standards.

Standard	Does not conform	Conforms	Improvements we have identified
<b>Purpose &amp; positioning</b>			
• Remit		✓	✓
• Reporting lines		✓	
• Independence		✓	
• Other assurance providers		✓	
• Risk based plan		✓	✓
<b>Structure &amp; resources</b>			
• Competencies		✓	
• Technical training & development		✓	
• Resourcing		✓	
• Performance management		✓	✓
• Knowledge management		✓	
<b>Audit execution</b>			
• Management of the IA function		✓	
• Engagement planning		✓	✓

Standard	Does not conform	Conforms	Improvements we have identified
• Engagement delivery		✓	✓
• Reporting		✓	
Impact			
• Standing and reputation of internal audit		✓	
• Impact on organisational delivery		✓	✓
• Impact on Governance, Risk and Control		✓	✓

#### Comment

Overall, our service conforms to the requirements of the IIAIS. A range of actions have been identified which will improve the overall effectiveness and consistency with which our methodology is applied. For example, ensuring that all relevant staff are involved in the audit planning and reporting process, and further improving the linkage of our internal audit plans to the key risks facing our clients.

Our assessment is based on the overall service that is delivered to each client. Compliance with the methodology will be monitored through an enhanced system of internal quality assurance to supplement existing arrangements.

We are happy to provide the Audit and Internal Control Committee members with further details of the information set out above and the assessment process, if required.





© Scott-Moncrieff Chartered Accountants 2018. All rights reserved. "Scott-Moncrieff" refers to Scott-Moncrieff Chartered Accountants, a member of Moore Stephens International Limited, a worldwide network of independent firms.

Scott-Moncrieff Chartered Accountants is registered to carry on audit work and regulated for a range of investment business activities by the Institute of Chartered Accountants of Scotland.