Community Counts
Milnbank
Housing Association
53 Ballindalloch Drive, Glasgow G31 3DQ

AGENDA ITEM:	5c
TO:	Audit & Risk Sub-Committee
PREPARED BY:	Jim Gourlay (Director of Finance)
SUBJECT:	External audit strategy update
DATE OF MEETING:	26 AUGUST 2025
APPROVED BY:	Paul Martin (Chief Executive)

EXTERNAL AUDIT STRATEGY

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CONTENTS

1.	Introduction	Page 3
2.	Audit Requirements	Page 7
3.	External Audit Process	Page 10
4.	Action Plan	Page 13

SECTION 1

INTRODUCTION

EXTERNAL AUDIT STRATEGY

An external audit is conducted on an annual basis to ensure that the Association's internal financial controls safeguard our assets against unauthorised use or disposition, the Association maintains proper accounting records and they show a true and fair view of the finances of the Association.

In order to ensure the above is achieved an External Audit Strategy has been compiled. This strategy covers issues relating to the requirements of an external audit being conducted, current and proposed procedures undertaken by Milnbank Housing Association and a timetable of implementation to ensure that targets are met.

AIM OF STRATEGY

The aim of this strategy is:

- To provide guidance for Milnbank employees in highlighting their role in the external audit process.

- To provide a summary for the Association's Auditor specifying who the main contacts are and their hierarchy of responsibility.

- Demonstrate that MHA meets all relevant legislation and good practice guidance required of an external audit.

FINANCIAL AUDIT REQUIREMENTS

All MHA's financial activities are conducted within the acts that govern auditing requirements, these are: The Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements issued by the Scottish Housing Regulator. Also, all relevant Statements of Recommended Practice (SORP), as applicable from time to time and, from 1 January 2018, adopts the requirements of FRS 102.

SCOTTISH HOUSING REGULATOR STANDARDS OF GOVERNANCE AND FINANCIAL MANAGEMENT

In terms of the SHR Guidance this is laid out in their Regulatory Framework and links to their requirements to monitor The Scottish Social Housing Charter via the ARC.

Regulatory Standard 3 states:

"The RSL manages its resources to ensure its financial well-being, while maintaining rents at a level that tenants can afford to pay"
"The RSL bases its financial forecasts on appropriate and reasonable assumptions and information."

Additional Audit Guidance is provided for "RSLs of systemic importance" but all RSLs are expected to adhere to this as good practice.

"The governing body has a formal and transparent arrangements for maintaining an appropriate relationship with the RSLs external auditor" and

"The audit committee makes recommendations to the governing body in relation to the appointment and re-appointment and removal of external auditor".

MILNBANK HOUSING ASSOCIATON STRATEGIC OBJECTIVES

The Mission Statement for Milnbank Housing Association is;

Providing excellent homes and services in a thriving community. We will always strive to make sure that people living in Dennistoun and Haghill:
- Have warm, safe, and affordable homes, and receive excellent services from MHA.
- Live in neighbourhoods that are clean and well cared for, with real community pride
- Have access to opportunities and services that promote a good quality of life.

AUDIT & RISK SUB-COMMITTEE

The Audit & Risk Sub-Committee are responsible for monitoring the External Audit process. The Audit Sub-Committee meet every quarter and will receive reports on External Audit Performance.

APPOINTMENT OF EXTERNAL AUDITOR

The appointment of External Auditors will be carried out by a Competitive Tendering Process no more than every 7 years. This was last competitively tendered during 2023 and Azets were re-appointed at the AGM. There are two more years on the current contract before re-tender is required. If an unacceptable level of services is given, we reserve the right to re-tender at any time.

The continued independence of external auditor is protected by the appointment of a new audit director to oversee the association's affairs, this rotation happens every 10 years Azets undertake an interim and final audit to smooth the audit process and allow our deadlines to be fulfilled.

SECTION 2

AUDIT REQUIREMENTS

Prior to an external audit being conducted a plan of the areas that will be covered during a visit is provided, dates agreed for both the interim audit and actual audit, duration of the visit and format.

The Director of Finance provides details to all staff who will be involved in the audit process thereby ensuring staff involved in the external audit have the time to prepare for the audit.

Although the main focus of the external audit is on financial matters, the auditors also review other information including minutes, correspondence with the Regulator, compliance with laws and regulations and stock condition surveys. As a result, there are staff members in addition to the finance staff who may be required to provide information, listed below:

GOVERNANCE	
Committee minutes & reports	Executive officer
Share Register	executive officer
Personnel records	Senior governance and compliance officer
Performance Management Checks	Senior governance and compliance officer
Policy Development & Review Schedule	Executive officer
Tender Register	Director of asset management
Access to HARP	Finance Officer

PAYROLL	
Payroll Administration	Finance officer
Payroll summary & BACS	Finance Officer
Salary, pensions & PAYE (Payments action)	Finance Officer
Random salary checks	Finance Officer

BANKING	
Cash payments at office	Finance Officer/Assistant

PURCHASE LEDGER CONTROL	
Purchase orders	Finance Assistant
Bacs/Cheque payments	Finance Assistant
Work orders received	Maintenance Assistant

SALES LEDGER CONTROL	

Invoices issued	Finance Assistant
Payments	Finance Assistant

RENT CONTROL	
Rent received	Housing Services Manager/ Officers
Bad Debt Review; Comprehensive review of rent arrears > £1,000 to be considered on case by case basis for provisioning purposes. General provision to be applied for arrears < £1,000. To include both Current and Former tenant arrears.	Housing Services Manager/ Officers Finance Manager

FACTORING CONTROL	
Issue accounts	Property Manager/ Factoring Officer
Payments received	Property Manager/Factoring officer

IT	
Access rights to system	IT Co-ordinator
Implementing & checking daily back up	External IT Consultants/IT Co-ordinator

MILNBANK SUBSIDIARY COMPANIES	
MPS financial records	Finance Officer/Assistant

ACCOUNTING STANDARDS	
FRS 102 implementation/compliance	Director of finance

Section 3

External Audit Process

This document has summarised the key elements of the legislative requirements of an external audit and has detailed areas where the Association is aware that need to be addressed and how they are being rectified. Particular emphasis has been placed upon staff being responsible for their particular function, with the Director of Finance providing an overseeing role. This strategy will be used as a working document throughout the year and will be reviewed annually prior to the interim external audit being conducted which is normally January of each year.

The Finance Officer is responsible for providing the required information and ensuring that all staff co-operate with requests made by the external auditors. The director of finance will prepare the annual review in conjunction with the CEO and attend and oversee all matters relating to the successful completion of the audit.

In order to emphasise the importance of MHA's external audit, the following aims to provide staff with an outline of the process.

a) Appointment of External Auditor

In terms of MHA's governance rules, an external auditor is appointed, upon the recommendation of the Management Committee annually by the members at the AGM.

An audit fee and an agreement of the services is agreed via the audit planning letter and the terms and conditions are set out in the engagement letter which is required annually.

b) External Audit Plan

1) Interim Audit - On an annual basis the Director of Finance will agree dates and the requirements for the MHA Interim Audit which is generally scheduled in for January, but we will incorporate some flexibility into the timing, but an interim must not be any later than mid-March due to other commitments of the team. This will last for approximately 2/3 days, the aim of this being to carry out preparative work on MHA audit which aims to save time when the final audit takes place later in the year.

2) Final Audit - Following confirmation of the Interim Audit the Director of Finance will also agree the dates for the final Audit. We would generally schedule for late June early July of each year and the duration of this is generally 2 working weeks, with the aim of completing in time for the August Audit and Risk meeting. A clearance meeting will be held with representatives

from our auditor and the MHA finance team, likely to be the Director of Finance and the finance officer. This will cover any issues arising from the audit and any adjustments identified. Annual Accounts – Upon completion of the audit the auditors will prepare a set of annual accounts. This process will be reviewed going forward with the expectation that the accounts will be completed in-house. Group consolidated accounts are prepared for MHA, with accounts prepared for MPS The annual accounts are then approved by the Management Committee and presented to the members at the AGM for final approval. A set of annual accounts are submitted to the Scottish Housing Regulator and the FCA on an annual basis, additionally to the Association's funders along with other recognised Stakeholders as required.

3) Audit Management Report - This is issued to the Management Committee upon completion of the audit with the aim of setting out the findings of the auditor. This would highlight any control weaknesses found, any errors which have not been adjusted along with a high level overview of the risk areas identified, and the work done by the auditor to get the assurance they require to provide a clean audit report. The Management Committee are required to respond to any issues highlighted with an accompanying action plan, if required. A copy of the management letter is sent to SHR along with all annual accounts as part of the annual return process.

Section 4

ACTION PLAN

The following table provides a summary of a typical timeline of events:.

ACTION	LEAD OFFICER	COMPLETED BY
Agree audit dates	Director of Finance	Dec.
Support auditors in their interim and final audits	Director of Finance/Officer	Jan/ June/Jul
Present annual accounts to Audit and Risk Committee	Director of Finance	August
Present financial statements to the Management Committee	Director of Finance	August
Present annual accounts at AGM	Director of Finance	September
Ensure annual accounts are submitted to the relevant bodies	Director of Finance	September
Ensure any action points in the Audit Management Report are completed within a reasonable time period	Director of Finance	September