



# Ore Valley Housing Association

INTERNAL AUDIT PLAN 2019/20

July 2019

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REPORT ISSUED TO	
Andrew Saunders	Chief Executive
Maryjane Elder	Senior Corporate Support Officer
Members of the Finance, Audit and Risk Management Committee	

PLAN STATUS	
Draft plan issued:	12 <sup>th</sup> April 2019
Revised draft issued:	9 <sup>th</sup> July 2019
<b>Final plan issued:</b>	

# INTRODUCTION

Quinn Internal Audit Ltd has been appointed as internal auditors to Ore Valley Housing Association to provide the Finance, Audit and Risk Management Committee, the Director and other managers with assurance on the adequacy of internal control arrangements, including risk management and governance.

The main objective of the internal audit activity that will be completed by Quinn Internal Audit & Business Support Services (Quinn Services) is to provide an objective evaluation of, and opinion on, the overall adequacy and effectiveness of Ore Valley Housing Association's framework of governance, risk management and control.

The type of audits undertaken will be: -

<b>Assurance</b>	Each assurance review will identify the objectives of the system/process, identify the risks to the system/process and establish whether or not controls are in place to minimise the potential risk. An appropriate level of testing is carried out to assess the actual effectiveness of the controls.
<b>Appraisal</b>	Each appraisal review will assess the control framework of a system/process. The emphasis is on whether the arrangements in place accord with good practice.
<b>Follow Up</b>	Each follow up review will assess the Implementation of agreed recommendations.

# PROPOSED STAFFING

Staff assigned to this programme of internal audit are as follows: -

Name	Title	Email
Alex Cameron	Managing Director	<a href="mailto:alex@quinn-internal-audit.co.uk">alex@quinn-internal-audit.co.uk</a>
Nicholas Aderinto	Audit Director	<a href="mailto:nicholas@quinn-internal-audit.co.uk">nicholas@quinn-internal-audit.co.uk</a>
Andrew Wood	Audit Manager	<a href="mailto:andrew@quinn-internal-audit.co.uk">andrew@quinn-internal-audit.co.uk</a>
Joanna Wyllie	Head of Assurance	<a href="mailto:joannaw@quinn-internal-audit.co.uk">joannaw@quinn-internal-audit.co.uk</a>

# INTERNAL AUDIT PLAN 2019-20

AREA	TOPIC	DAYS	TYPE
<b>GOVERNANCE</b>	Risk Management Framework	3.0	Appraisal
<b>FINANCE</b>	Payments and Payroll	3.0	Assurance
<b>MAINTENANCE</b>	Planned Maintenance inc. EESSH	3.0	Assurance
<b>ICT</b>	Rent Setting	3.0	Assurance
	Follow up	2.0	
<b>TOTAL</b>		<b>14</b>	

# SUMMARY OF INTERNAL AUDIT

AREA	TOPIC	2018/19	2019/20	2020/21
GOVERNANCE	Risk Management		✓	
	Group Boards – training & development framework			✓
	Complaints Management			
HOUSING	Allocations	✓		
	Tenant Engagement			✓
	Rent Setting		✓	
MAINTENANCE	Planned and Cyclical Maintenance		✓	
	Reactive Maintenance	✓		
	Gas Safety			✓
ICT	GDPR & FOI			✓
FINANCE	Payments and Payroll		✓	
ANNUAL FOLLOW UP	Follow up	✓	✓	✓

# DETAILED PLAN 2019-20

Qtr	Audit	Indicative Scope	Field Work Date
2	Payments and Payroll	<p><u>Payments</u> The review considers the arrangements for authorising and paying costs incurred by the Association and the arrangement for control of the Associations cheques, credit cards and automated payments. The scope does not include providing an assurance that the expenditure was necessary or that value for money was achieved from the expenditure committed.</p> <p><u>Payroll</u> The review considers the arrangements for: the creation, amendment and deletion of payroll records; payment of allowances and pay awards; payment of expenses and overtime. and payment of salaries. The scope of the review does not include determination of salary scales, severance payments or pension arrangement.</p>	22 <sup>nd</sup> August 2019
3	Rent Setting	<p>The review considers the arrangements for calculating the rent charged on the Association's properties.</p> <p>The scope of the audit will consider:</p> <ol style="list-style-type: none"> <li>1. The appropriateness of the rent setting policy and procedures;</li> <li>2. Process for assessing rent affordability;</li> <li>3. Engagement with tenants on rent rises;</li> <li>4. Assessment of impact on the Association's financial/business plans of proposed rent increases; and</li> <li>5. Reporting to tenants on rent setting, rent increases and the use of rental income.</li> </ol>	10 <sup>th</sup> October 2019

# DETAILED PLAN 2019-20

Qtr	Audit	Indicative Scope	Field Work Date
3	Planned and Cyclical Maintenance	The audit will consider the arrangements for: identifying the works required to be included within the planned and cyclical maintenance programmes; the source of the supporting works data (i.e. stock conditions surveys); and the process for including EESSH works.	18 <sup>th</sup> and 19 <sup>th</sup> December 2019
4	Risk Management	<p>This audit will consider:-</p> <ul style="list-style-type: none"> <li>• the arrangements for identifying and monitoring the mitigating controls with regards to the Association's business significant risks;</li> <li>• the timely update of the Risk Register;</li> <li>• related risk management policies; and</li> <li>• the integration of risk management into business planning.</li> </ul> <p>• Level of risk management processes integration within the Association</p>	24 <sup>th</sup> and 25 <sup>th</sup> February 2020

# DETAILED PLAN 2019-20

Qtr	Audit	Indicative Scope	Field Work Date
4	Follow up	The audit ascertains the progress made with the implementation of the recommendations arising from the previous year's internal audit reviews (from 2018).	26 <sup>th</sup> February 2020

Qtr	Period
1	April to June 2019
2	July to September 2019
3	October to December 2020
4	January to March 2020

# INTERNAL AUDIT ASSESSMENT

Audits will take a risk-based mitigation approach. During the course of the audit, consideration will be given to the appropriateness of the risk management and control framework being assessed, to ensure it is designed to assist in mitigating against Ore Valley Housing Association's strategic and operational risks.

For all audits, relevant policies will be reviewed to assess how they sit in relation to regulatory and best practice requirements and related processes and procedures reviewed to assess the degree to which they are fit for purpose and allow the aim of the related policy to be implemented.

For each audit, at the end of the audit fieldwork, all findings and recommendations will be discussed in detail with the key contact (for the particular audit) and other staff as directed by Ore Valley Housing Association.

All audit reports will include balanced comments on the strengths and weaknesses identified.

Recommendations will be pragmatic and proportionate that are tailored to meet the specific needs of Ore Valley Housing Association and that are 'forward looking' to prepare for any forthcoming changes. Identification of real efficiency and financial savings opportunities will be highlighted, as well as a comment on value for money where appropriate.

A draft audit report will be issued (electronically) within 10 working days of the end of the fieldwork. Once the management comments have been received, a final audit report will be issued within 5 working days (electronically).

# INTERNAL AUDIT ASSESSMENT

Quinn Services is responsible for giving assurance to the Finance, Audit and Risk Management Committee on the adequacy and effectiveness of risk management, control and governance processes. This Internal Audit Plan has been drawn up in accordance with the requirements of the 'Institute of Internal Auditors (UK & Ireland) Internal Audit Standards'.

Each internal audit will be given an overall assurance level (detailed further on page 12) – this is not a 'one-size fits all' grading.

Assurance levels given depend upon:

- the number and priority rating of recommendations made;
- the risks associated with the area/function/service being audited – both internal and external;
- the impact/probability score of the identified risks;
- the overall strength of the control framework that is currently in place; and
- the speed with which a recommendation needs to be implemented.

Recommendations within reports will be given one of three gradings:

- **Urgent** (priority 1): a fundamental control issue on which action should be taken immediately
- **Important** (priority 2): a control issue on which action should be taken at the earliest opportunity
- **Routine** (priority 3): control issue on which action should be taken in due course

# OVERALL ASSURANCE LEVEL RATING

Taking account of the number, type of recommendations and the associated risks, each audit report complete by Quinn Services will be assigned one of the following four assurance levels:-

## **Full Assurance**

- A sound system of controls in place and procedural requirements being rigorously applied and/or
- No evidence of potential legal or serious regulatory breach and/or
- Supporting policies and procedures are satisfactory and/or
- Policies and procedures take account of current regulatory and best practice requirements

## **Reasonable Assurance**

- Overall sound system of controls in place but some minor weaknesses in the application of procedural requirements (or minor weaknesses in the formulation of the procedures) and/or
- No evidence of potential legal breach but some evidence of minor regulatory breach and/or
- Supporting policies and procedures require to be reviewed but do not put the control objective at risk in their current format
- Satisfactory assurance may also be used where the criteria for significant assurance are met but the processes are new or not sufficiently tested.

## **Limited Assurance**

- Weaknesses in the system of controls or a degree of non-compliance with procedural requirements that puts the control objective at risk and/or
- Evidence of legal and/or regulatory breach and/or
- Inadequate supporting policies and procedures that may put the control objective at risk

## **No Assurance**

- Weaknesses in the system of controls that leave the processes/system open to significant error or abuse and/or
- Significant non-compliance with basic control processes that pose the risk of significant error or abuse and/or
- Evidence of legal and/or regulatory breach where this presents or could present a significant risk to the organisation and/or
- Very poor supporting policies and procedures (or a lack thereof) that are likely to put the control objective at risk
- "No assurance" will normally be used where there is a lack of willingness or ability to address serious issues that have been raised

# RESPONSIBILITY AND LIMITATIONS

The responsibility for a sound system of internal controls rests with the management and governing body of Ore Valley Housing Association. Work performed by Quinn Services should not be relied upon to identify all the control strengths and the weaknesses that may exist. Neither should internal audit work be relied upon to identify all circumstances of fraud or irregularity, should there be any, although the audit procedures have been designed so that any material irregularity has a reasonable probability of discovery. Even sound systems of internal control may not be proof against collusive fraud.

Responsibility will be placed on management to provide Quinn Services with full access to staff and all relevant documentation - as required for each individual audit. The matters documented in the internal audit reports will be only those that come to the attention of Quinn Services during the course of the internal audit's fieldwork.

The internal audit reports will be prepared solely for Ore Valley Housing Association's use and are not prepared for any other purpose.