



# Blue Triangle Housing Association Ltd

## Internal Audit Plan

2019-22

August 2019



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# Introduction

## Background and scope

Blue Triangle Housing Association Ltd (Blue Triangle) has requested that Scott-Moncrieff develops a three year internal audit plan. At this stage we have not been engaged to carry out the reviews proposed at Appendix 1 of the plan, only the development of the plan itself, and therefore the plan is indicative and not an intention to complete any internal audit work in these areas.

## Internal audit plan

The objective of audit planning is to direct audit resources in the most efficient manner to provide sufficient assurance that key risks are being managed effectively and value for money is being achieved.

This document addresses sets out a plan for 2019/20 in the context of a three-year strategic internal audit plan for the period 2019/20 to 2020/21.

# Internal audit plan approach

## Audit needs assessment

Internal audit plans are based on an assessment of audit need. “Audit need” represents the assurance required from internal audit that the control systems established to manage and mitigate the key inherent risks are adequate and operating effectively. The objective of the audit needs assessment is therefore to identify these key controls systems and determine the internal audit resource required to provide assurance on their effectiveness.

Our audit needs assessment for Blue Triangle involved identifying the areas of highest inherent risk and the control systems in place to manage those risks followed by a reasonableness check. The reasonableness check involves us using our experience of similar Associations auditors, to ensure that all key risk areas and systems have been considered and the resulting internal audit plan seems appropriate.

Our audit needs assessment involved the following activities:

- Reviewing Blue Triangle’s risk register;
- Reviewing Blue Triangle’s strategic plan;
- Reviewing Blue Triangle’s website;
- Utilising our experience at similar Associations and our understanding of Registered and Social Landlords;
- Discussions with management.

The audit needs assessment should be revised on an on-going basis (at least annually) to take account of any changes in Blue Triangle’s risk profile.

# Appendix 1 – Strategic Internal Audit Plan 2019-22

Audit area	2019/20	2020/21	2021/22	Risk Register Reference	Notes
1. Corporate Governance	✓	-	-	CRAR 8, 9	Review of the corporate governance arrangements, with a focus on best practice.
2. Regulatory Standards	✓	-	-	CRAR 10	The SHR published its Regulatory Framework in February 2019. This includes a requirement for Boards of RSLs to produce an annual Assurance Statement. This will be a review of the controls in place for ensuring the Committee of Management receives appropriate information from management in a timely basis in order to produce the statement. The review will also consider whether the processes for gathering and providing relevant information to the Committee of Management are efficient and effective.
3. Policies and Procedures	✓	-	-	All	Review of the controls in place for ensuring there are effective policies and procedures. The review will also include an assessment of the arrangements in place for ensuring policies and procedures remain up-to-date and are communicated effectively with relevant staff.
4. Risk Management	✓	-	-	All	Review of the risk management policies and processes. The review will consider the approach taken for risk identification, risk analysis and risk mitigation at strategic and operational levels. The review will also consider risk reporting throughout Blue Triangle, as well as the escalation of risks to the sub-committees and the Committee of Management.
5. Void Management	-	✓	-	-	Review of Blue Triangle's monitoring procedures of void and let properties along with performance against objectives

Audit area	2019/20	2020/21	2021/22	Risk Register Reference	Notes
6. Staff Absence	-	✓	-	CRAR 6, 7	Review of whether Blue Triangle has a fair, consistent approach to promoting attendance across different locations; whether a sickness absence tolerance level has been set and is being monitored regularly; and Blue Triangle is working to maintain absence levels within this threshold.
7. Performance Management System	-	✓	-	-	Review of whether the key processes in relation to the new performance management system are operating effectively and in accordance with clearly documented procedures
8. Treasury and Cash Management	-	✓	-	CRAR 5	Review of whether Blue Triangle's treasury management procedures comply with guidance and best practice, including cash flow forecasting and management of loans portfolio.
9. Cyber Security	-	-	✓	-	Review of the adequacy of specific IT security controls in place to protect the Association network, including disaster recovery.
10. Stakeholder Engagement	-	-	✓	CRAR 1	Review of the arrangements in place for gathering and responding to feedback from stakeholders to ensure high quality services which are responsive to stakeholder needs are provided.
11. Succession Planning	-	-	✓	CRAR 7	Review of the succession planning processes in place particularly in relation to senior management and how Blue Triangle is considering the skills and resources which will be required, meeting the challenges faced including planning for continuity and ongoing succession management.
12. Compliance with Legislation	-	-	✓	CRAR 10	Review of the arrangements in place for complying with relevant standards and compliance areas.
Follow-up of prior recommendations	✓	✓	✓	-	Follow-up of prior year recommendations.

Audit area	2019/20	2020/21	2021/22	Risk Register Reference	Notes
Audit management, including attendance at meetings	✓	✓	✓	-	
Audit Needs Assessment & Annual Reporting	✓	✓	✓	-	

# Appendix 2 – Corporate Risk Assessment Register

As part of our audit needs assessment, we have reviewed the below Corporate Risk Assessment Register (as at August 2019) to identify auditable areas against each identified risk.

Event	What could happen as a result	Likelihood / Impact	What we should do to reduce the risk (control action to mitigate or eliminate risk)	Risk increasing	
1. Review of HB for supported accommodation results in changes in how we are funded	<ul style="list-style-type: none"> <li>We have to close projects</li> <li>We have to change salaries, terms and conditions of staff to ensure costs meet income</li> </ul>	B,II	<ul style="list-style-type: none"> <li>Ensure we are involved in forums such as SFHA or CCPS who can influence debate on how we are funded at strategic level</li> <li>Monitor consultations and planned changes</li> <li>Ensure dialogue with commissioners</li> </ul>	No	Red
2. Loss of funding from local authorities due to cuts in supporting people funding or retendering	<ul style="list-style-type: none"> <li>Restructuring of staff teams/redundancies</li> <li>Loss of quality</li> <li>Closure of projects</li> <li>Overhead recovery lost</li> <li>We lose a significant proportion of our business because of loss of income</li> </ul>	C,II	<ul style="list-style-type: none"> <li>Area Managers maintain critical relationships with commissioners</li> <li>Risk assess efficiencies to ensure quality of service, staff and accommodation maintained</li> <li>Make sure that we retain a good relationship with UNISON in preparation of any staff changes</li> <li>Ensure that we have enough reserves to pay out staff in the event of a catastrophic event which would result in transfer of engagements. Review Reserves Policy on an annual basis</li> <li>Deliver on our strategic plans (diversification)</li> </ul>	Yes	Red
3. Freedom of Information compliance	<ul style="list-style-type: none"> <li>We breach legislation because we are not prepared</li> </ul>	D,II	<ul style="list-style-type: none"> <li>Ensure our policy consultant develops a robust plan to ensure</li> </ul>	Yes	Yellow



Event	What could happen as a result	Likelihood / Impact	What we should do to reduce the risk (control action to mitigate or eliminate risk)	Risk increasing	
requirements not met in time	<ul style="list-style-type: none"> <li>Reputational damage</li> </ul>		<ul style="list-style-type: none"> <li>we comply by the deadline</li> <li>Train staff on implications</li> </ul>	FOI has significant impact on the way we do things	
4. National strategy and local strategies on homelessness impact on our model of operations	<ul style="list-style-type: none"> <li>Our accommodation is no longer fit for purpose</li> <li>We have lease implications due to returning building outwith lease terms such as dilapidation costs and leasing costs</li> <li>Projects close</li> <li>We lose substantial turnover</li> </ul>	B,II	<ul style="list-style-type: none"> <li>We carry out an appraisal of our stock and future proof looking at alternative uses, recycling of HAG, investment in new buildings in the event that we need to relocate and sale of old buildings</li> <li>We consider the Scottish Government strategies around reducing homelessness and create new services around prevention</li> <li>We create trauma informed staff teams to ensure we deliver on small, trauma informed facilities which are needed outwith rapid rehousing and Housing First models</li> <li>Develop innovative housing support solutions around prevention of homelessness and also community visiting support</li> </ul>	<p>Yes</p> <p>As Rapid Rehousing is rolled out across local authorities combined with efficiencies our projects could be at risk</p>	Red
5. Our budget assumptions are not met and we can't afford wage increases as costs increase over income	<ul style="list-style-type: none"> <li>We lose staff support and morale is poor</li> <li>We lose reputation</li> <li>We lose staff</li> <li>Service delivery is impacted</li> <li>Our overheads cannot be absorbed and we have to restructure</li> <li>We can't afford to</li> </ul>	D,II	<ul style="list-style-type: none"> <li>Work with UNISON is ongoing to control and reduce absence management costs</li> <li>We have tighter control over KPIs in terms of key performance on losses such as voids, write-offs and absence costs and agency costs</li> <li>We communicate to staff on a regular basis on the issues which could impact on salary increases</li> <li>We continue with our plans to</li> </ul>	<p>Yes</p> <p>Our KPIs in some areas are difficult to control which would limit wage increases</p>	Yellow

Event	What could happen as a result	Likelihood / Impact	What we should do to reduce the risk (control action to mitigate or eliminate risk)	Risk increasing	
	invest in property		diversify income streams		
6. We can't recruit or retain the best staff required to deliver our plans and services	<ul style="list-style-type: none"> <li>Quality of services suffer</li> <li>Quality of strategic planning and delivery suffers</li> <li>Reputational damage</li> <li>We lose contracts because we are not delivering outcomes</li> <li>Increased complaints</li> <li>Poor culture and dysfunctional teams</li> <li>We cant develop the next generation of leaders from within</li> </ul>	C,II	<ul style="list-style-type: none"> <li>Develop robust HR policies around recruitment, performance management, talent management, flexible working</li> <li>Consult with UNISON on issues around recruitment and retention to gain information around best practice in the sector</li> <li>Create a Reward and Recognition scheme which builds on loyalty and good performance</li> <li>Ensure staff have right skills to do their job through learning and development strategy</li> <li>Recruit right people in the first place</li> </ul>	<p>Yes</p> <p>The sector as a whole is struggling to recruit high quality staff due to competition from other sectors and high regulation</p>	Red
7. Our most senior staff move on within quick succession due to retirement, change of job etc	<ul style="list-style-type: none"> <li>The organisation loses stability due to small size of senior staff team and loss becomes more significant</li> <li>Local authorities are concerned</li> <li>Regulators are concerned</li> </ul>	B,II	<ul style="list-style-type: none"> <li>Notice periods for senior staff considered</li> <li>Succession planning to develop talent in house to replace those due to retire</li> <li>Senior staff need to have supportive and positive relationship with COM to enable a positive work environment and retention</li> <li>Policies/procedures in place to support with managing significant levels of stress to prevent burn out/illness</li> </ul>	<p>Yes</p> <p>Senior staff are getting older and plans need to support them to transition and also manage talent within to replace</p>	Red
8. Long standing members of COM with key understanding of	<ul style="list-style-type: none"> <li>The COM loses cohesion and stability</li> <li>Senior staff spend</li> </ul>	D,II	<ul style="list-style-type: none"> <li>COM need to give due notice so that replacements can be planned and supported to be effective. This is particularly important for Chair</li> </ul>	<p>No</p> <p>Less and less "long</p>	Yellow

Event	What could happen as a result	Likelihood / Impact	What we should do to reduce the risk (control action to mitigate or eliminate risk)	Risk increasing	
the business are lost due to moving on	significant time on recruitment and training		<ul style="list-style-type: none"> <li>and Vice Chair positions</li> <li>• Train and support new COM members to be confident in role and enjoy time of COM</li> <li>• Need to ensure succession for key positions such as Chair and Vice Chair and also sub-committee convenors</li> </ul>	standing” COM members and we have a good recruitment and induction process for new COM members	
9. Our plans to develop the association fail to be implemented	<ul style="list-style-type: none"> <li>• We fail to invest as required to grow the association</li> <li>• We fail to capitalise on opportunities</li> <li>• We have used reserves to fund plans which have not been achieved</li> </ul>	D,III	<ul style="list-style-type: none"> <li>• Review our plans on a regular basis (IMP targets and outcomes)</li> <li>• Hold people in posts involved in delivering plans to account for performance</li> <li>• Make sure that senior staff focus on main activities around our future plans and not get mired in day-to-day activities which are not producing value</li> <li>• COM keep focus on strategy and plans to develop the association</li> <li>• Maximise opportunities as highlighted in the IMP</li> </ul>	No  We have recruited key posts with quality staff. COM are very focused on strategy and ensuring BTHA grows.	Green
10. We fail on a significant compliance issue due to significant number of Regulators with different standards and compliance areas	<ul style="list-style-type: none"> <li>• Our reputation is damaged</li> <li>• Service users come to harm</li> <li>• Staff come to harm</li> </ul>	D,II	<ul style="list-style-type: none"> <li>• CEO and senior staff have to be trained on all areas sufficiently to know when there is a problem</li> <li>• All policies continue to capture legal requirements and Regulator standards that are required to be met in particular policy area</li> <li>• Develop Internal Audit function and implement</li> <li>• Ensure we have specialist</li> </ul>	Yes  We have increasing pressure through Regulation on a number of fronts which	Yellow

Event	What could happen as a result	Likelihood / Impact	What we should do to reduce the risk (control action to mitigate or eliminate risk)	Risk increasing
			consultants for areas where we do not have the in-house skills	is difficult to manage due to volume and complexity

