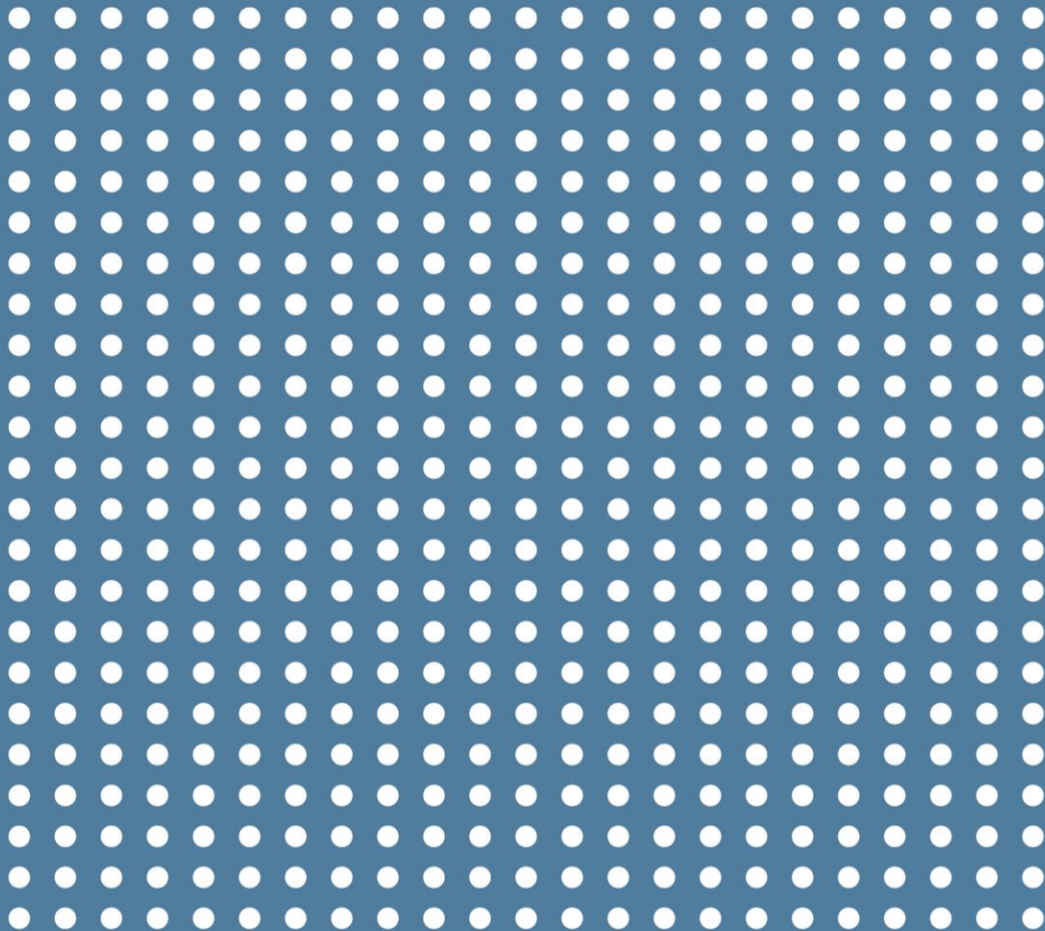


# Kingsridge Cleddans Housing Association Limited

For the year ended 31 March 2023

Audit Summary Report to those charged with Governance

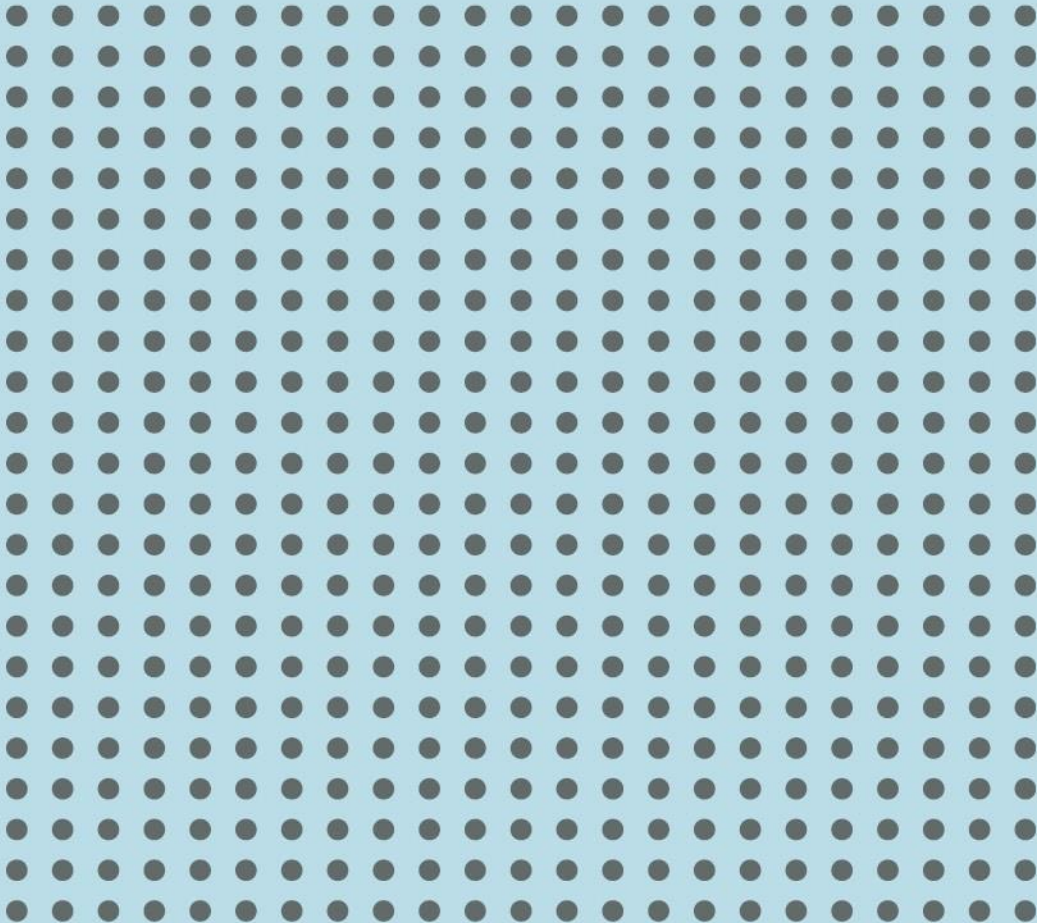




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# : Limitations of this Report





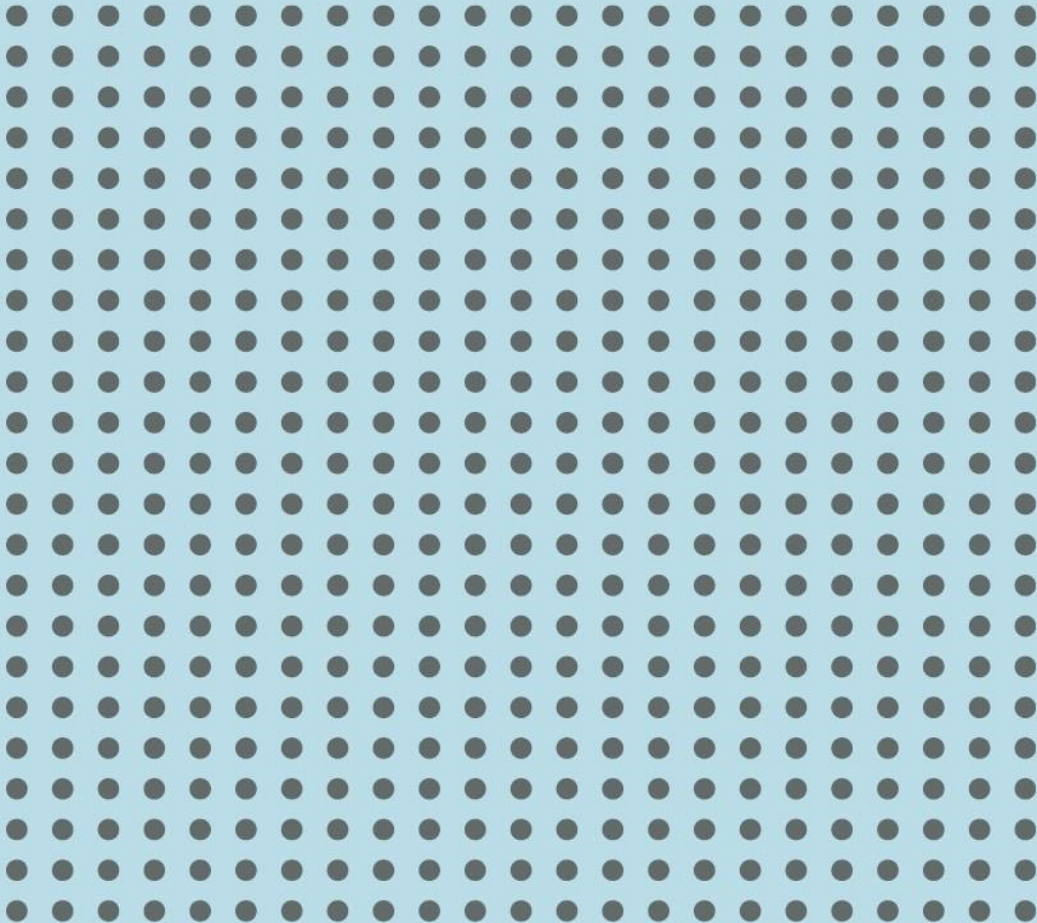
# Limitations of this report

This report refers only to material matters we have identified from our audit of the financial statements of Kingridge Cleddans Housing Association Limited, for the year ended 31 March 2023, that we think merit being brought to your attention. The matters raised in this report are only those which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all issues affecting the financial statements of Kingsridge Cleddans Housing Association Limited.

Any recommendations for improvements should be assessed by you for their full commercial impact before they are implemented. We draw your attention to the fact that management are responsible for identifying, evaluating and managing risk, including new risks and those which change.

This report has been prepared solely for your use as Management Committee and should not be quoted 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

# : Executive Summary



# Introduction

The purpose of this report is to highlight the key issues affecting the preparation of the financial statements for the year ended 31 March 2023. It is also used to report to management matters arising from our audit work and to meet the mandatory requirements of International Standard on Auditing (UK) 260 – Communication with those charged with governance.

## Changes to our audit plan

In the conduct of our audit, we have not had to alter or change our audit plan, which we communicated to you in our Audit Planning Document dated April 2023. We note how we have addressed the risks identified at planning.

## Status of the audit

Our audit is substantially complete although we are finalising our procedures in the following areas:

- Obtaining and reviewing the letter of representation.
- Updating our post balance sheet events review to the date of signing the financial statements.

## Audit adjustments

The audit adjustments are discussed in the 'Audit Adjustments' section of this document.

## Control matters

The management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of financial control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to the Management Committee.

There are no control issues noted in the current year that we would wish to bring to your attention. Matters arising from the financial statements audit and any recommendations have been discussed with senior management and noted in the 'Issues Arising During the Audit' section.



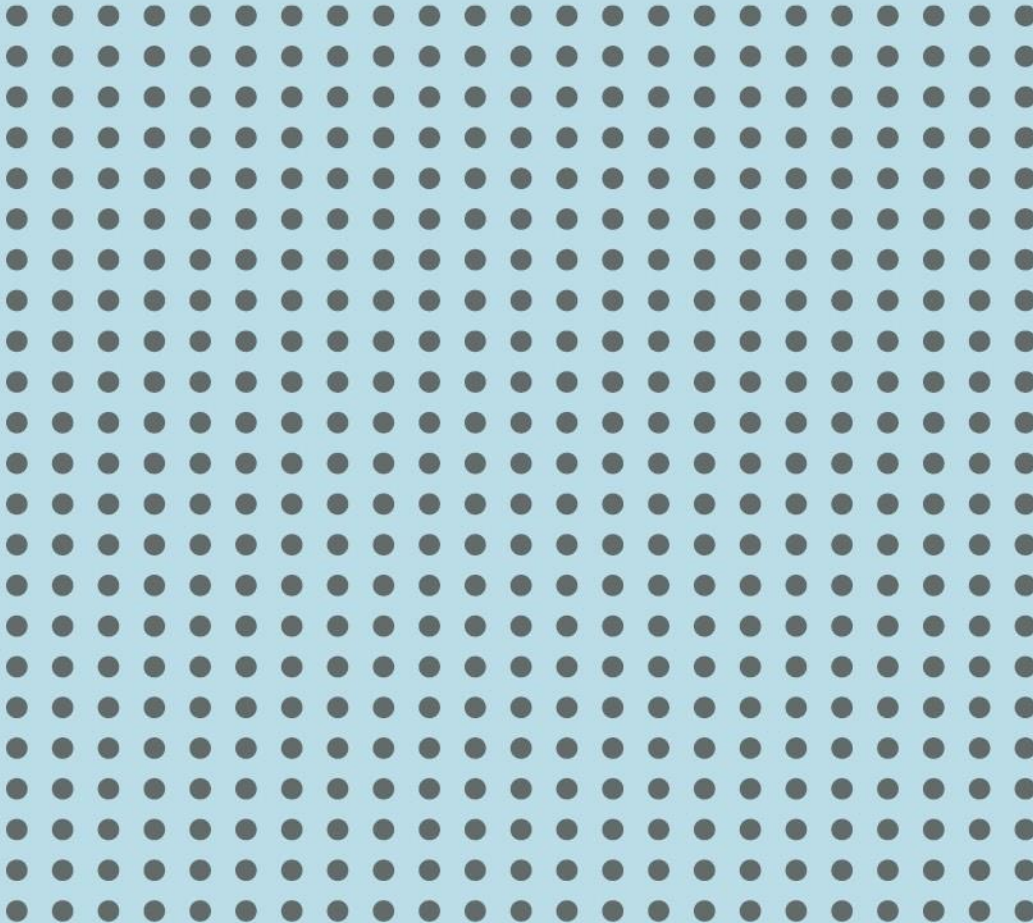
# Financial statements opinion

We propose to give an unqualified opinion on the financial statements.

## Appreciation

We would like to take the opportunity to record our appreciation for the assistance provided by your team during our audit.

# Accounting and Audit Risks and Responses





# Accounting and audit risks and responses

## Issues identified at planning stage

As noted in our Audit Planning Document submitted to the **Error! Unknown document property name.**, the following audit risk areas in respect of the financial statements being materially misstated were identified as significant matters and therefore were considered in detail during our audit fieldwork.

## Business risks

Risk and audit response	Resolution
<p><b>Future strategic plans and their impact on operations, funding and going concern</b></p> <p>The long-term budgets and forecasts will be assessed and discussed with management to ensure that any assumptions used in these are considered reasonable. Any future strategic plans and their impact on operations, funding and going concern will be evaluated.</p>	<p>From review of the budgets and forecasts that have been provided and discussion with management, we are satisfied with the assessment of going concern.</p> <p>We are satisfied that, based upon the current reserves held at year end, together with the forecast surpluses for future years that the going concern assumption is appropriate.</p>
<p><b>Governance and attitude to risk including compliance with laws and regulations.</b></p> <p>Governance and attitude to risk including compliance with laws and regulations.</p> <p>Response</p> <p>During our audit fieldwork we will analyse the governance framework, minutes, risk register and any reports from regulatory authorities (The Scottish Housing Regulator, and HMRC)</p>	<p>We have remained vigilant to risks of any non-compliance with regulations during the year and have not identified any instances of breaches. From the review of meeting minutes and the risk register provided by management, there have been no issues noted.</p>

# Audit risks

Risk and audit response	Resolution
<p><b>Ownership of housing stock</b></p> <p><b>Response</b></p> <p>For us to verify ownership of the housing stock we will obtain the title deed certification on a sample basis.</p>	<p>We have obtained copies of the development title deeds and are therefore satisfied with the ownership of housing stock.</p>
<p><b>Valuation of housing stock</b></p> <p>To determine if the valuation in the financial statements of the housing stock is accurate, we will use third party valuations. We will use these valuations to also determine if there is any evidence of impairment.</p>	<p>As part of our testing we have reviewed the carrying value of housing stock within the financial statements and are satisfied that there is no evidence of further impairment. We have also obtained the impairment report from management and are satisfied with the review of impairment.</p>
<p><b>Recoverability of rent and other arrears</b></p> <p>The debt recoverability of rent arrears will be discussed with management, and we will assess any provisions that have been made.</p>	<p>We have reviewed the rent arrears and discussed with management and are satisfied that they are recoverable subject to the provision.</p>
<p><b>Completeness of income</b></p> <p>In order to ensure that income recorded in the financial statements is not materially misstated we will perform completeness testing on income sources.</p>	<p>An analytical review of rental income was carried out, with actual income in line with our expectations. We have also carried out testing during fieldwork are satisfied that income is complete and not materially misstated.</p> <p>Testing of controls, along with completeness of income testing, confirmed our understanding of the rental income procedures and the implementation and effectiveness of these procedures.</p>
<p><b>Related party transactions. Under the ISAs we are required to consider the susceptibility to material misstatement due to fraud or error resulting from related party transactions and relationships.</b></p> <p>Discussions will be held with management to ensure any related parties have been appropriately disclosed in the financial statements.</p>	<p>We are satisfied that the rents received from tenants on the management committee have been disclosed accurately in the financial statements.</p> <p>During the course of the audit we have remained alert for any possible undisclosed transactions. None were identified during the audit.</p>

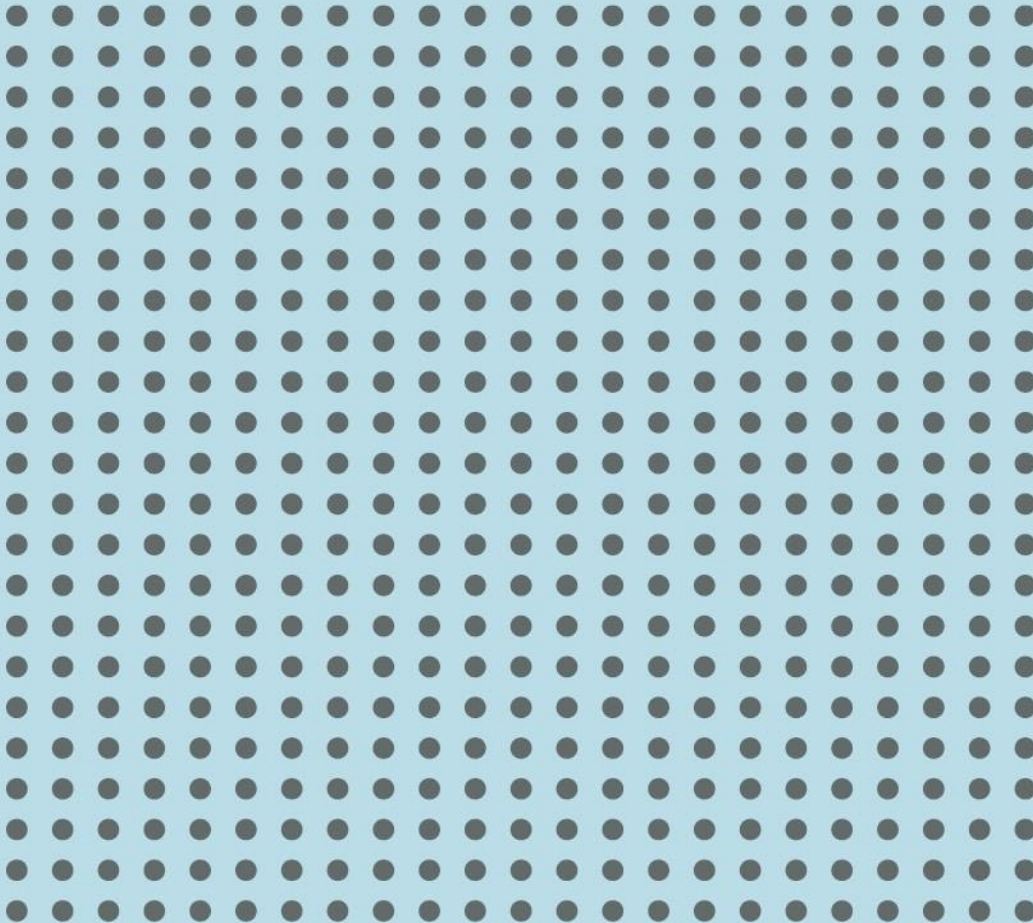
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We will stay alert during our audit for any evidence of previously undisclosed related party transactions.

## Financial reporting risks

Risk and audit response	Resolution
<b>Fraud/management override. We have a duty under the ISAs to consider and assess the risk of fraud and management override impacting each of our clients</b>	We have assessed the risk of fraud and management override by reviewing journals that were posted during the year, and are satisfied that there is no evidence of management override of controls or fraud.
The assessment of fraud and any instances of breaches in the year will be discussed with management. As part of the audit fieldwork, we will review journals for any evidence of management override of controls.	During fieldwork, we also confirmed with management that there were no instances of fraud during the year.

# Issues Arising During the Audit



# Issue arising during the audit

During the course of our audit work we noted the following issues that we wish to bring to your attention:

Issue	Resolution
<p><b>Quadient Lease agreement</b></p> <p>The lease agreement with Quadient (Neopost) was originally entered into in 2018 and the agreement states that the lease expires in 2023. When we obtained the lease disclosure workings the commitment was disclosed until 2027. However, there was no updated lease agreement for this extension.</p>	<p>We discussed this with management and it was found that no formal updated lease agreement was sent. Quadient only issued invoices with the increased price. It is recommended that an updated lease agreement is obtained to ensure the charges are agreed in advance.</p> <p>Management have confirmed that this will be attended to and an updated lease agreement will be obtained.</p>
<p><b>IT weaknesses</b></p> <p>From the IT questionnaire that was issued and returned to C+T, a number of weaknesses were identified:</p> <ul style="list-style-type: none"> <li>- Password restrictions are currently only minimum length</li> <li>- Formal backup procedure in place but has not been tested yet</li> <li>- Server is not in a dedicated room but in the main office area</li> </ul>	<p>In order to have a robust IT environment these weaknesses should be addressed.</p> <p>Further password restrictions should be introduced as we note that currently the restrictions are minimum 8 characters. Additional restrictions could be using a mixture of upper and lower case and special characters. We confirmed with management that the passwords are changed every 6 months. We would also recommend that the formal backup procedure should be tested. We have discussed the server not being in a dedicated room with the client, however there is no available separate room. It was noted that a migration to the cloud is imminent and the onsite sever will no longer be in place from then onwards.</p>
<p><b>Treasury Management</b></p> <p>At year end, there was £2m held in bank accounts. This is a significant balance, on which minimal interest is received.</p>	<p>The Association was fairly active in 22/23 and the low income received was a result of low interest rates. From discussions with management, it was confirmed that the Association had 6 separate deposits reported on every quarter. We recommend that different options of treasury management are reviewed on a regular basis to ensure the best possible returns.</p>
<p><b>Data Protection Compliance</b></p> <p>Management have confirmed that there were no material breaches of General Data Protection Regulation ("GDPR") during the year and that they are up to date in terms of the requirements.</p>	<p>As a matter of good practice, we would recommend that a brief report is made annually to the Trustees confirm that no breaches have occurred and noting the main steps taken to ensure continued compliance with GDPR.</p> <p>We have confirmed with management that the management committee are advised on a quarterly basis</p>



	<p>on any GDPR related matters. Furthermore the Association employs the services of an external agency for GDPR, FOI &amp; EIR to ensure compliance.</p>
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## Issues arising during the prior year audit

During our audit work in the prior year we noted some issues which are of ongoing relevance. The table below describes these issues and the actions taken to address them.

Issue	Resolution
<p><b>Pension Movement</b></p> <p>The latest pension valuation has resulted in a decrease in the liability due by the Association at year end. Per the financial statements the pension liability due in more than one year has decreased from £56K to £9K.</p>	<p>We are satisfied that the movement in the pension liability has been accounted for and disclosed accurately within the financial statements. However, we would wish to remind the Committee that this is purely an accounting adjustment and reflects the value of the pension fund at a particular moment in time.</p> <p><b>Update for 2023:</b> The latest pension valuation has resulted in an increase in the liability at year end from £9K to £27K. The liability has been accounted for correctly.</p>
<p><b>Sustainability reporting</b></p> <p>Every organisation has a social and environmental impact on the community. It is therefore beginning to become commonplace for organisations to report on this impact and the measures that they have implemented to reduce it.</p>	<p>There is no requirement for the 2022 financial statements to disclose any information in relation to sustainability however this will need to be considered for the forthcoming year and beyond.</p> <p><b>Update 2023:</b> There is no requirement for the 2023 financial statements, however this will need to be considered for the forthcoming year and beyond.</p>
<p><b>SHAPs scheme review</b></p> <p>The Pensions Trust have contacted all Associations regarding a potential increase to the pension liability. According to the update received a review of scheme benefit changes has been undertaken by the trustee. The review compared the changes that have been made to the benefits provided to members with the requirements of the scheme documentation. The trustee has received legal advice that there is uncertainty about how members benefits should be calculated and that the trustee should ask the court to provide clarity.</p>	<p>A decision from the Court is not expected until 2024 at the earliest, but should they decide that historic benefit changes need to apply differently than some member benefits need to be increased and this will increase scheme liabilities. The scheme actuary has estimated the potential increased liabilities at £39.3m for the scheme as a whole, or 3.2% of liabilities. At the year-end we are satisfied that sufficient disclosure has been made within the financial statements noting this potential increase in liability. We are also satisfied that due to the current uncertainty of the court ruling that no actual provision should be made in the financial statements at this time.</p> <p><b>Update 2023:</b> Decision from the court to be expected in 2024, issue still ongoing.</p>

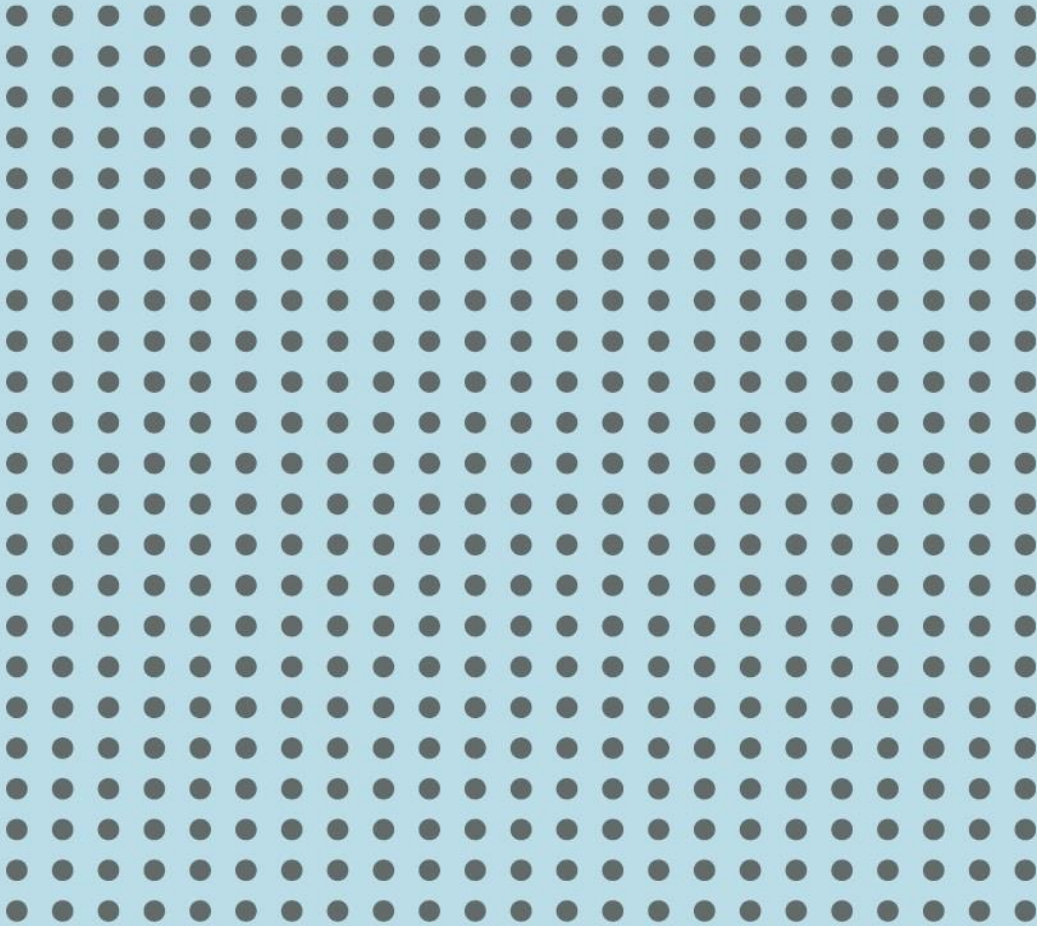


## Forthcoming developments

We enclose a copy of our Technical Developments briefing document which we hope will be of interest to you. If you have any questions regarding any of the content please do not hesitate to contact us.



# • Internal Control



# Internal Control

## Weakness and governance issues arising during the audit

We have set out below areas of accounting and internal control weakness that we consider should be brought to the attention of the Management Committee which arose as a result of our audit work. This does not constitute a comprehensive statement of weaknesses that may exist in internal controls or of all improvements which may be made

### Definition of priorities

High	Issues subjecting the organisation to material risk which should be addressed as a matter of priority.
Medium	Issues subjecting the organisation to actual or potential significant risk.
Low	Matter which, if addressed, will enhance efficiency and effectiveness.

## Issues arising

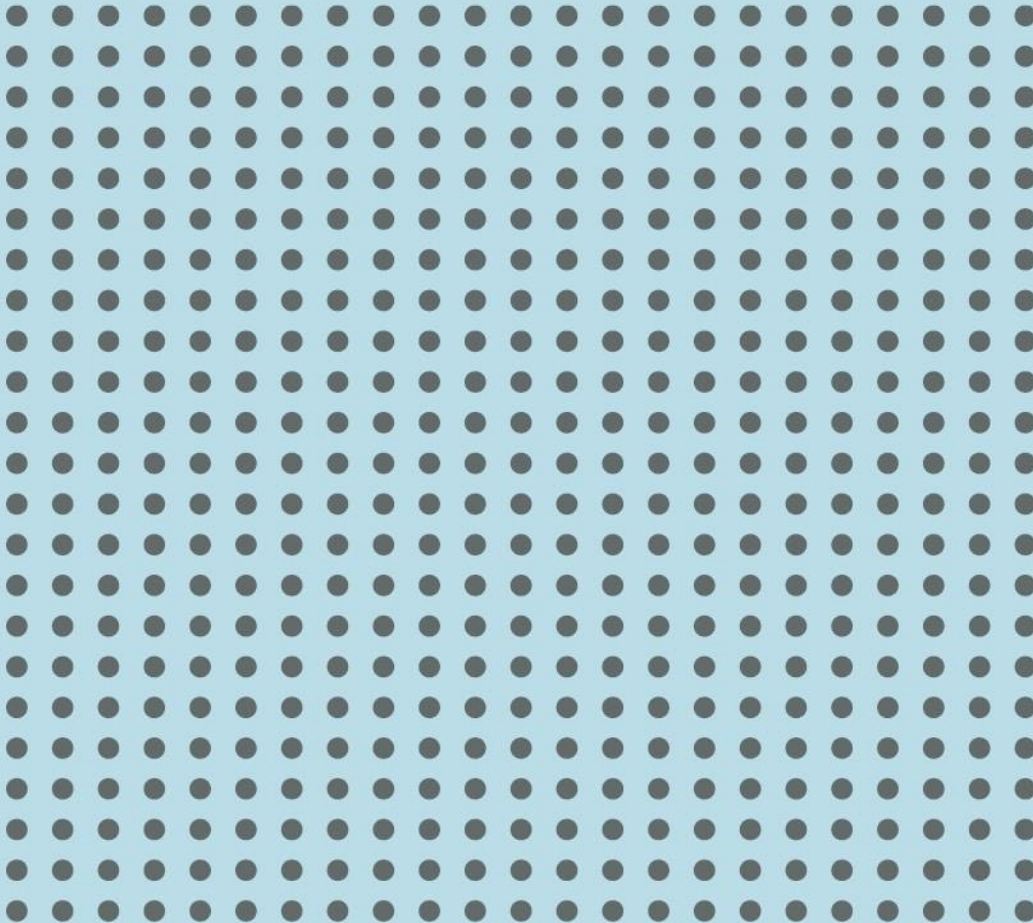
Issues arising	
<b>Issue 1</b>	<b>Lack of payroll authorisation</b>
Observation	Payroll is prepared by the Finance Manager and there is no additional review before it is processed, there was also no proof of approval of payroll. This was however introduced in June 2022 as the Director now approves the payment in the bank.
Priority	Low
Risk and Recommendation	There is a risk that payroll is not correctly processed as there is no segregation of duties. We recommend that payroll is prepared by a separate person and then approved by the Finance Manager.
Management Response	The issue was resolved during the year as the Director now approves the payroll in the bank. Given that the Association is small in size the segregation of duties is not always a feasible option. Preparation by a separate person internally is not a process that can be implemented, the only option would be to outsource the payroll function externally.



# Weaknesses arising in the prior year

No weaknesses were identified in the prior year.

# • Audit Adjustments



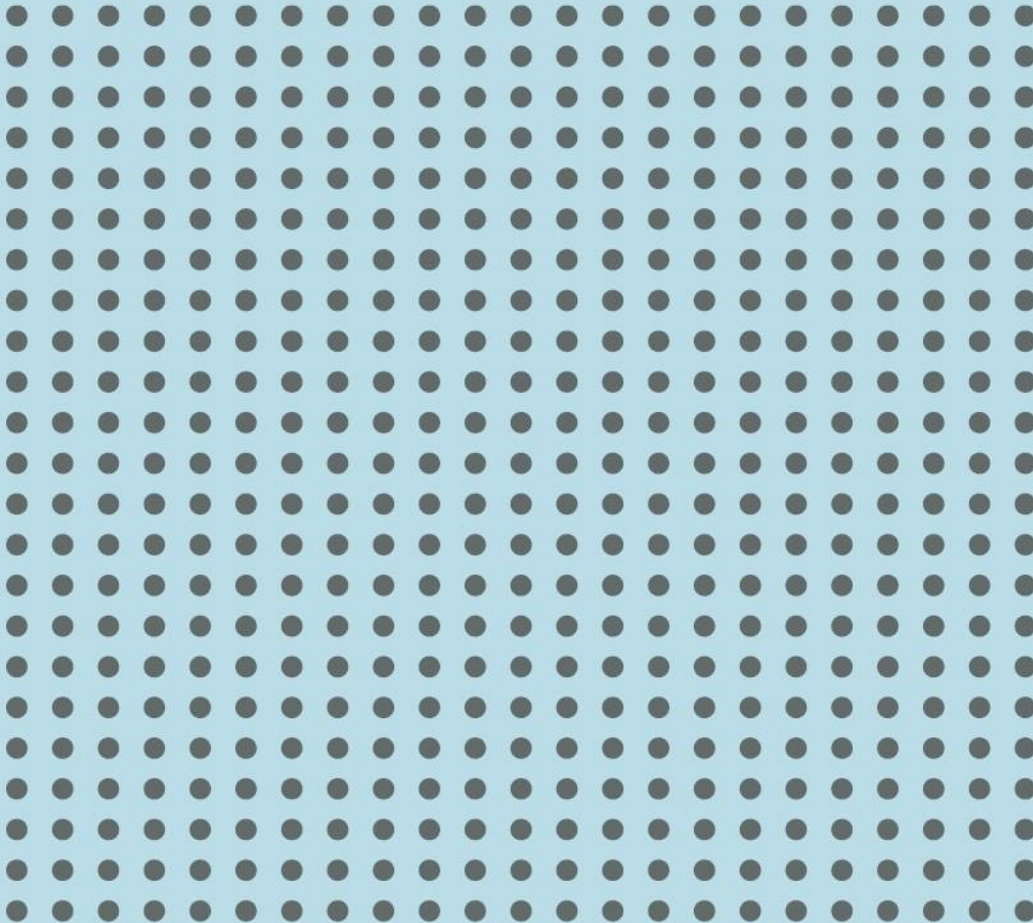


# Audit adjustments

## Uncorrected misstatements

We are required to communicate all uncorrected misstatements to you, other than those considered to be clearly trivial. The unadjusted errors are detailed in the letter of representation.

# ISA 260 Reporting Requirements



# ISA 260 reporting requirements

International Standard on Auditing ('ISA') 260 "Communication of audit matters with those charged with governance" requires us to communicate relevant matters relating to the audit of the financial statements to those charged with governance.

We have set out opposite how each of the key areas has been addressed and where they have been reported:

ISA 260 Requirement	C + T Response
<b>Confirmation of the independence of both the Firm and the audit team</b>	Confirmed.
<b>Confirmation of audit approach and scope</b>	Confirmed via planning document.
<b>Consideration of significant accounting policies</b>	Considered throughout the audit process and discussed with management as appropriate.
<b>Consideration of any material risks and exposures</b>	Considered throughout the audit process and further within this report.
<b>Schedule of material audit adjustments (adjusted and unadjusted)</b>	Discussed within section 4 of this report
<b>Consideration of material uncertainties casting doubt on the entity's ability to continue as a going concern</b>	Discussed within section 2 of this report
<b>Significant disagreements with management</b>	None noted.
<b>Expected modifications to the auditor's report</b>	None noted.
<b>Material weakness in the accounting and internal control system</b>	None noted.

**CT** ● Accountants  
● Advisers

