Internal Audit Annual Report 2015/16

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**April 2016**

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*The responsibility for maintaining internal control rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy of the internal control arrangements implemented by management and perform testing on those controls to ensure that they are operating for the period under review. We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone are not a guarantee that fraud, where existing, will be discovered.*

*The contents of this report are confidential and not for distribution to anyone other than Hexagon Housing Association. Disclosure to third parties cannot be made without the prior written consent of Mazars LLP.*

*Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales to carry out company audit work.*

# Introduction

This report summarises the internal audit work undertaken by Mazars in the year ending 31st March 2016, the outcomes of work completed; and, incorporates our annual statement on internal controls assurance. The report should be considered confidential to Hexagon Housing Association and not provided to any third party other than your external auditors and the Homes and Communities Agency without prior written permission by Mazars.

# Performance against Plan

The Strategic Audit Plan for 2015/16 provided for 39 days of audit work. We can confirm that we completed the 49 days of audit work scheduled. The discrepancy between the Strategic Audit Plan and the days completed is due to a 10 day special review on rent setting. This fell outside of our plan of strategic audits, and an a opinion on assurance was not provided within the report. **Appendix A** of this report details our performance against the plan.

# Overall Conclusions

# Our opinion

In our opinion, Hexagon Housing Association has in place an adequate framework for identifying, evaluating and managing the significant risks faced by the Association.

In respect of the areas of activity which we reviewed, and subject to the weaknesses identified and reported in our internal audit reports, Hexagon Housing Association has an adequate, effective and reliable framework of internal control, and effective risk management and governance processes, which provides reasonable assurance regarding the effective and efficient achievement of the Association’s objectives.

No instances of actual or suspected fraud have been encountered directly during our internal audit work.

# Results of Audit Work in 2015/16

In accordance with the approach set out within the Association’s internal audit plan, we undertook 5 strategic reviews, supported by regular compliance reviews that covered a number of important control systems, processes, and risks. The results of this work are summarised in Table 1 (strategic risk reviews) and Table 2 (compliance reviews) below:

**Table 1**: Results of strategic risk review audits

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Audit Area** | **Assurance level** | **Recommendations** | | | | **Accepted** | **Not accepted** |
|  |  | **F** | **S** | **HK** | **Total** |  |  |
|  | | | | | | | |
| Serious Detriment | **Adequate** | - | 2 | 6 | **8** | 8 | - |
| Assets and liabilities registers | **Substantial** | - | - | 7 | **7** | 7 | - |
| Legionella | **Adequate** | - | 1 | 2 | **3** | 3 | - |
| Data Protection | **Adequate** | - | 8 | 5 | **13** | 13 | - |
| Stress Testing | **Substantial** | - | - | - | **0** | - | - |
| **TOTAL** | **-** | **-** | **11** | **20** | **31** | **31** | **-** |

**Key:** F = Fundamental, S = Significant, HK = House keeping

**Table 2**: Results of compliance reviews

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Audit Area** | **Recommendations** | | | | **Accepted** | **Not accepted** |
|  | **F** | **S** | **HK** | **Total** |  |  |
| Gas certificates | - | - | - | **-** | - | - |
| Water checks (legionella) | - | - | - | **-** | - | - |
| Fire risk assessments | - | - | - | **-** | - | - |
| Portable appliance testing | - | - | - | **-** | - | - |
| Asbestos checks | - | 1 | - | **1** | 1 | - |
| DBS checks (relevant positions) | - | - | - | **-** | - | - |
| Voids (Inc. electrical surveys) | - | 1 | - | **1** | 1 | - |
| Arrears | - | 2 | 1 | **3** | 3 | - |
| Nominal ledger reconciliations | - | 1 | - | **1** | 1 | - |
| Purchases and payments | - | - | - | **-** | - | - |
| Payroll | - | 1 | - | **1** | 1 | - |
| Compliance with tendering and financial regulations | - | 1 | - | **1** | 1 | - |
| Fire Alarm Testing and Drills | - | **-** | - | **-** | - | - |
| IT administration of leavers and starters | - | - | 1 | **1** | 1 | - |
| Property disposals, and hand-backs | - | - | 1 | **1** | 1 | - |
| New tenant sign-up | - | - | 2 | **2** | 2 | - |
| **Total** | **-** | **7** | **5** | **12** | **12** | **-** |

**Key:** F = Fundamental, S = Significant, HK = House keeping

# Implementation of Previous Recommendations

During the 2015/16, 31 recommendations were reported to Audit & Risk Committee as implemented. We carried out an independent review of these items, and confirmed that 90% had been correctly reported as complete by management. A summary of the recommendations reviewed is provided below:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **House keeping** | **Significant** | **Fundamental** | **Total** | **% of recommendations** |
| **Implemented** | 17 | 11 | - | **28** | **90%** |
| **In Progress** | - | 1 | - | **1** | **3%** |
| **Not Followed Up** | 1 | 1 | - | **2** | **6%** |
| **TOTAL** | **18** | **13** | **0** | **31** | **100%** |

**Appendix A: Comparison of Performance against Plan 2015/16**

|  |  |  |  |
| --- | --- | --- | --- |
| **Area to be Covered** | **Actual days** | **Plan days** | **Difference** |
| Serious Detriment | 5 | 5 | - |
| Compliance | 12 | 12 | - |
| Assets and liabilities registers | 4 | 4 | - |
| Legionella | 4 | 4 | - |
| Data Protection | 5 | 5 | - |
| Stress Testing | 2 | 2 | - |
| Rent Review | 10 | - | 10 |
| Follow Up | 2 | 2 | - |
| Planning and Management | 5 | 5 | - |
| **Total** | **49** | **39** | **10** |