



Scottish Housing Regulator

2015/16 Annual audit
report to Members and
the Auditor General for
Scotland

17 August 2016

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Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively (www.audit-scotland.gov.uk/about/).

Anne McGregor Senior Audit Manager, Audit Scotland is the appointed external auditor of The Scottish Housing Regulator for 2015/16.

This report has been prepared for the use of The Scottish Housing Regulator and no responsibility to any member or officer in their individual capacity or any third party is accepted.

The information in it may be used by the Auditor General in support of her wider responsibilities, including reporting to the Scottish Parliament.

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Key messages

Audit of financial statements

- Unqualified independent auditor's report on the 2015/16 financial statements. There were no financial errors in the accounts but the presentation of the Annual Report and Accounts had to be amended to meet new layout requirements for 2015/16.

Financial management & sustainability

- SHR operated within its overall resource budget for 2015/16.
- Financial management is soundly based but decrease in budget from £4m to £3.7m for 2016/17 represents significant challenge.
- The board has agreed the 2016/17 budget but there are no published medium term financial plans due to uncertainty over Scottish Government budget settlement for 2017/18.

Governance & transparency

- SHR has sound and well-established governance arrangements in place.
- Systems of internal control operated effectively during 2015/16.
- SHR continues to improve transparency: 'How we will involve tenants and service users in our work 2016-18' was published in May 2016 and as part of the 'How we work' series, SHR has published details of how statutory managers are appointed (June 2016). SHR will seek specific feedback on their 2015/16 annual report.

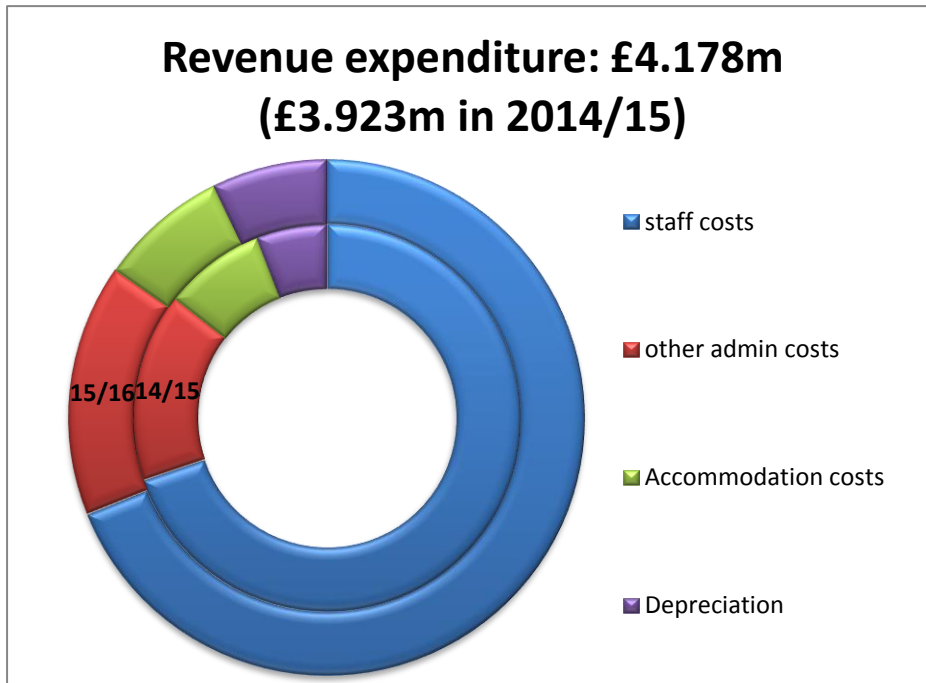
Best Value

- 2015/16 was the final year of a programme of best value reviews and SHR is looking again at methodologies of how it can continue to demonstrate it is delivering best value. The Audit and Risk Assurance Committee will be updated on progress later in 2016.

Introduction

1. This report is a summary of our findings arising from the 2015/16 audit of The Scottish Housing Regulator (SHR).
2. The management of SHR is responsible for:
 - preparing financial statements which give a true and fair view, in accordance with the relevant financial reporting framework
 - ensuring the regularity of transactions, by putting in place systems of internal control
 - maintaining proper accounting records
 - publishing with their financial statements an annual governance statement and a remuneration report.
3. Our responsibility, as the external auditor, is to undertake our audit in accordance with International Standards on Auditing, the principles contained in the Code of Audit Practice issued by Audit Scotland in May 2011 and the ethical standards issued by the Auditing Practices Board.
4. An audit of financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements prepared by management with the oversight of those charged with governance. This does not relieve management of their responsibility for the preparation of financial statements.
5. A number of reports, both local and national, have been issued by Audit Scotland during the course of the year. These reports are summarised at [appendix II](#) and [appendix III](#).
6. [Appendix IV](#) is an action plan setting out our recommendations to address the high level risks we have identified from the audit. Officers have considered the issues and agreed to take the specific steps in the column headed "Management action/response". We recognise that not all risks can be eliminated or even minimised. What is important is that SHR understands its risks and has arrangements in place to manage them. The Audit and Risk Assurance Committee should ensure that they are satisfied with proposed action and have a mechanism in place to assess progress and monitor outcomes.
7. We have included in this report only those matters that have come to our attention as a result of our normal audit procedures; consequently, our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.
8. The cooperation and assistance afforded to the audit team during the course of the audit is gratefully acknowledged.
9. 2015/16 is the final year of the current five year audit appointment. From 2016/17 the auditor of SHR will be Scott Moncrieff. In accordance with agreed protocols and International Standards on Auditing we will be liaising with the incoming auditors as part of this transition.

Audit of the 2015/16 financial statements



The financial statements show revenue expenditure has increased by £0.255m (6.5%) from £3.923m to £4.178m.

Staff costs increased by £142k (5%) because of wages and salaries increasing by £74k (3.5%) and the increase in short-term employee benefits. Depreciation increased by £72k (31%) due to the increase in assets comprising the business intelligence IT system, which were purchased last year and depreciated for the first time in 2015/16.

In addition to the revenue expenditure shown above, SHR had capital expenditure of £169k (2014/15 £502k); the majority of spend in both years was on the business intelligence IT system.

Details of expenditure versus Scottish Government budget are included under the section, Financial Management and Sustainability.

Audit opinions

Financial Statements	<ul style="list-style-type: none">• The financial statements of SHR for 2015/16 give a true and fair view of the state of the body's affairs and of its net expenditure for the year.• We confirm that the financial statements have been properly prepared in accordance with the 2015/16 FReM and the requirements of the Public Finance and Accountability (Scotland) Act 2000 and directions.
Regularity	<ul style="list-style-type: none">• In all material respects, the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance.• The sums paid out of the Scottish Consolidated Fund were applied in accordance with section 65 of the Scotland Act 1998.
Other prescribed matters	<ul style="list-style-type: none">• The part of the Remuneration Report to be audited has been properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.• The information given in About Us, A message from our Chair and Chief Executive and the Performance Report in the Annual Report is consistent with the financial statements.

Submission of financial statements for audit

10. In our annual audit plan we agreed to start the audit on 16 May. To support the audit, SHR agreed to provide all parts of the annual report and accounts, together with National Audit office disclosure checklists at the beginning of the audit.

11. We received the unaudited financial statements on 16 May, in accordance with the agreed timetable. Some information was missing from the remuneration report but this was provided in June. 2015/16 was the first year of the new performance and accountability reports, which replaced the previous management

commentary. The information provided to us did not follow the new format And more information is provided at paragraph 28.

12. The working papers were of a good standard and staff provided support to the audit team
13. The revised format of annual report and accounts was received following the clearance meeting on 2 June. The NAO checklists were provided at the end of the audit. Since 2015/16 was the first year of the new FReM requirements SHR anticipates this will not impact the audit in future years.

Overview of the scope of the audit of the financial statements

14. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were outlined in our Annual Audit Plan presented to the Audit and Risk Assurance Committee on 17 March 2016.
15. As part of the requirement to provide full and fair disclosure of matters relating to our independence, we can confirm that we have not undertaken any non-audit related services. The 2015/16 agreed fee for the audit was £17,820 and, as we did not carry out any work additional to our planned audit activity, the fee remains unchanged.
16. The concept of audit risk is of central importance to our audit approach. During the planning stage of our audit we identified a number of key audit risks which had the greatest effect on the audit strategy, resources and effort. We set out in our Annual Audit Plan

the audit work we proposed to undertake to secure appropriate levels of assurance.

17. [Appendix I](#) sets out the audit risks identified at the planning stage and how we addressed each risk in arriving at our opinion on the financial statements.
18. Our audit involved obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

Materiality

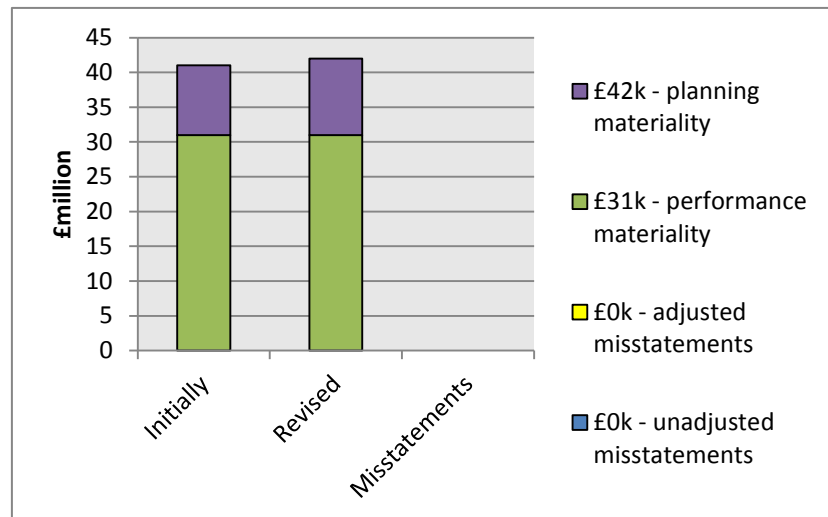
19. We consider materiality and its relationship with audit risk when planning the nature, timing and extent of our audit and conducting our audit procedures. We assess the materiality of uncorrected misstatements, both individually and collectively.
20. We consider materiality and its relationship with audit risk when planning the nature, timing and extent of our audit and conducting our audit programme. Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.
21. We summarised our approach to materiality in our Annual Audit Plan. We revised our planning materiality for 2015/16 on receipt of the unaudited accounts to £42k (1% of net operating cost).
22. We also set a lower level, known as performance materiality, when defining our audit procedures. This is determined to ensure that

uncorrected and undetected audit differences do not exceed our materiality level. Performance materiality was set at £31k (i.e. 75% of materiality). We report all misstatements greater than £1k.

Evaluation of misstatements

23. There were no audit adjustments impacting on the net operation cost or net assets.

Exhibit 1: Overall materiality misstatements



Source: 2015/16 Annual Audit Plan

Significant findings from the audit

24. International Standard on Auditing 260 (ISA 260) requires us to communicate to you significant findings from the audit as detailed below:
- The auditor's views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and disclosures.
 - Significant difficulties encountered during the audit.
 - Significant matters arising from the audit that were discussed, or subject to correspondence with management.
 - Written representations requested by the auditor.
 - Other matters which in the auditor's professional judgment, are significant to the oversight of the financial reporting process.
25. In our opinion there is only one issue we wish to communicate to those charged with governance in accordance with ISA 260.

Table 1: Significant findings from the audit

Significant findings from the audit in accordance with ISA260

Preparation of annual report and accounts

26. In our 2014/15 Annual report on the audit we noted that the 2015/16 FReM had been extensively re-written to require the annual report and accounts to include a performance report and an accountability report, which would incorporate a corporate governance report, a remuneration and staff report and a parliamentary and accountability report. This was again included in our 2015/16 plan.
27. The background to the changes was a HM Treasury Report [Simplifying and streamlining statutory annual report and accounts](#) which commented that the user needs were not being met and that it was hard to link the performance narrative to the figures in the accounts. It was proposed to restructure the traditional ‘front-half’ annual report and ‘back-half’ financial into three more integrated reporting requirements based on: Performance – “telling the story”; Accountability; and Financial statements.
28. Officers had not implemented the new reporting layout fully and the unaudited annual report and accounts presented for audit required additional formatting and disclosure. The majority of information was included across the unaudited annual report and accounts and the new Performance Report needed additional information on key issues and risk and financial analysis. The sustainability reporting will be published from 2016/17 as the Scottish Government reporting begins in November 2016.
29. For 2016/17 we recommend that all staff and board members preparing the different aspects of the annual report and accounts meet to understand the FReM requirements and that in particular that the key issues and risks and financial commentary are clearly shown in the performance report.

Appendix IV – Action Plan No. 1

Future accounting and auditing developments

30. HM Treasury has issued the 2016/17 Government Financial Reporting Manual (FReM). This applies EU adopted IFRS and

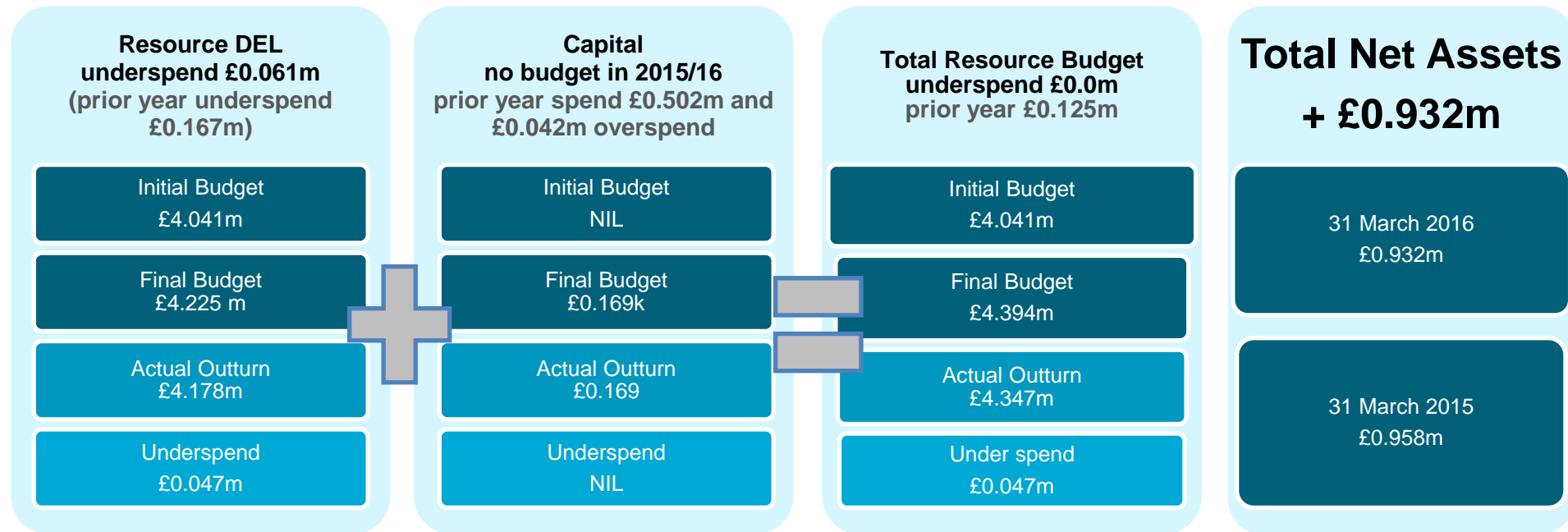
Interpretations in effect for accounting periods commencing on or after 1 January 2016 (i.e. SHR’s 2016/17 accounts).

31. We have reviewed the 2016/17 FReM and there are no significant changes from the 2015/16 FReM.

Code of Audit Practice

32. A new Code of Audit Practice applies to public sector audits for financial years starting on or after 1 April 2016. It replaces the Code issued in May 2011. It outlines the objectives and principles to be followed by auditors. It is part of the overall framework for the conduct of public audit in Scotland.
33. The new Code increases the transparency of our work by making more audit outputs available on Audit Scotland's website. In addition to publishing all annual audit reports, annual audit plans and other significant audit outputs will be put on the website for all audited bodies. This is irrespective of whether the body meets in public or makes documents such as audit committee papers routinely available on its own website.

Financial management and sustainability



The main financial objective for SHR is to ensure that the financial outturn for the year is within the resource budget allocated by Scottish Ministers.

The opening budget was £4.041m (per the Corporate Plan 2015-18). This increased to £4.089m due to adding ISIS budget transfer of £48k. In addition to these budgets, SHR was awarded £0.305m non-cash cover for depreciation. Total budget was £4.394m prior to then allocating £0.169m to capital expenditure, giving a closing revenue budget of £4.225m. Last year SHR received an additional capital budget of £460k but there was no separate capital budget for 2015/16.

There was a small underspend of £0.047m and therefore, SHR met its resource budget.

2015/16 financial position

34. SHR receives all of its funding directly from the Scottish Government.
35. The Statement of Financial Position at 31 March 2016 shows net assets of £0.932m. This position is largely attributable to the investment in the business intelligence system.
36. The financial position of SHR remains stable with the body operating within its available funding and reporting an excess of assets over liabilities.

Financial management

37. As auditors we need to consider whether bodies have established adequate financial management arrangements. We do this by considering a number of factors, including whether:
 - Sufficient status and resources are given to finance reporting to be able to deliver good financial management
 - standing financial instructions and standing orders are comprehensive, current and promoted within the body
 - reports monitoring performance against budgets are accurate and provided regularly to budget holders
 - monitoring reports do not just contain financial data but are linked to information about performance
 - members provide a good level of challenge and question significant variances.

38. Based on our accumulated knowledge and review of papers and internal audit reports we conclude that SHR has satisfactory budget monitoring arrangements in place.

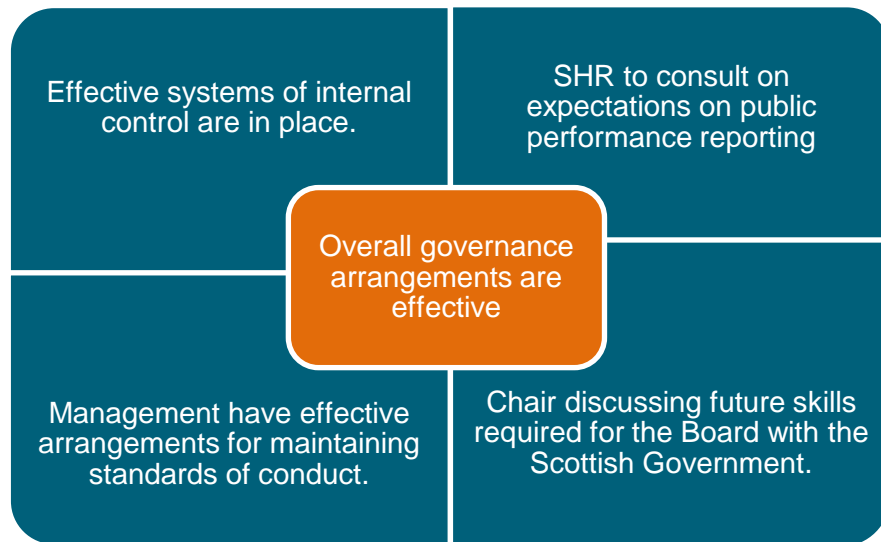
Financial Planning and 2016/17 budget

39. As funding from the Scottish Government is SHR's only source of income there is a greater degree of certainty over future funding streams than for some other public sector organisations who are involved in income generating activities. Therefore, the main focus for SHR is achieving a balanced financial plan to remain within their annual allocation.
40. In our 2015/16 annual audit plan we noted that 2016/17 budget of £3.7m is significantly less than the 2015/16 budget of £4.1m and a challenge for SHR to manage the decrease in funding. SHR receive extra additional revenue funding from SG Information Services to fund agreed transfer costs (£47k); and additional non-cash resource cover for depreciation, which is advised later in the year. There is no capital funding for 2016/17.
41. A balanced budget was approved by the board in April 2016. The main budgeting pressures are on staff costs (where there is a recruitment freeze) and negotiating the contract for supporting the business intelligence system, now approximately 6% of operating cost budget. Savings of 28% on accommodation costs have been made through re-locating to other premises in Glasgow.

Outlook

42. Last year we reported that despite the uncertainty of funding after 2015/16, SHR had prepared medium term financial plans using assumptions and scenario analysis, for discussion with the Board. SHR updated its scenario planning in January 2016 following the spending review. The Annual report and accounts 2015/16 state that the Scottish Government will set out funding for 2017/18 and 2018/19 during 2016/17 and SHR will update its medium-term financial planning once the information is available.

Governance and transparency



Corporate governance

43. SHR is led by a board of non-executive members. The board members have collective responsibility for the actions and decisions of the regulator and are accountable to the Scottish Parliament. The chair and members of the SHR board are appointed by Scottish ministers through the public appointments process.
44. In 2014 there were eight non-executive members. One member left in December 2014 and another in December 2015, leaving six non-

executive members from January 2016. There have been no further appointments and the Chair is currently discussing with the Scottish Government the future skills required for the SHR board.

45. The Accountable Officer (Chief Executive) is responsible for the day to day operation of SHR and for leading the organisation's staff. The chief executive is held to account by the board and is personally answerable to the Scottish Parliament for the effective and efficient operation of SHR.
46. The board and chief executive are supported in their roles by the SHR Audit and Risk Assurance Committee (ARAC), which meets quarterly.
47. In addition, SHR has had a project board to oversee the delivery of the Business Intelligence IT project. This board will be in place until the completion of the project.
48. The SHR corporate plan covering the three year period from 2015 to 2018 was approved by the board in February 2015 and is available to the public via the SHR website. Internal audit reviewed the Business Planning and Performance Management process, providing substantial assurance over the arrangements.
49. We concluded that the SHR has effective overarching and supporting governance arrangements which provide an appropriate framework for organisational decision making.

Transparency

50. Last year we reported that The Scottish Government's [On Board](#) guidance for board members of public bodies was updated and reissued in April 2015. On Board states that boards should demonstrate high standards of corporate governance at all times including openness and transparency in decision making. It recommends boards should consider:
- holding an annual open meeting
 - holding board meetings in public unless there is a good reason not to
 - publishing summary reports and/or minutes of meetings
 - inviting evidence from members of the public in relation to matters of public concern
 - consulting stakeholders and users on a wide range of issues
 - making corporate plans and the annual report widely available.
51. Examples of good transparency include:
- The website includes the Corporate plan 2015-18; board minutes and register of interests for Board members.
 - The document '*What we will do in 2015-16*' is available on the website and summary of progress included in the Annual Report and Accounts.
 - The new Consultation and Involvement Strategy was published in May 2016

- In June SHR published new information which explains how it appoints a statutory manager to a social landlord and governing body members to a registered social landlord. It aims to help tenants and service users, landlords and others have a clear understanding of what they do, how and why they do it.
52. SHR has no plans to have board meetings, or board papers, in public due to the sensitivity of issues being discussed on regulated bodies.
53. As the above guidance is primarily applicable to only NDPBs, the Scottish Government has been developing new 'On Board' guidance that will be applicable to other public bodies in partnership with the Scottish delivery bodies' forum. SHR has contributed to the drafting of the new guidance. Management advise us that they have reviewed the developing drafts to ensure it is continuing to act in accordance with good practice. The publication timescale for the Scottish Government's new guidance is currently unclear.

Internal control

54. SHR relies on systems owned and operated by the Scottish Government. These central systems, including the general ledger and the payroll, accounts payable and accounts receivable systems are subject to an annual review by Audit Scotland's Scottish Government external audit team. There are recommendations to improve certain controls but the overall conclusion is that the Scottish Government systems of internal control operate effectively.

55. No material weaknesses in the accounting and internal control systems were identified during the 2015/16 audit which could adversely affect the organisation's ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements.

Internal audit

56. Internal audit provides the audit committee and Accountable Officer with independent assurance on the overall risk management, internal control and corporate governance processes. We are required by international auditing standards to make an assessment of internal audit to determine the extent to which we can place reliance on its work. To avoid duplication, we place reliance on internal audit work where possible.
57. Internal audit at SHR is provided by the Scottish Government Internal Audit service, which was assessed by our Scottish Government external audit team. This assessment concluded in May 2016 that the internal audit service operates in accordance with the Public Sector Internal Audit Standards (PSIAS). This enabled us to place reliance on the work of internal audit, in terms of our wider code responsibilities, as we planned.
58. Last year we reported that the work on internal audit was not completed for the Audit and Risk Assurance Committee meeting in June 2015. This year all the work was completed by June allowing the final annual report to be issued for the Audit and Risk

Committee meeting on 20 July 2016. Their reports are discussed under the Best Value section.

Arrangements for the prevention and detection of fraud

59. SHR is responsible for establishing arrangements to prevent and detect fraud and other irregularity. This involves local arrangements (e.g. SHR fraud policy and response plan) and relying on Scottish Government arrangements.
60. There were no reported frauds in 2016/17.

National Fraud Initiative in Scotland

61. SHR participates in the National Fraud Initiative (NFI) through the Scottish Government Payroll Division. The NFI uses electronic data analysis techniques to compare information held on individuals by different public sector bodies and different financial systems, to identify data matches that might indicate the existence of fraud or error.
62. As the Scottish Government does not hold a separate record of data matches relating specifically to SHR, we have not been able to establish the number of data matches identified for investigation. However, SHR has not been notified of any issues by the Scottish Government in relation to their matches.

Arrangements for maintaining standards of conduct and the prevention and detection of corruption

63. Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and have proper arrangements in place for implementing and monitoring compliance with standards and codes of conduct, standing orders and financial instructions. We consider whether bodies have adequate arrangements in place and have concluded that appropriate arrangements exist within SHR.
64. In November 2015 the Board approved updated anti-fraud, whistleblowing and anti-bribery policies for approval. The arrangements within the policies had been tested with internal audit and Scottish Government Human Resources.

Best Value

Arrangements for securing Best Value

65. In 2012 SHR agreed to carry out a series of seven best value reviews over the three-year period of the 2012-2015.
66. In December 2015 the final best value review, performance management was presented to the Audit and Risk Assurance Committee. Audit Scotland's performance criteria were included within the report to demonstrate what was assessed and measured SHR's existing arrangements against. Overall, SHR assessed they were achieving 'better practice' across most of the performance criteria, and 'advanced practice' in one area. The report sets out a plan for future actions, none of which were high risk.
67. We considered SHR's approach to reviewing arrangements for securing best value demonstrates a proportionate approach to self-evaluation and continuous improvement. Each of the reports had action plan points. Updates will be taken to the October 2016 Audit and Risk Assurance Committee along with proposals on the future approach.

Business Planning and Performance Management

68. Internal audit reviewed the effectiveness of business planning and if performance measures are accurately reported and support SHR achieving its objectives.

69. The findings were graded as providing substantial assurance. Five recommendations were made including expanding information on actions where performance was not as planned and carrying out stakeholder engagement on public performance reporting. SHR will be seeking specific feedback on its 2015/16 annual report.
70. The report concluded that SHR's December 2015 self-assessment (above) on performance management was balanced and objective.

Resources, Capacity and Workforce Planning incorporating recruitment

71. As noted in our annual audit plan Audit Scotland published a report on Scotland's Public Sector Workforce in November 2013 and local follow-ups are being carried out across all audited bodies. Internal audit carried out work in this area and gave substantial assurance and that they could see that through a number of specific exercises SHR implement workforce planning principles in a proportionate manner.

National reports

72. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2015/16, a number of reports were issued as outlined in [Appendix III](#).
73. SHR has processes in place to ensure that all relevant national performance reports are considered by the Audit and Risk Assurance Committee for any issues pertinent to SHR or its work.

Outlook

74. SHR has committed to considering future options of how best to demonstrate best value and the approach will be developed in the second half of 2016/17.

Appendix I: Significant audit risks

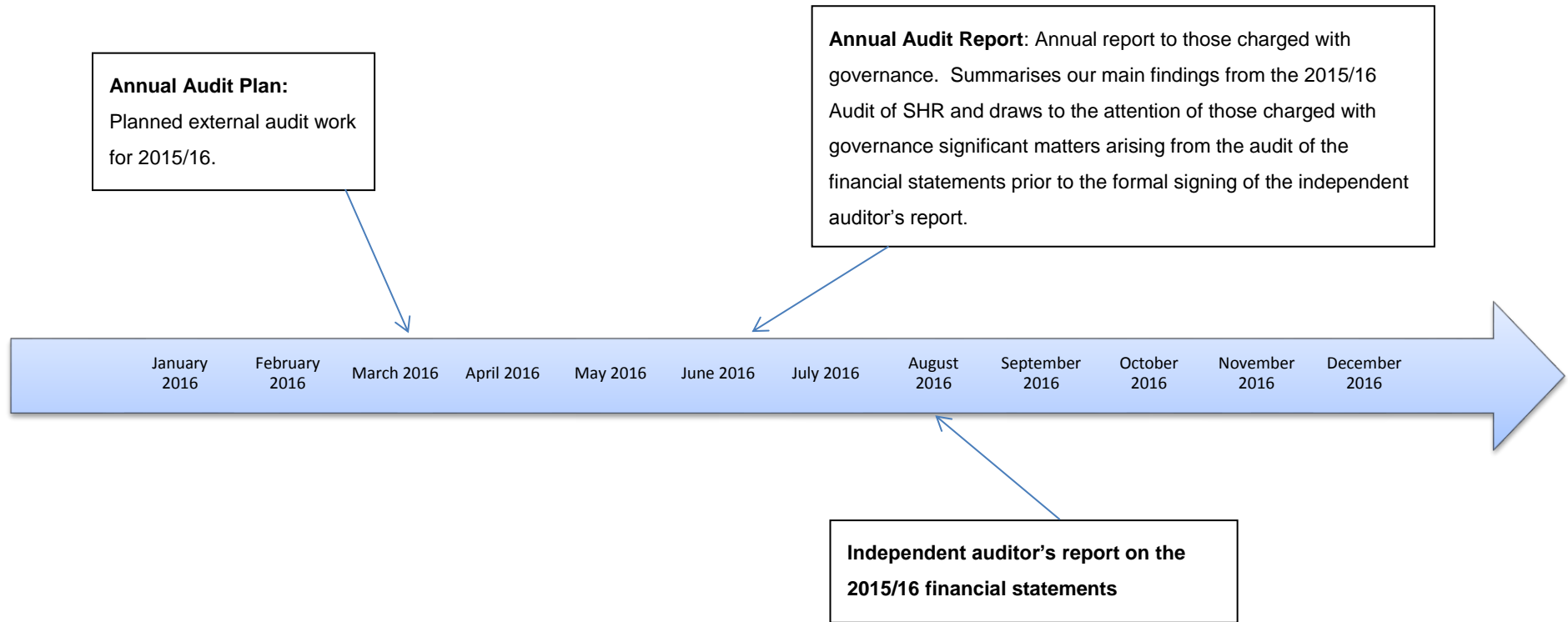
The table below sets out the audit risks we identified during the course of the audit and how we addressed each risk in arriving at our opinion on the financial statements.

Audit Risk	Assurance procedure	Results and conclusions
Risk of material misstatement		
<p>Format of annual report and accounts</p> <p>The 2015/16 FReM has been extensively re-written to require the annual report and accounts to include:</p> <ul style="list-style-type: none"> a performance report an accountability report incorporating <ul style="list-style-type: none"> - a corporate governance report - a remuneration and staff report - a parliamentary and accountability report <p>Risk</p> <p>There is a risk that the required changes will not be fully incorporated in the 2015/16 annual report and accounts.</p> <p>Recommendation</p> <p>Full review of FReM recommendations is carried out prior to the year-end.</p>	<p>Review the annual report to ensure it complies with revised FReM requirements and consider whether it presents a fair and balanced picture.</p>	<p>The annual report and accounts presented for audit did not meet the 2015/16 FReM requirements. Adjustments were made to the layout and extra information added and the requirements met. Further detail is included at paragraph 28.</p>

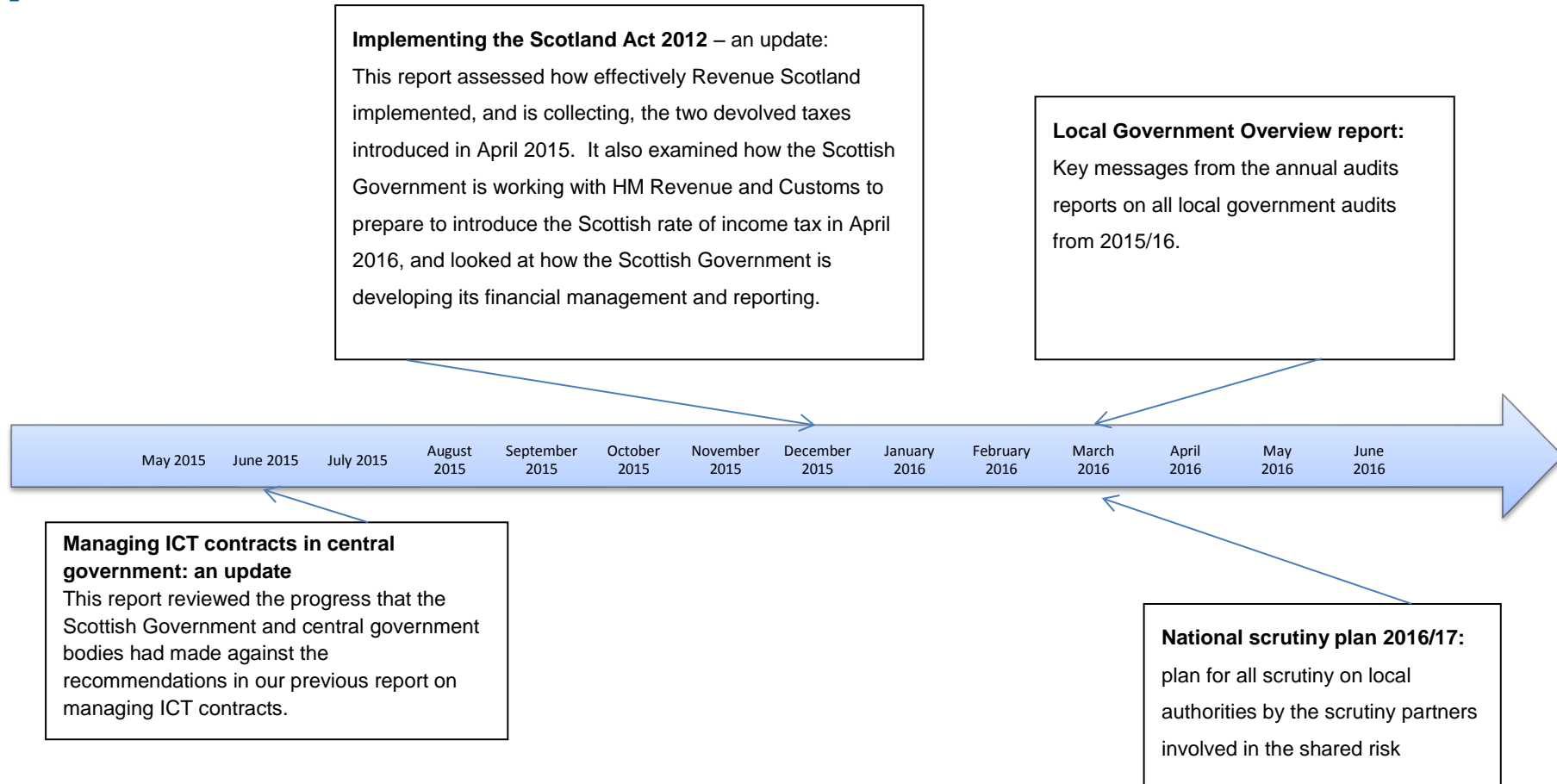
Audit Risk	Assurance procedure	Results and conclusions
<p>Identification of Capital Expenditure</p> <p>In 2014/15, there will be a mixture of capital and revenue expenditure related to the business intelligence programme.</p> <p>There is a risk that costs are incorrectly classified leading to operating and capital expenditure being misstated.</p>	<ul style="list-style-type: none"> • Detailed testing of invoices to assess classification • Review of capitalisation journal • Review of estimate of capitalised staff costs 	<p>Audit met with SHR staff in April to discuss the approach for identifying capital expenditure, including staff costs. Staff explained why capital costs were still being incurred and provided board papers to show the different aspects being discussed with the Board e.g. FRS 102 requirements..</p> <p>Capital costs were supported by invoices.</p> <p>Staff costs which are capitalised are an estimate. They are less than last year; 25% compared to 80%. This is consistent with total capital expenditure; £169k in 2015/16 and £501k in 2014/15.</p>
<p>Management override of controls</p> <p>As stated in ISA 240, management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p>	<ul style="list-style-type: none"> • Detailed testing of journal entries. • Review of accounting estimates for bias. • Testing and evaluating significant transactions outside the normal course of business. 	<p>The audit procedures did not identify any instances of management override of controls.</p> <p>Capitalisation of staff costs reviewed.</p> <p>Year-end accruals and post year-end payments reviewed for existence and completeness.</p>

Audit Risk	Assurance procedure	Results and conclusions
Risks identified from the auditor's wider responsibility under the Code of Audit Practice		
<p>Financial planning: The 2016/17 budget from the Scottish Government is £3.7m which is significantly less than 2015/16 budget of £4.1m.</p> <p><i>Risk</i> There continues to be financial risks to the registered social landlords, requiring close monitoring by SHR and therefore risks over making the best use of the resources available.</p>	<p>Review budget planning work</p> <p>Review internal audit reports on resources and business planning.</p> <p>Monitor budget reports for any overspends.</p> <p>Provide update in annual report on the audit</p>	<p>Internal audit report provided substantial assurance rating</p> <p>The Board approved the 2016/17 budget at their April board meeting. Further details are included at paragraph 41.</p>

Appendix II: Summary of local audit reports 2015/16



Appendix III: Summary of Audit Scotland national reports 2015/16



Appendix IV: Action plan

No. AS ref.	Paragraph ref.	Issue/risk/Recommendation	Management action/response	Responsible officer / Target date
1.	26	<p>The new reporting layout under the 2015/16 FReM was not adopted for the annual report and accounts presented for audit.</p> <p>For 2016/17 we recommend that all staff and board members preparing the different aspects of the annual report and accounts meet to understand the FReM requirements and that in particular that the key issues and risks and financial commentary are clearly shown in the performance report.</p>	<p>We will review the FReM requirements with all staff and board members involved in preparing the annual report and accounts.</p> <p>We will consider publishing a separate performance document to provide a more succinct report.</p>	<p>Director of Strategy and Communications</p> <p>31 December 2016</p>