

Clydebank Housing Association

Internal Audit 2019-20

Governance
January 2020

Overall Conclusion

Strong

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The matters raised in this report came to our attention during the course of our audit and are not necessarily a comprehensive statement of all weaknesses that exist or all improvements that might be made.

This report has been prepared solely for the Clydebank Housing Association's individual use and should not be quoted in whole or in part without prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any third party.

We emphasise that the responsibility for a sound system of internal control rests with management and work performed by internal audit should not be relied upon to identify all system weaknesses that may exist. Neither should internal audit be relied upon to identify all circumstances of fraud or irregularity should there be any although our audit procedures are designed so that any material irregularity has a reasonable probability of discovery. Every sound system of control may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas that are considered to be of greatest risk and significance.

Overview

Purpose of review

The purpose of this assignment was to ensure that the Association has adequate systems and processes in place for the completion of the Annual Assurance Statement. We reviewed the content of the Assurance Statement and sample tested for the information included within the Assurance Statement to determine whether the level of information was appropriate.

The assignment is part of the Annual Internal Audit Plan for 2019/20.

Scope of review

Our objectives for this review were to ensure:

- The Association has adequate systems and process in place to enable the completion of the Annual Assurance Statement in an appropriate and timely manner.
- That the content of the Annual Assurance Statement is appropriate and in line with guidance provided by the Regulator.
- The level of information used to support the conclusion of the Annual Assurance Statement is appropriate.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

Limitation of scope

There was no limitation of scope.

Background

The Association is governed by the Management Committee and the Rules of the Association that are based on the Scottish Federation of Housing Associations Model Rules. The Association's Rules state that the Board is made up of a minimum of seven and maximum of fifteen members. At the time of our audit, the Association had 11 Management Committee members.

The Management Committee is supported by 3 Sub Committees who will meet on a quarterly basis:

- Development & Wider Role;
- Finance & Corporate Services; and
- Housing Services.

The maximum number of members to serve on a sub-committee is 6. Any decisions made by Sub-Committees remain the responsibility of the whole Management Committee and are considered for ratification at the Management Committee meeting following the Sub-Committee meetings.

The Association were required to submit an Assurance Statement to the Scottish Housing Regulator by the end of October 2019 confirming their compliance with Regulatory Standards of Governance and Financial Management. At the time of our audit, December 2019, the Assurance Statement had been approved by the Association and was submitted in October 2019. The Association undertook an exercise to review their compliance with the 7 Standards and completed an Assurance Statement Improvement Plan to provide evidence of compliance with the 7 Standards and actions to be taken to ensure continuing compliance. The improvement Plan has links embedded to the relevant documentary evidence in support of the Association's compliance with the 7 Standards.

1 EXECUTIVE SUMMARY

The Chief Executive prepared the Improvement Plan which highlights the actions that are required to ensure continuous compliance with the 7 Standards. Several of the actions had already been completed by the time of our audit, December 2019. The remaining actions include:

STANDARD	Improvement	Outcome/Comment
Standard 1	➤ Set priorities and update the Business plan for the year ahead.	➤ The Association aims to discuss how tenants are involved and consulted with regards to the Association's strategy and plans for the future.
	➤ Board Induction Policy	➤ Board Induction Policy to be implemented.
	➤ Management Committee Appraisals	➤ The Association aims to scan all hard copies of appraisals onto the Association's Management Committee file location.
Standard 2	➤ PR/Communications Strategy	➤ The Association is to finalise the Communication Strategy.
	➤ Consultations, Surveys and Questionnaires	➤ The Association will collectively bring together all information onto one file location.
	➤ Tenant Panel	➤ The Association will maintain minutes of all tenant/service meetings.
Standard 3	➤ Treasury Management Annual Report	➤ The Association to include Corporate Social Responsibility within the Treasury Management Policy.
	➤ Sector Comparisons/Benchmarking	➤ The Association to include benchmarking for staffing costs within the Scottish Housing Network Peer Group.
	➤ Declarations of Interest	➤ Severance Policy is to be developed.
Standard 4	➤ Training Records	➤ The Association plans to have more group training sessions within West Dunbartonshire RSL's.

1 EXECUTIVE SUMMARY

	➤ Business Continuity/Disaster Recovery Strategy	➤ The Association to implement a lesson learned register that highlights areas that have gone well and areas for improvement.
	➤ Internal Audit Programme	➤ The Association's staff members will be withdrawn from Management Committee meetings whilst internal audit reports are being presented.
Standard 5	➤ Annual appraisals including Management Committee actions and contributions	➤ Code of Conduct and Clydebank Housing Association values to be included in the Management Committee members reviews and staff appraisals.
	➤ Whistleblowing Policy	➤ The Association's Management Committee and staff members to be reminded of the Whistleblowing Policy during their annual appraisals and reviews.
	➤ Records of specialist advice	➤ Severance Policy to be implemented.
Standard 6	➤ Management Committee Member Annual Review Policy	➤ The Association to devise this Policy.
	➤ Annual Review Feedback to Management Committee	➤ Management Committee annual review to be more detailed in terms of direct questions.
	➤ Management Committee members	➤ One to one sessions with Chairperson to be offered.
Standard 7	No evidence Required	N/A

As can be seen from the above table, we do not believe that any of the items noted above would give rise to non-compliance of the Standards or regulatory framework.

It should be noted that our review considered all elements of the 7 Standards not just those highlighted in the table above.

Work Undertaken

- We discussed with appropriate staff the arrangements in place to produce the Annual Assurance Statement. We assessed these arrangements to confirm whether these are robust and fit for purpose. We obtained any documented procedures in respect of these arrangements to confirm that these are operating in practice.
- We considered the roles and responsibilities of staff regarding the preparation of the Annual Assurance Statement to ensure that these are clearly defined, and all staff are aware of their role/responsibilities.
- We enquired if there is an action plan in place in respect of the Annual Assurance Statement. We obtained and evaluated this to ensure it takes cognisance of all 7 standards of Governance and Financial Management.
- We undertook sample testing of the information included within the Assurance Statement to determine whether the level of information is appropriate and is adequate to provide documentary evidence that the Association is adhering to the 7 standards of Governance and Financial Management.

Conclusion

Overall conclusion

Overall Conclusion: Strong

We can provide a strong level of assurance over the Corporate Governance arrangements in place at the Association and that these are embedded throughout the whole association. We can also provide a strong level of assurance that the Association has sufficient evidence in place to highlight its compliance with the SHR Regulatory Standards of Governance and Financial Management including the new 7th Standard.

Summary of recommendations

Grading of recommendations

	High	Medium	Low	Total
Governance	0	0	1	1

As can be seen from the above table there were no recommendations made which we have given a grading of high.

Areas of good practice

The following is a list of areas where the Association is operating effectively and following good practice.

- | | |
|----|--|
| 1. | The Association's has robust governance arrangement in place that are embedded throughout the Association. The Association are governed by the Rules that are based on the Scottish Federation of Housing Associations Model Rules. |
| 2. | <p>The Association has clear Terms of References in place for the:</p> <ul style="list-style-type: none">➤ Management Committee;➤ Finance and Corporate Services Sub-Committee;➤ Housing Services Sub-Committee; and➤ Development & Wider Role Sub Committee/ CHA Power Ltd Rador Park Homes. <p>All duties of the Management Committee & Sub Committees are discharged and there is no overlap between the duties of committees.</p> |

The following is a list of areas where the Association is operating effectively and following good practice.

- | | |
|----|---|
| 3. | <p>There is a comprehensive Code of Conduct in place for Management Committee members. This covers an introduction to the Code and the 7 principals of good governance:</p> <ul style="list-style-type: none">➤ Selflessness;➤ Openness;➤ Honesty;➤ Objectivity;➤ Integrity;➤ Accountability; and➤ Leadership <p>Committee members declare any potential conflicts of interests at each meeting Committee meeting. Committee members were also provided with Code of Conduct training in August 2019.</p> |
| 4. | <p>The Association has a robust set of Standing Orders that clearly outline how it conducts its affairs and how authority will be delegated to Committees and its members. The Standing Orders were last reviewed and approved by the Management Committee in August 2019.</p> |
| 5. | <p>The Association require all members to sign a conflicts of interest form on appointment and annually.</p> <p>All Management Committee members are asked to declare any declaration of interests at each committee meeting.</p> <p>The Association record all conflicts of interest as part of a report which is issued to the Management Committee on an annual basis.</p> |

1 EXECUTIVE SUMMARY

The following is a list of areas where the Association is operating effectively and following good practice.

- | | |
|-----|---|
| 6. | The Chair of the Management Committee conducts an annual appraisal of all Management Committee members which takes the form of a self-assessment looking at corporate and individual performance. The Chief Executive will perform the annual appraisal for the Chair. |
| 7. | The Association has a standard reporting format for Management Committee/Sub-Committee papers that is used for all reports. This ensures that the information presented to the Management Committee/Sub-Committee is clear and concise. |
| 8. | Following our review of the 7 Standards of Governance & Financial Management, we believe that the Association has sufficient evidence to highlight compliance with all 7 standards. |
| 9. | <p>The Association has a clear and robust process in place for identifying, evaluating and measuring risks that is set out within the Risk Strategy Management Policy.</p> <p>The Policy was approved and reviewed by the Management Committee in April 2017. The Policy is next due for review in April 2020 or before should there be a change in requirements.</p> |
| 10. | Following the annual appraisal process of Committee members, a report on the overall outcome of the process is reported to the Management Committee where a skills mix is created, and relevant Management Committee members will be provided with an individual training plan. |
| 11. | The Association has developed an Improvement Action Plan to ensure continuing compliance with the SHR's 7 Standards of Governance & Financial Management. This is reviewed by the Chief Executive to ensure any potential gaps or weaknesses are mitigated and that areas of compliance are maintained. |

2 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 most recently finished internal audit year.

Governance

Benchmarking				
	High	Medium	Low	Total
Average number of recommendations in similar audits	0	2	3	5
Number of recommendations at Clydebank Housing Association	0	0	1	1

From the table above it can be seen that the Association has a lower number of recommendations compared to those associations it has been benchmarked against.

3 DETAILED RECOMMENDATIONS

Self-Assessment Link to Folders			
Ref.	Finding and Risk	Grade	Recommendation
1.	<p>The Association's Self-Assessment Improvement Plan contains links to the relevant documentation to highlight compliance.</p> <p>During our review, we found that we could not access numerous links within the Self-Assessment Improvement Plan.</p> <p>There is the risk that the Association cannot locate the necessary documents to evidence compliance to the regulatory standards.</p>	Low	<p>We recommend that the Association save the links to folders rather than to specific documents to ensure the links do not break.</p> <p>We would also recommend that if the Association make changes to the location of documentation, to consider updating the Self-Assessment Improvement Plan.</p>
Management response			Responsibility and implementation date
<p>Agree with recommendation, we have already begun to put this in place for the 2020 Annual Assurance Statement and will ensure that links are updated as and when changes made to the location of documentation.</p>			<p><i>Responsible Officer:</i> Sharon Keenan</p> <p><i>Implementation Date:</i> Complete in full by next Annual Assurance submission date of 31 October 2020</p>

4 AUDIT ARRANGEMENTS

The table below details the actual dates for our fieldwork and the reporting on the audit area under review. The timescales set out below will enable us to present our final report at the next Management Committee meeting.

Audit stage	Date
Fieldwork start	25 November 2019
Closing meeting	6 December 2019*
Draft report issued	20 December 2019
Receipt of management responses	16 January 2020
Final report issued	17 January 2020
Management Committee	28 January 2020
Number of audit days	2

*Fieldwork was delayed due to Wylie & Bisset staff members illness.

5 KEY PERSONNEL

We detail below our staff who undertook the review together with the Association staff we spoke to during our review.

Wylie & Bisset LLP

Partner	Ross McLauchlan	Partner	ross.mclauchlan@wyliebisset.com
Senior Manager	Stephen Pringle	Senior Internal Audit Manager	stephen.pringle@wyliebisset.com
Supervisor	Scott McCready	Internal Audit Supervisor	scott.mccready@wyliebisset.com
Auditor	Damian Gray	Internal Auditor	damian.gray@wyliebisset.com

Clydebank Housing Association

Key Contacts:	Sharon Keenan	Chief Executive	Sharon@clydebank-ha.org.uk
	Lynette Lees	Head of Finance & Corporate Services	lynette@clydebank-ha.org.uk

Wylie & Bisset appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and co-operation.

APPENDICES

A GRADING STRUCTURE

For each area of review we assign a level of assurance in accordance with the following classification:

Assurance	Classification
Strong	Controls satisfactory, no major weaknesses found, no or only 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.

A GRADING STRUCTURE

For each recommendation we assign a grading either as High, Medium or Low priority depending on the degree of risk assessed as outlined below:

Grading	Classification
High	Major weakness that we consider needs to be brought to the attention of the Management Committee and addressed by senior management of the Association as a matter of urgency.
Medium	Significant issue or weakness which should be addressed by the Association as soon as possible.
Low	Minor issue or weakness reported where management may wish to consider our recommendation.

Purpose of review

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The assignment is part of Annual Audit Plan for 2019/20.

Scope of review

Our objectives for this review will be:

- The Association has adequate systems and process in place to enable the completion of the Annual Assurance Statement in an appropriate and timely manner.
- That the content of the Annual Assurance Statement is appropriate and in line with guidance provided by the Regulator.
- The level of information used to support the conclusion of the Annual Assurance Statement is appropriate.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

Limitation of scope

There is no limitation of scope.

Audit approach

Our approach to the review will be:

- Discussions with appropriate staff the arrangements in place to produce the Annual Assurance Statement. We shall assess these arrangements to confirm whether these are robust and fit for purpose. We shall obtain any documented procedures in respect of these arrangements to confirm that these are operating in practice.
- We should consider the roles and responsibilities of staff regarding the preparation of the Annual Assurance Statement to ensure that these are clearly defined and all staff are aware of their role/responsibilities.
- We shall enquire if there is an action plan in place in respect of the Annual Assurance Statement. If so, we shall obtain this and evaluate this to ensure it takes cognisance of all 7 standards of Governance and Financial Management.
- We shall review the content of the Annual Assurance Statement as well as the supporting documentation to confirm that this is in line with the Regulator's guidance and the 7 standards of Governance and Financial Management.
- We shall undertake sample testing of the information included within the Assurance Statement to determine whether the level of information is appropriate and is adequate to provide documentary evidence that the Association is adhering to the 7 standards of Governance and Financial Management.

Potential key risks

The potential key risks associated with the area under review are:

- The Association does not have adequate systems and process in place to enable the completion of the Annual Assurance Statement in an appropriate and timely manner resulting in the Association not being able to provide the Regulator with the Annual Assurance Statement.
- That the content of the Annual Assurance Statement is not appropriate and nor in line with guidance provided by the Regulator resulting in

the Statement being rejected by the Regulator and/or closer inspection of the Association's Governance framework being undertaken by the Regulator.

- The level of information used to support the conclusion on the Annual Assurance Statement is not appropriate resulting in the Association not being able to substantiate its Annual Assurance Statement.