

25 August 2022

Dear Member,

The next Management Committee will be held on **Thursday 1st September 2022 at 6PM via Zoom/in house**

| Agenda Item | Lead | Time | |
|---|--------------|-------|-------------|
| 1. Welcome, <i>Sederunt</i> & Apologies | Chair | 1min | Verbal |
| 2. Jargon Buster | | | Information |
| 3. Declarations of Interest. | Chair | 1min | Verbal |
| 4. Draft Annual Statutory Accounts | Azets | 30min | Approval |
| Appendix 1: Draft Statutory Accounts Appendix 2: Auditors Management Report Appendix 3: Letter of Representation Appendix 4: SHR Financial Statement Appendix 5: FCA Financial Return Appendix 6: SHAPS Pension Return | | | |
| 5. Internal Audit | Wylie Bisset | 20min | Approval |
| 1. Fire, Electrical and Gas Safety Audit 2. Homemaster system implementation | | | |
| 6. AOCB | Chair | | |
| Close of Meeting: 7PM Next Meeting AGM – 21 September 2022 – 6PM | | | |

| JARGON BUSTER | |
|---------------------------------------|---|
| Terminology | Definition |
| Bad Debts | A Bad Debt is an outstanding sum of money owed to the Housing Association that has not been paid, despite repeated efforts to collect the debt . |
| Covenant Compliance | A loan covenant is a condition in a commercial loan that requires the borrower to fulfill certain conditions or which forbids the borrower from undertaking certain actions, or which possibly restricts certain activities. Compliance means conditions are met in full. |
| CPI | The Consumer Price Index (CPI) is the official measure of inflation of consumer prices of the United Kingdom |
| Cyclical Maintenance | Cyclical maintenance is work to maintain the general condition of the property and some communal fittings |
| Housing Property Depreciation | Housing Property Depreciation is an accounting method of allocating the cost of the property over its useful life and is used to account for reduction in value of the property. |
| Letter of Representation | A management representation letter is a form letter written by a company's external auditors , which is signed by senior company management. The letter attests to the accuracy of the financial statements that the company has submitted to the auditors for their analysis. |
| LIBOR | LIBOR is a benchmark interest rate at which major global banks lend to one another in the international interbank market for short-term loans. LIBOR , which stands for London Interbank Offered Rate , serves as a globally accepted key benchmark interest rate that indicates borrowing costs between banks |
| Major repairs/planned renewals | Major Repairs (Investment works) – Kitchen & bathroom renewals, central heating replacements, door entry systems etc. |
| Reactive Maintenance | Reactive Repairs . Reactive repairs or day to day repairs are funded from rental income and are defined as those repairs which are carried out on a responsive basis as the need arises and are not deferred for inclusion in planned maintenance programmes |
| RSL | Registered social landlord. The vast majority of Registered Social Landlords are also known as Housing associations. Housing associations are independent, not-for-profit organisations that provide homes for people in housing need. |
| SHAPS | Scottish Housing Association Pension Scheme |
| SHIP | The purpose of the Strategic Housing Investment Plan (SHIP) is to set out the priorities for investment in housing in Glasgow over the 5-year period 2019/20 to 2023/24, and outline how the Council and its partners will deliver these priorities |

| | |
|--|--|
| SHR Regulatory Framework | This Framework is the Scottish Housing Regulators Statement on Performance of Functions and sets out how they regulate both Registered Social Landlords (RSLs) and the housing and homelessness services provided by local authorities. |
| Statement of Comprehensive Income (SOI) | A statement of comprehensive income contains two main things: the net income and other comprehensive income (OCI) . The net income is the result obtained by preparing an income statement. On the other hand, OCI consists of all the other items that are excluded from the income statement. This was previously known as the Income & Expenditure Statement |
| Statement of Financial Position (SOF) | The statement of financial position. The statement lists the assets, liabilities, and equity of an organization as of the report date. This was previously known as the Balance Sheet. |
| Technical arrears | ' technical arrears ' – arrears relating to outstanding housing benefit that a landlord has not received |
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| | |
|-----------------------------|---|
| Management Committee | 1 September 2022 |
| Agenda Item | 4 |
| Title of Paper | 2021/22 Draft Annual Statutory Accounts |
| Author | Robert Murray, Finance & Corporate Services Manager |
| Attachment(s) | 1. Draft Annual Statutory Accounts 2. Auditors Management Report 3. Letter of representation 4. Scottish Housing Regulator AFS Return 5. FCA Return 6. SHAP pension return |

FOR APPROVAL

1 PURPOSE

- 1.1 To consider and approve the annual financial statements for the year 2021/22.
- 1.2 To consider the management letter received from the external auditors.
- 1.3 To agree the response from the Association to the management letter/report.
- 1.4 To approve the letter of representation to be sent from the Association to the external auditors.
- 1.5 To consider the AFS On-line Submission.

2 RECOMMENDATIONS

- 2.1 That the Management Committee considers and approves the annual financial statements for the year to 31 March 2022.
- 2.2 That the Management Committee considers and discusses the Audit Management Letter/Report from the external auditors in respect of their audit of financial statements to 31 March 2022.
- 2.3 That the Management Committee agrees the Association's response to the Audit Management Letter/Report.
- 2.4 That the Management Committee agrees the contents of Letter of Representation, signed version of which to be issued to the external auditors.
- 2.5 That the Finance Manager should proceed to submit the AFS On-line Return to SHR once the Financial Statements have been approved.

- 2.6 That the Finance & Corporate Services Manager submits the FCA Annual Return by the specified deadline of 30 September 2022 once the Financial Statements have been approved.

3 BUSINESS PLAN, VISION AND VALUES

- 3.1 This Report is consistent with Wellhouse's Strategic Objective to provide good governance and financial management

- 3.2 This Report is relevant in respect of the following Core Values:-

- Accountability

- 3.3 This Report also meets point 12:15 from 2021/22 Operational Plan – "External Audit".

- 3.3.1 FCA Return- The return is shown as an appendix and will be lodged after the accounts are formally approved at the AGM.

- 3.4 This Report should contribute towards our overarching Aim and Vision of making Wellhouse "the Place to Be"

4 BACKGROUND

4.1 Annual Accounts

- 4.1.1 Draft annual accounts for the year to 31 March 2022 are attached for consideration and review. The opportunity to make changes, where appropriate, remains.

- 4.1.2 The financial statements have been audited by Azets Audit Services, and in their opinion the statements:-

- give a true and fair view of the Associations affairs at 31 March 2022 and of its income and expenditure for the year ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2014 issued by the Scottish Housing Regulator

- 4.1.3 The figures are consistent with the information presented to Azets Audit Services by the finance team at the commencement of the audit. There were after discussions a few adjustments required to figures on the face of the Accounts, together with some presentational changes.

4.2 Audit Management Report

- 4.2.1 On an annual basis the external auditors are required to issue a formal report to the Management Committee on their findings from the audit carried out - including conclusions, areas of risk and any significant audit and accounting matters. This information is provided to SHR as a matter of course together with the formal reply to

the report by the Management Committee. Details of the draft report are attached and can be discussed in full at Management Committee meeting.

4.2.2 A representative from Azets Audit Services shall be in attendance at the meeting to review the contents of the accounts and discuss audit findings with Committee. The Finance Manager will also be in attendance at Management Committee meeting.

4.2.3 Management Committee will be asked to discuss the draft response to this Management Report and give approval.

4.3 Letter of Representation

4.3.1 On an annual basis the external auditors would normally request that the Management Committee sign a letter of representation provided by the auditors.

This letter is used to allow the Management Committee to declare in writing that the financial statements and other presentations to the auditors are sufficient and appropriate and without omission of material facts to the best of the Management Committee's knowledge

4.4 Scottish Housing Regulator AFS On-line Return

4.4.1 The Audited Financial Statements (AFS) return is an online return designed to collate selected information from the audited annual financial statements of RSLs in Scotland. This return should be consistent with the Financial Statements and the layout reflect the requirements of the Determination of Accounting Requirements and the SORP. The AFS return is a regulatory requirement and is accessed through the Social Landlord Portal.

4.5 Financial Conduct Authority Annual Return

4.5.1 There is a statutory requirement for Wellhouse to complete and submit the Annual Returns to FCA by 31 October 2022. The attached appendix is a copy of the details entered on the FCA portal.

MAIN ISSUES

5.1 Draft Statutory Accounts

The Report of the Management Committee starts on page 1 and covers 9 pages. This is quite detailed and reports on core values, strategic objectives, review of business, future developments, principal risks, KPI's and internal financial controls. This report is followed by the Report of the Independent Auditor, which covers scope of the audit, conclusions on Going Concern, responsibilities of Management Committee and Auditors, and their opinion of the financial statements. The financial statements, as such, and all accompanying notes are on pages 16 to 42.

Main Points from the Accounts

- Turnover for the year is £3,986,547 decreasing from £3,999,024 in 2020/21.

- Operating expenditure for the year is £3,329,876 which is an increase from the previous year of over £392,561
- Surplus for the year is £465,404 compared to a surplus for 2020/21 of £870,069.
- Other Comprehensive Income includes an actuarial gain of £120,000 in respect of the multi-employer DB Pension Scheme in the Accounts. This compares with an actuarial loss in the previous year of £234,000. There was also a revaluation gain on the commercial units of £10,000.
- Surplus after including Other Comprehensive Income is £595,404. This is down from £636,069 in 2020/21, a reduction of £40,665 from the previous year.
- Housing properties has increased to £41,459,731 reflecting replacement components of £798,938 and disposals of £361,117
- Housing properties depreciated cost is £14,366,230
- Cash balance has risen by around £196,889 to £3,126,776 at year-end.
- Net assets at 31 March 2022 are £7,791,700 increasing from £7,196,300, reflecting the total comprehensive income for the year of £594,400. 4 shares were cancelled in the year.

The annual surplus for the year of £465,400 is £148,073 lower than the figure reported in the management accounts to 31 March 2022. The main changes are as follows:-

- £120,000 – Actuarial gain in respect of multi-employer DB Pension Scheme;
- £116,254 - loss on disposal of components replaced in year

The budget for the year indicated a surplus of £454,502, therefore, an favourable variance of around £10.9k

Turnover has reduced from 2020/21 by just over £12k. This reduction is mainly due to the void commercial unit at Newhills Road

Operating costs have increased by £429,645 since 2020/21. The charge to SOCI for bad debts provision accounts for a reduction of £119,960. Staffing costs have increased by around £61.5k and an increase in maintenance costs of £215,856.

Interest payable has reduced by £2,550, mainly due to a Clydesdale Bank loan reverting back to variable rate generating a saving in interest.

There was no development in 2021/22, however, cost properties increased due to investing £798,938 in replacement components. Disposals of components and depreciation of over £1 million means that the figure in the Statement of Financial Position for Housing Properties has fallen by £349,838.

Cash has increased by just under £197k to just over £3.1 million. This is mainly due to savings from the planned renewals programmes and operational surpluses.

Debtors – arrears have reduced by £63,644

Creditors: Amounts falling due in less than one year has increased by £166,207. This is due to the trade creditors and accruals figures increasing by around the same amount.

Creditors: Amounts falling due in more than one year has reduced by £789,167 This is due to the release of Deferred Capital Grants £548,637 and loan capital repayments of £240,530.

Cumulative Revenue Reserves and Net Assets are now sitting around £7.8 million, increasing from £7.2 million.

5.2 **Audit Management Report**

The Audit Management Report identifies 6 audit adjustments, which were made to Accounts after being presented for Audit. These adjustments had an effect on the bottom line and the main adjustment was the treatment of the SHAPS Past Service Surplus. These adjustments have been made and are included in the draft statutory accounts within this report.

There were another 6 transactions disclosed to and by the Auditors, however, it was felt that these could remain unadjusted. These are detailed within the report.

During the course of the audit of the financial statements, Azets examined the principal internal controls, which are in place to ensure accuracy of accounting records and to safeguard the Association's assets. They have identified one observation and this has been graded as 3 and is considered to be moderate risk exposure. This is a similar observation as was included in last year's report and, therefore, the observation still remains. Having reviewed the method previously used I find this to be against accounting concepts and we will therefore adopt the correct procedure for recognising expenditure in the periods as invoiced.

6. **DISCUSSION**

- 6.1 Committee is invited to discuss any of the information contained in the draft Statutory Accounts and the observations raised in the Audit Management Report and to discuss the management responses to the observations.

7. **REGULATORY, LEGAL AND CONSTITUTIONAL ISSUES**

- 7.1 There is a regulatory requirement for Wellhouse to submit the approved and signed financial statements together with the management letter and the management response to the management report to SHR by 30 September 2022 in accordance with SHR guidance. There is also a regulatory requirement for Wellhouse to submit an online Return to SHR detailing the figures within the accounts by 30 September 2022.
- 7.2 There is a statutory requirement for Wellhouse to prepare and have audited financial statements for the year ended 31 March 2022 completed by 30 September 2022. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).
- 7.3 Covenant compliance - Lenders, in line with the loan agreements, require signed copies of the year end accounts information by 30 September 2022.

- 7.4 Because Wellhouse is registered under the Co-operative and Community Benefit Societies Act 2014, there is a statutory requirement to complete and submit Annual Returns to FCA

8. FINANCIAL IMPLICATIONS

- 8.1 Not applicable.

9. KEY RISKS

| (a) Strategic Risks | (b) Operational Risks | (c) Project Level Risks |
|--|---|-------------------------|
| Failure to prepare Financial Statements in accordance with applicable law and reporting standards and have them audited accordingly would result in Wellhouse failing to comply with statutory and legal requirements. | That Wellhouse will fail in one of its legal obligations by not submitting the Annual Return by the required deadline date. | |
| Mitigation | Mitigation | Mitigation |
| Ensure that the Financial Statements are prepared using applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice). Ensure that the Financial Statements are audited by an independent auditor, who will express an opinion in accordance with applicable law and International Standards on Auditing | Ensure all Finance staff are aware of the deadline dates for all statutory, legal and regulatory returns. | |

10. EQUALITY, DIVERSITY AND HUMAN RIGHTS IMPLICATIONS

- 10.1 None apparent.

11. SUSTAINABILITY

- 11.1 Not applicable.

12. SWOT ANALYSIS

- 12.1 Not required.

13. CONCLUSION

- 13.1 The external audit took place during the first week in July and on the whole the process went smoothly, with no significant issues to report. Positive financial results being posted.

WELLHOUSE HOUSING ASSOCIATION LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

WELLHOUSE HOUSING ASSOCIATION LIMITED

MANAGEMENT COMMITTEE, EXECUTIVE OFFICERS AND ADVISERS FOR THE YEAR ENDED 31 MARCH 2022

MANAGEMENT COMMITTEE

| | |
|------------------|--|
| Maureen Morris | Chair |
| Clare Monteith | |
| Darron Brown | |
| Michelle Harrow | Committee Member |
| Jane Heppenstall | Committee Member |
| Sarah Morris | Committee Member |
| Shona McKenna | Committee Member |
| Carol Torrie | Committee Member (resigned 13 July 2022) |

EXECUTIVE OFFICERS

| | |
|-------------------------|---|
| Martin Wilkie-McFarlane | Director & Secretary |
| Carol Hamilton | Housing & Customer Services Manager |
| Robert Murray | Finance & Corporate Services Manager (appointed 12 April 2021) |
| William Black | Assets & Maintenance Manager & Interim Director (appointed 1 July 2022) |

REGISTERED OFFICE

The Hub
49 Wellhouse Crescent
Glasgow
G33 4LA

EXTERNAL AUDITOR

Azets Audit Services
Chartered Accountants
Titanium 1
King's Inch Place
Renfrew
PA4 8WF

INTERNAL AUDITOR

Wylie & Bisset
168 Bath Street
Glasgow
G2 4TP

BANKERS

Clydesdale Bank plc
49 Main Street, Baillieston,
Glasgow
G69 6SQ

SOLICITORS

TC Young
7 West George Street
Glasgow
G2 1BA

WELLHOUSE HOUSING ASSOCIATION LIMITED

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Registration information

| | |
|------------------------------------|----------------------------|
| Financial Conduct Authority | Registered number 2469R(S) |
| Registered Housing Association No: | HAC281 |
| Scottish Charity Number | SC036552 |

WELLHOUSE HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2022

The Management Committee presents its report (incorporating the Strategic Report) and the audited financial statements for the year ended 31 March 2022.

Legal Status

The Association is a registered non-profit making organisation under the Co-operative and Community Benefit Societies Act 2014 No 2469R(S). The Association is governed under its Rule Book. The Association is a registered Scottish Charity with the charity number SC036552. The Association was incorporated in Scotland.

Strategic Report

Business Profile

Wellhouse Housing Association (referred to as “Wellhouse” or “WHA”) is an independent social business that operates exclusively in the Wellhouse area of Easterhouse. We are a not-for-profit organisation, meaning that we reinvest any surpluses we make for the benefit of our customers instead of distributing them to shareholders.

WHA has the following statutory registrations:

- Office of the Scottish Charity Regulator: Registered Scottish Charity
- Scottish Housing Regulator: Registered Social Landlord
- Financial Conduct Authority: Registered Community Benefit Society
- Scottish Government: Registered Property Factor

The following graphic gives an **at a glance overview** of some of the main features of our business:

WELLHOUSE HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2022

Community based housing association, registered in 1994

Governed by volunteer Management Committee

Owner and manager of all social rented homes in Wellhouse

Provider of comprehensive housing, estate and asset management services

95.83% tenant satisfaction rating with WHA's overall service (ARC 2021/22)

Community anchor organisation for Wellhouse

15 office-based staff and 3 estate management staff

Stable and capable workforce and governing body

WHA now owns and manages 794 homes, all located in Wellhouse

Also factor for 54 properties and owner of a small portfolio of commercial properties

Average weekly rent for 3 apartment £74.79 in 21/22 (Scottish average £82.60)

Rent increase 3.8% for 22/23

3 new build projects under consideration, potential to provide circa 150 homes in the next 3 to 5 years

WHA is a significant business

Our turnover in 2021/22 was £4m

Our operating expenditure costs were £3.3m in 21/22

Less than 21% of turnover was spent on staffing costs

Our net surplus was 12% of annual turnover in 21/22

The net book value of our housing stock was £27.2m

We had £7.7m of bank loans to be repaid in the long term (at 31 March 2022)

We had cash at bank of £3.1m at 31 March 2022

Principal Activities

The principal activity of the Association is the provision and management of affordable rented accommodation.

Our Vision

Our vision is:

Wellhouse – the Place to Be

This simple statement expresses our vision of Wellhouse as an attractive place where people feel happy and safe, benefit from having a good home and an attractive environment and feel proud to be part of a vibrant community.

Our Values

As a charity and a community-based housing association working to deliver social benefits, our drive our behaviours and the work that we do. Our values are:

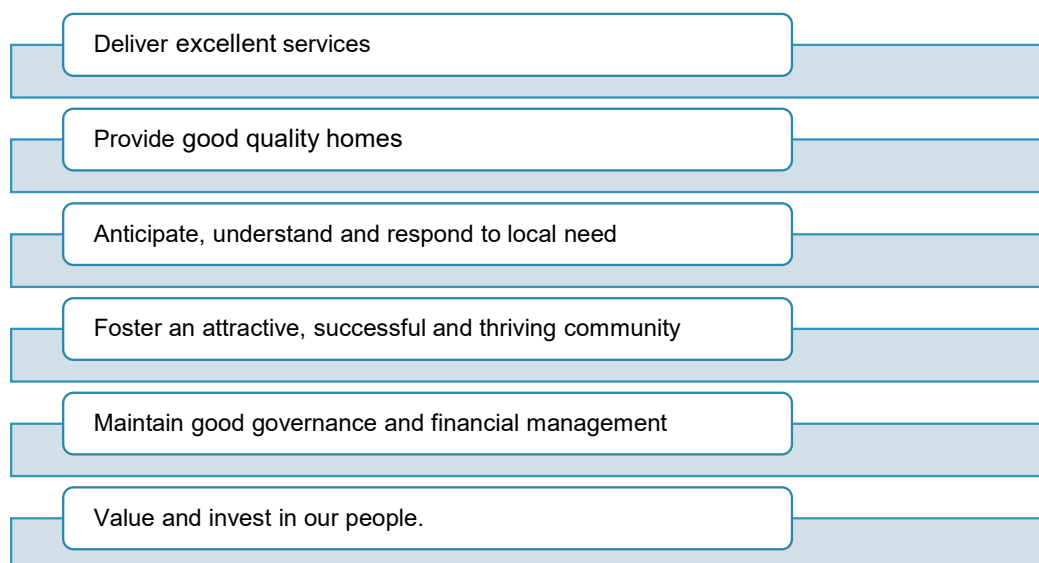


Our Strategic Objectives

Our strategic objectives are the overarching aims we have set for the next three years, in particular the impact we want to make as a housing provider, as a partner in supporting the Wellhouse community, and in the management of our organisation.

All of the activities described in the Business Plan flow from our strategic objectives, which are set out in this Chapter and then referenced throughout the Business Plan as we describe the priorities the Management Committee has set.

Wellhouse's six strategic objectives



Our Strategic Direction

Review of Business 2021/22

2021/22 Covid 19 Global Pandemic

As with all organisations, the coronavirus pandemic had a significant impact on our business. The office was closed to the public in late March and our staff began working from home from 23 March 2020. Whilst we had a few teething problems, the switch to hybrid remote/ on-site working went well and we received very positive feedback from residents about our service delivery and keeping people updated throughout this unprecedented time. Our regular residents survey reported to us quarterly and satisfaction rates ran very high, which we are delighted to report, especially with our estates team.

Whilst we saw the re-establishment of office based staff and services in Autumn 2021 in the hub, the Omicron variant delayed the plans somewhat. We are now back to normal operations.

1. Regulatory Engagement

- We continue to work with the Scottish Housing Regulator (SHR) in a positive and constructive manner. We submitted an assurance statement in October 2021 and all other regulatory returns, including a new covid report timeously;
- There has been zero expenditure on regulatory engagement or directly related costs since last year's AGM; and
- Wellhouse was found to be **compliant** with regulatory requirements, including the standards for governance and financial management in 31 March 2022.

Review of Business 2021/22 (cont'd)

2. Governance

The Management Committee:

- Held 11 committee meetings in the year and our AGM - all of which were held remotely;
- Scheduled 13 days of internal audit days in 2021/22 conducted by Wylie Bisset, reviewing the following subjects – Complaints handling, overall financial controls and Budget setting process;
- Conducted a 7th consecutive year of committee appraisals and are acting upon continuous improvement and our approved succession planning policy;
- Reaffirmed our approach to equalities & diversity, extending it to embrace human rights and promoted this to tenants, applicants, staff and stakeholders. We are working with the regulator and membership bodies to ensure we get this right and have appointed a consultant in partnership with Blairtummock HA to review our work;
- Submitted our returns timeously and accurately to the SHR, OSCR and the FCA; and
- Continued networking with our colleagues in EHRA which included commissioning a Covid recovery report, which gained significant press and political attention and resulted in Glasgow City Council releasing £50K Covid recovery funds to greater Easterhouse.

3. Strategic Update

3.1 Wellhouse Housing Association Executive Management: -

- Switched the service to a hybrid service delivery model, allowing continuity of service delivery and a better life/ work balance for staff going forward;
- Make significant progress, in partnership with Glasgow City Council and Scottish Water, with our plans in relation to flood mitigation and environmental work in order to prepare for development work;
- Commissioned Curb6 (Link Housing Group) as our new Development Agent.
- Focused on operations and core business;
- Completed a further programme of policy reviews;
- Published all committee minutes and reports;
- Reported on our performance to tenants;
- Supported community activities over the lockdown period and negotiated new service providers for the Hub café and community activities, through our main contract with Easthall Residents Association;
- Finalised our transition to our new CRM (HomeMaster), which covers all aspects of maintenance, housing and finance and allows both contractor and tenant portals. We will move all factoring to the CRM in 2022/23;
- Migrated all servers to the cloud and embraced MS 365 and a soft phone system, making us fit for the future;
- Commissioned both Internal and External Audit services;
- Renovated and marketed the vacant shop unit at Newhills Rd. The Association is in the final stages of negotiation with a potential new tenant; and
- Worked with Glasgow City Council on matters such as refuse collection; fly tipping; litter and dog fouling.

**REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT)
FOR THE YEAR ENDED 31 MARCH 2022**
Review of Business 2021/22 (cont'd)
3.2 In 2022/23, our plans include -

- The re-invigoration of additional community activities with a new provider;
- Updating the valuation and Site Investigations for the St John Ogilvie Site & Balado Road Primary School Site and open negotiations accordingly;
- Providing significant investment in back court and bin area upgrades;
- Consult widely with tenants;
- Explore options around estate management and bulk refuse in particular;
- Reinvest in our staff, working with IIP; and
- Invest in the Hub in relation to maintenance work required.

7 Key performance indicators as reported in 2021/22 Annual Return on the Charter

| KPI Brief Description | KPI Target | 2021/22 Actual (ARC) |
|---|------------|----------------------|
| Rent Collected as % of total rent due for year | 100% | 101.58% |
| Gross Rent Arrears as % of rent due for year (Current & Former Tenants) | 8% | 10.23% |
| % of Void Rent Loss | 0.60% | 0.72% |
| Average time to complete EME repairs | 4 hours | 2.24 hours |
| Average time to complete NON-EME repairs | 6 days | 4.19 days |
| Reactive repairs carried out completed right first time | 100% | 99.78% |

**REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT)
FOR THE YEAR ENDED 31 MARCH 2022**

Management Committee and Executive Officers

The members of the Management Committee and the Executive Officers are listed on Page 1. Each member of the Management Committee holds one fully paid share of £1 in the Association with the exception of Co-optees to the Management Committee.

The Executive Officers hold no interest in the Association's share capital and, although not having the legal status of Directors, they act as Executives within the authority delegated by the members of the Management Committee and are also Trustees of the Charity. Members of the Management Committee are appointed by the members at the Association's Annual General Meeting.

Statement of the Management Committee's Responsibilities

The Management Committee is responsible for preparing the annual report and financial statements in accordance with applicable law and regulations.

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Management Committee to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of the income and expenditure of the Association for that period. In preparing these financial statements, the Management Committee is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Management Committee is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2019 as issued by the Scottish Housing Regulator. It has general responsibility for taking reasonable steps to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

The Management Committee is responsible for the maintenance and integrity of the corporate and financial information included on the Association's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT)
FOR THE YEAR ENDED 31 MARCH 2022**

Statement on Internal Financial Control

The Management Committee acknowledges its ultimate responsibility for ensuring that the Association has in place a system of controls that is appropriate for the business environment in which it operates. These controls are designed to give reasonable assurance with respect to:

- the reliability of financial information used within the Association, or for publication;
- the maintenance of proper accounting records; and
- the safeguarding of assets against unauthorised use or disposition.

It is the Management Committee's responsibility to establish and maintain systems of Internal Financial Control. Such systems can only provide reasonable and not absolute assurance against material financial misstatement of loss. Key elements of the Association's systems include ensuring that:

- formal policies and procedures are in place, including the ongoing documentation of key systems and rules relating to the delegation of authority, which allow the monitoring of controls and restrict the unauthorised use of Wellhouse HA's assets;
- experienced and suitably qualified staff take responsibility for important business functions and annual appraisal procedures have been established to maintain standards of performance;
- forecasts and budgets are prepared which allow the management team and the Management Committee to monitor key business risks, financial objectives and the progress being made towards achieving the financial plans set for the year and for the medium term;
- quarterly financial management reports are prepared promptly, providing relevant, reliable and up to date financial and other information, with significant variances from budget being investigated as appropriate;
- regulatory returns are prepared, authorised and submitted promptly to the relevant regulatory bodies.
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures, through the Management Committee;
- the Management Committee receives reports from management and from the external and internal auditors to provide reasonable assurance that control procedures are in place and are being followed and that a general review of the major risks facing the Association is undertaken;
- the Management Committee completes an annual Assurance process and submits an Assurance Statement to the Scottish Housing Regulator and was satisfied as to the financial and governance standards of the Association; and
- formal procedures have been established for instituting appropriate action to correct any weaknesses identified through internal or external audit reports.

The Management Committee has reviewed the effectiveness of the system of internal financial control in existence in the Association for the year ended 31 March 2022 and until the date these financial statements have been signed. No weaknesses were found in the internal financial control which resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements or in the auditor's report on the financial statements.

WELLHOUSE HOUSING ASSOCIATION LIMITED

REPORT OF THE MANAGEMENT COMMITTEE (INCORPORATING THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2022

Donations

During the year the Association made charitable donations of £24,843 (2021: £5,000).

Auditor

Following a formal tender process, Azets Audit Services were selected as the preferred bidder for the provision of external audit services to the Association.

The auditor, Azets Audit Services, have expressed their willingness to continue in office as auditor and will be proposed for reappointment at the Annual General Meeting.

Disclosure of information to the auditor

To the knowledge and belief of each of the persons who are members of the Management Committee at the time the report is approved:

- So far as the Committee members are aware, there is no relevant information of which the Association's auditor is unaware; and
- He/she has taken all the steps that he/she ought to have taken as a Committee member in order to make himself/herself aware of any relevant audit information, and to establish that the Association's auditor is aware of the information.

The Report of the Management Committee (incorporating the Strategic Report) has been approved by the Management Committee.

By order of the Management Committee

Maureen Morris

Chair

Dated: 1 September 2022

WELLHOUSE HOUSING ASSOCIATION LIMITED

REPORT OF THE AUDITOR TO THE MANAGEMENT COMMITTEE OF WELLHOUSE HOUSING ASSOCIATION LIMITED ON INTERNAL FINANCIAL CONTROL FOR THE YEAR ENDED 31 MARCH 2022

In addition to our audit of the Financial Statements, we have reviewed your statement on page 8 concerning the Association's compliance with the information required by the Regulatory Standards in respect of internal financial control contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes which are issued by the Scottish Housing Regulator.

Basis of Opinion

We carried out our review having regard to the requirements on corporate governance matters within Bulletin 2009/4 issued by the Financial Reporting Council. The Bulletin does not require us to review the effectiveness of the Association's procedures for ensuring compliance with the guidance notes, nor to investigate the appropriateness of the reasons given for any non-compliance.

Opinion

In our opinion the Statement on Internal Financial Control on page 8 has provided the disclosures required by the relevant Regulatory Standards within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial control and is consistent with the information which came to our attention as a result of our audit work on the Financial Statements.

Through our enquiry of certain members of the Management Committee and Officers of the Association, and examination of relevant documents, we have satisfied ourselves that the Management Committee's Statement on Internal Financial Control appropriately reflects the Association's compliance with the information required by the relevant Regulatory Standards in respect of internal financial control contained within the publication "Our Regulatory Framework" and associated Regulatory Advisory Notes issued by the Scottish Housing Regulator in respect of internal financial control.

Azets Audit Services, Statutory Auditor

Eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006

Titanium 1
King's Inch Place
Renfrew
PA4 8WF

Dated:

Azets Audit Services is eligible for appointment as auditor of the Association by virtue of its eligibility for appointment as auditor of a company under section 1212 of the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WELLHOUSE HOUSING ASSOCIATION LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Opinion

We have audited the financial statements of Wellhouse Housing Association Limited (the 'Association') for the year ended 31 March 2022 which comprise the Statement of Comprehensive Income, the Statement of Changes in Capital and Reserves, the Statement of Financial Position, the Statement of Cash Flows and the notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2022 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2019 issued by the Scottish Housing Regulator.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Management Committee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Association's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Management Committee with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Management Committee is responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

WELLHOUSE HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WELLHOUSE HOUSING ASSOCIATION LIMITED ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

Other information (continued)

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the Association has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.

Responsibilities of the Management Committee

As explained more fully in the Statement of the Management Committee's Responsibilities set out on page 7 the Management Committee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Management Committee determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management Committee is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Committee either intend to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WELLHOUSE HOUSING ASSOCIATION
LIMITED ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities is available on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

The extent to which the audit was considered capable of detecting irregularities including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above and on the FRC's website, to detect material misstatements in respect of irregularities, including fraud.

We obtain and update our understanding of the Association, its activities, its control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the Association is complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This includes consideration of the risk of acts by the Association that were contrary to applicable laws and regulations, including fraud.

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the Association through discussions with the Management Committee members and the senior management team, and from our knowledge and experience of the RSL sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the Association, including the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010, the Determination of Accounting Requirements 2019 issued by the Scottish Housing Regulator and taxation, data protection, anti-bribery, employment, environmental and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of the senior management team and the Management Committee and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WELLHOUSE HOUSING ASSOCIATION
LIMITED ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

Auditor's responsibilities for the audit of the financial statements (continued)

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of the Management Committee and relevant sub-committees;
- enquiring of the senior management team and the Management Committee as to actual and potential litigation and claims;
- reviewing legal and professional fees paid in the year for indication of any actual and potential litigation and claims; and
- reviewing correspondence with HMRC, the Scottish Housing Regulator, OSCR and the Association's legal advisors.

We assessed the susceptibility of the Association's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of the senior management team and the Management Committee as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

WELLHOUSE HOUSING ASSOCIATION LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WELLHOUSE HOUSING ASSOCIATION
LIMITED ON THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

Use of our report

This report is made solely to the Association's members, as a body, in accordance with Section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Azets Audit Services
Statutory Auditor
Chartered Accountants**

Titanium 1
King's Inch Place
Renfrew
PA4 8WF

Date:

Azets Audit Services is eligible for appointment as auditor of the Association by virtue of its eligibility for appointment as auditor of a company under section 1212 of the Companies Act 2006.

WELLHOUSE HOUSING ASSOCIATION LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2022

| | Notes | 2022 £ | 2021 £ |
|--|-------|--------------------|-------------|
| Turnover | 4 | 3,986,547 | 3,999,024 |
| Operating expenditure | 4 | (3,329,876) | (2,937,315) |
| Operating surplus | 4 | 656,671 | 1,061,709 |
| Release of negative goodwill | 15 | 38,134 | 38,134 |
| Interest receivable and other income | 10 | 2,399 | 4,576 |
| Interest and financing costs | 11 | (231,800) | (234,350) |
| Revaluation gain on investment properties | 13 | 10,000 | - |
| | | (181,267) | (191,640) |
| Surplus before tax | | 475,404 | 870,069 |
| Taxation | 12 | - | - |
| Surplus for the year | | 475,404 | 870,069 |
| Other comprehensive income | | | |
| Actuarial gain/(loss) in respect of pension scheme | 24 | 120,000 | (234,000) |
| Total comprehensive income for the Year | | 595,404 | 636,069 |

The results for the year relate wholly to continuing activities.

The notes form part of these financial statements.

WELLHOUSE HOUSING ASSOCIATION LIMITED

**STATEMENT OF CHANGES IN CAPITAL AND RESERVES
FOR THE YEAR ENDED 31 MARCH 2022**

| | Share Capital £ | Revenue Reserve £ | Total Reserve £ |
|---|--------------------------------|----------------------------------|--------------------------------|
| Balance at 1 April 2021 | 103 | 7,196,197 | 7,196,300 |
| Total comprehensive income for the year | - | 595,404 | 595,404 |
| Cancellation of shares | (4) | - | (4) |
| Balance at 31 March 2022 | <u>99</u> | <u>7,791,601</u> | <u>7,791,700</u> |

**STATEMENT OF CHANGES IN CAPITAL AND RESERVES
FOR THE YEAR ENDED 31 MARCH 2021**

| | <i>Share Capital £</i> | <i>Revenue Reserve £</i> | <i>Total Reserve £</i> |
|---|--------------------------------|----------------------------------|--------------------------------|
| Balance at 1 April 2020 | 118 | 6,560,128 | 6,560,246 |
| Total comprehensive income for the year | - | 636,069 | 636,069 |
| Cancellation of shares | (15) | - | (15) |
| Balance at 31 March 2021 | <u>103</u> | <u>7,196,197</u> | <u>7,196,300</u> |

The notes form part of these financial statements.

WELLHOUSE HOUSING ASSOCIATION LIMITED

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022**

| | Notes | £ | 2022 £ | £ | 2021 £ |
|--|-------|-------------|-------------------|------------------|-------------------|
| Tangible fixed assets | | | | | |
| Housing properties – depreciated cost | 13(a) | | 27,174,031 | | 27,523,869 |
| Other fixed assets | 13(b) | | 1,321,878 | | 1,338,481 |
| | | | <u>28,495,909</u> | | <u>28,862,350</u> |
| Negative goodwill | 15 | | (991,491) | | (1,029,625) |
| | | | <u>27,504,418</u> | | <u>27,832,725</u> |
| Current assets | | | | | |
| Debtors | 16 | 196,033 | | 268,175 | |
| Cash and cash equivalents | 17 | 3,126,776 | | 2,929,887 | |
| | | | <u>3,322,809</u> | <u>3,198,062</u> | |
| Creditors: amounts falling due within one year | 18 | (1,570,370) | | (1,404,163) | |
| Net current assets | | | <u>1,752,439</u> | | <u>1,793,899</u> |
| Total assets less current liabilities | | | <u>29,256,857</u> | | <u>29,626,624</u> |
| Creditors: amounts falling due after more than one year | 19 | | (21,465,157) | | (22,254,324) |
| Pension defined benefit liability | 24 | | - | | (176,000) |
| Net assets | | | <u>7,791,700</u> | | <u>7,196,300</u> |
| Capital and reserve | | | | | |
| Share capital | 21 | | 99 | | 103 |
| Revenue reserve | 22 | | 7,791,601 | | 7,196,197 |
| | | | <u>7,791,700</u> | | <u>7,196,300</u> |

The financial statements were approved by the Management Committee on 1 September 2022 and signed on their behalf by:

Maureen Morris

Chair

Darren Brown

Committee member

Martin Wilkie-McFarlane

Secretary

The notes form part of these financial statements.

WELLHOUSE HOUSING ASSOCIATION LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2022

| | Notes | £ | 2022 £ | £ | 2021 £ |
|--|-------|-----------|------------------|-----------|------------------|
| Net cash generated from operating Activities | 28 | | 1,525,999 | | 1,645,554 |
| Cash flow from investing activities | | | | | |
| Purchase of components for housing properties | | (798,938) | | (168,832) | |
| Purchase of other fixed assets | | - | | (37,998) | |
| Purchase of housing units | | - | | (85,000) | |
| Government Capital grants received | | - | | 85,000 | |
| Interest received | | 2,399 | | 4,096 | |
| Net Cash outflow from investing activities | | | (796,539) | | (202,734) |
| Cash flow from Financing Activities | | | | | |
| Interest paid on loans | | (228,553) | | (234,350) | |
| Loan principal repayments | | (244,771) | | (239,814) | |
| Share capital issued | | - | | - | |
| SHAPs past service deficit payment (net of expenses) | | (59,247) | | (57,520) | |
| Net cash outflow from financing | | | (532,571) | | (531,684) |
| Net change in cash and cash equivalents | | | 196,889 | | 911,136 |
| Cash and cash equivalents at 1 April | 17 | | 2,929,887 | | 2,018,751 |
| Cash and cash equivalents at 31 March | 17 | | 3,126,776 | | 2,929,887 |

(i) Analysis of changes in net debt

| | At 1 April 2021 £ | Cash flows £ | Other non- cash changes £ | At 31 March 2022 £ |
|----------------------------------|-------------------------|-----------------|------------------------------------|--------------------------|
| Cash and cash equivalents | | | | |
| Cash | 2,929,887 | 196,889 | - | 3,126,776 |
| | 2,929,887 | 196,889 | - | 3,126,776 |
| Borrowings | | | | |
| Debt due within one year | (235,998) | 244,771 | (250,276) | (241,503) |
| Debt due after one year | (7,679,036) | - | 250,276 | (7,428,760) |
| | (7,915,034) | 244,771 | - | (7,670,263) |
| Total | (4,985,147) | 441,660 | - | (4,543,487) |

The notes form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

1. General information

These financial statements are presented in Pounds Sterling (GBP), as that is the currency in which the Association's transactions are denominated. They comprise the financial statements of the Association drawn up for the year ended 31 March 2022. These financial statements comprise the results of the Association only.

The Association is a Co-operative and Community Benefit Society limited by shares and is incorporated in the United Kingdom. The Association is a registered social landlord in Scotland and its registered number is HAC281. The registered office address is included on the front page of the financial statements.

The Association is defined as a public benefit entity and thus the Association complies with all disclosure requirements relating to public benefit entities.

The Association's Scottish Charity number is SC036552.

2. Principal accounting policies

Basis of accounting

The financial statements have been prepared in accordance with applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice) and comply with Determination of Accounting Requirements 2019 as issued by the Scottish Housing Regulator and the Statement of Recommended Practice for Social Housing Providers issued in 2018.

The effect of events relating to the year ended 31 March 2022, which occurred before the date of approval of the financial statements by the Management Committee have been included in the financial statements to the extent required to show a true and fair view of the state of affairs as at 31 March 2022 and of the results for the year ended on that date.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Association's accounting policies (see note 3).

The principal accounting policies are set out below.

Going concern

The Association has generated a healthy surplus in the year under review and recent years and therefore the Management Committee believes that the Association will carry on this trend for the foreseeable future. In addition to this, the Association has healthy cash reserves and a strong net assets position with an ongoing investment program for replacing windows, doors, bathrooms and kitchens. The Management Committee has therefore adopted the going concern basis in preparing the financial statements. This conclusion has been arrived at after considering the expected impact of Covid-19, Brexit and the current inflationary pressures to the Association's operations and financial performance.

Turnover

Turnover represents rental and service charge income receivable, fees receivable and revenue grants receivable from the Scottish Government, Glasgow City Council and other agencies. Also included is any management fees for the factoring of properties for private owners. Also included is any income from first tranche shared equity disposals.

Income from rental and service charges, factoring and commercial letting activities is recognised when the Association is entitled to it, it is probable it will be received and can be measured reliably.

2. Principal accounting policies (cont'd)

Apportionment of management expenses

Direct employee, administration and operating expenditure have been apportioned to the relevant sections of the Statement of Comprehensive Income on the basis of costs of staff directly attributable to the operations dealt with in the financial statements.

Government capital grants

Government capital grants, at amounts approved by The Scottish Government or Glasgow City Council, are paid directly to the Association as required to meet its liabilities during the development process. This is treated as a deferred capital grant and is released to income in accordance with the accrual model over the useful life of the asset it relates to on completion of the development phase. The accrual model requires the Association to recognise income on a systematic basis over the period in which the Association recognises the related costs for which the grant is intended to compensate.

Government revenue grants

Government revenue grants are recognised using the accrual model which means the Association recognises the grant in income on a systematic basis over the period in which the Association recognises the related costs for which the grant is intended to compensate.

Non-government capital and revenue grants

Non-government capital and revenue grants are recognised using the performance model. If there are no performance conditions attached the grants are recognised as revenue when the Association is entitled to them, it is probable they will be received and they can be measured reliably.

A grant that imposes specific future performance related conditions on the recipient is recognised as revenue only when the performance related conditions are met.

A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

Interest receivable

Interest receivable is recognised in the Statement of Comprehensive Income using the effective interest method.

Interest and financing costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument. Borrowing costs incurred during the course of construction of a housing development are capitalised.

2. Principal accounting policies (cont'd)**Valuation of housing properties**

Housing properties are stated at cost less accumulated depreciation. Housing under construction and land are not depreciated. The Association depreciates housing properties by major component on a straight-line basis over the estimated useful economic lives of each identified component. All components are categorised as housing properties within note 13(a). Impairment reviews are carried out if events or circumstances indicate that the carrying value of the housing unit is higher than the recoverable amount or depreciated replacement cost.

| Component | Useful Economic Life |
|------------------|-----------------------------|
| Bathrooms | 20 years |
| Kitchens | 15 years |
| Boilers | 15 years |
| Central Heating | 30 years |
| Electrics | 30 years |
| Attic Insulation | 25 years |
| Windows | 35 years |
| Close Doors | 20 years |
| External Doors | 20 years |
| Guttering | 25 years |
| Rendering | 50 years |
| Roofs | 50 years |
| Structure | 50 years |

Depreciation and impairment of other fixed assets

Other fixed assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight-line basis over the expected economic useful lives of the assets at the following annual rates:

| | |
|--------------------------------|-------------|
| Office Premises | 2% - 3 1/3% |
| Office Furniture and Equipment | 20% |
| Motor Vehicles | 25% |

The carrying value of tangible fixed assets is reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Capitalisation de-minimus

There is a de-minimus limit in place of £1,000 in respect of the capitalisation of other fixed assets.

Works to existing properties

The Association capitalises major repairs expenditure where these works result in an enhancement of economic benefits by increasing the net rental stream over the life of the property, a reduction in future maintenance costs or a significant extension of the life of the property. When a component is replaced the existing component is disposed, and the new component is capitalised.

Capitalisation of development overheads

Directly attributable development administration costs relating to development activities are capitalised in accordance with the Statement of Recommended Practice.

2. Principal accounting policies (cont'd)

Development interest

Interest incurred on financing a development is capitalised up to the date of practical completion of the scheme.

Commercial properties

The commercial properties are carried at fair value determined by external valuers and derived from the current market rents and commercial property yields for comparable real estate, adjusted if necessary, for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Statement of Comprehensive Income.

Leases/leased assets

Costs in respect of operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the lease term. Assets held under finance leases and hire purchase contracts are capitalised in the Statement of Financial Position and are depreciated over their useful lives.

Negative goodwill

Negative goodwill created through transfer of engagements is written off to the Statement of Comprehensive Income as the non-cash assets acquired are depreciated or sold.

Debtors

Short term debtors are measured at transaction price, less any impairment.

Rental arrears

Rental arrears represent amounts due by tenants for the rental of social housing properties at the year end. Rental arrears are reviewed regularly by management and written down to the amount deemed recoverable. Any provision deemed necessary is shown alongside gross rental arrears in note 16.

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Loans

Mortgage loans are advanced by financial institutions under the terms of individual mortgage deeds in respect of each property or housing scheme. Advances are available only in respect of those developments which have been given approval for Government Capital Grant by the Scottish Government or Glasgow City Council.

2. Principal accounting policies (cont'd)

Financial instruments

The Association only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable and loans from banks.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at the present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a rental arrear deferred beyond normal Association terms or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets are derecognised when contractual rights to the cash flows from the assets expire, or when the Association has transferred substantially all the risks and rewards of ownership.

Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

Retirement benefits

The Scottish Housing Association Defined Benefits Pension Scheme (Note 24)

The Association is a member of the Scottish Housing Associations' Pension Scheme (SHAPS) Defined Contribution Pension Scheme. The cost of the employer's contributions is charged to the Statement of Comprehensive Income on an accruals basis.

The Association closed the SHAPS Defined Benefits Pension Scheme in the year ended 31 March 2019 to future accrual. The retained retirement benefits to employees of the Association are funded by the contributions from all participating employers and employees in the scheme. Payments are made in accordance with periodic calculations by consulting actuaries and are based on pension costs applicable across the various participating Associations taken as a whole.

The SHAPS is accounted for as a defined benefit scheme and as such the amount charged to the Statement of Comprehensive Income in respect of pension costs and other post retirement benefits is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The interest cost is included within other finance costs/income. Actuarial gains and losses arising from new valuations and from updating valuations to the reporting date are recognised in Other Comprehensive Income.

Defined benefit schemes are funded, with the assets held separately from the Association in separate trustee administered funds. Full actuarial valuations, by a professionally qualified actuary, are obtained at least every three years, and updated to reflect current conditions at each reporting date.

The pension scheme assets are measured at fair value. The pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency. A pension scheme asset is recognised on the Statement of Financial Position only to the extent that the surplus may be recovered by reduced future contributions or to the extent that the trustees have agreed a refund from the scheme at the reporting date. A pension scheme liability is recognised to the extent that the Association has a legal or constructive obligation to settle the liability.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

3. Judgements in applying policies and key sources of uncertainty

In preparing the financial statements, management is required to make estimates and assumptions which affect reported income, expenses, assets, and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

The Management Committee consider the following to be critical judgements in preparing the financial statements:

- The categorisation of housing properties as property, plant and equipment in line with the requirements of the SORP;
- The amount disclosed as 'operating surplus' is representative of activities that would normally be regarded as 'operating'; and
- The identification of a cash-generating unit for impairment purposes.

The Management Committee is satisfied that the accounting policies are appropriate and applied consistently. Key sources of estimation have been applied as follows:

Estimate

Useful lives of property, plant and equipment

The main components of housing properties and their useful lives

Recoverable amount of rental and other trade receivables

The obligations under the SHAPS pension scheme

The valuation of the commercial properties

Basis of estimation

The useful lives of property, plant and equipment are based on the knowledge of senior management at the Association, with reference to expected asset life cycles.

The cost of housing properties is split into separately identifiable components. These components were identified by knowledgeable and experienced staff members.

Rental arrears and other trade receivables are reviewed by appropriately experienced senior management team members on a case by case basis with the balance outstanding together with the payment history of the individual tenant being taken into account.

This has relied on the actuarial assumptions of a qualified actuary which have been reviewed and are considered reasonable and appropriate.

The commercial properties have been valued at its market value based on a valuation performed by a qualified valuer based on market data.

WELLHOUSE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

4. Particulars of turnover, operating expenditure and operating surplus

| | Notes | Turnover £ | Operating Expenditure £ | 2022 Operating surplus £ | Turnover £ | Operating Expenditure £ | 2021 Operating surplus £ |
|---------------------|-------|------------------|-------------------------------|-----------------------------------|------------------|-------------------------------|-----------------------------------|
| Affordable lettings | 5 | 3,929,799 | (3,280,146) | 649,653 | 3,893,308 | (2,850,501) | 1,042,807 |
| Other activities | 6 | 56,748 | (49,730) | 7,018 | 105,716 | (86,814) | 18,902 |
| Total | | 3,986,547 | (3,329,876) | 656,671 | 3,999,024 | (2,937,315) | 1,061,709 |

WELLHOUSE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

5. Particulars of income and expenditure from social letting activities

| | General Needs Housing £ | 2022 Total £ | 2021 Total £ |
|--|-------------------------------|--------------------|--------------------|
| Income from lettings | | | |
| Rent receivable net of identifiable service charges | 3,359,474 | 3,359,474 | 3,301,435 |
| Service charges receivable | - | - | - |
| Gross rents receivable | 3,359,474 | 3,359,474 | 3,301,435 |
| Less: Rent losses from voids | (28,609) | (28,609) | (22,202) |
| Net rents receivable | 3,330,865 | 3,330,865 | 3,279,233 |
| Release of deferred government capital grants | 548,637 | 548,637 | 555,807 |
| Other revenue grants | 50,297 | 50,297 | 58,268 |
| Total income from affordable letting activities | 3,929,799 | 3,929,799 | 3,893,308 |
| Expenditure on affordable letting activities | | | |
| Service costs | - | - | - |
| Management and maintenance administration costs | 1,363,325 | 1,363,325 | 1,147,673 |
| Reactive maintenance costs | 473,433 | 473,433 | 272,045 |
| Bad debts – rents and service charges | (26,692) | (26,692) | 93,268 |
| Planned and cyclical maintenance | 187,515 | 187,515 | 145,361 |
| Major repairs | 85,166 | 85,166 | 104,975 |
| Stage 3 repairs | 48,623 | 48,623 | 56,500 |
| Depreciation of social housing | 1,148,776 | 1,148,776 | 1,030,679 |
| Operating expenditure for affordable letting activities | 3,280,146 | 3,280,146 | 2,850,501 |
| Operating surplus on letting activities, 2022 | 649,653 | 649,653 | |
| <i>Operating surplus on letting activities, 2021</i> | <i>1,042,807</i> | | <i>1,042,807</i> |

Included in depreciation of affordable housing is £116,254 (2021: £22,401) in respect of the loss on disposal of components.

There is no supporting housing accommodation or shared ownership accommodation.

WELLHOUSE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

6. Particulars of turnover, operating expenditure and operating deficit from other activities

| | Grants from Scottish Ministers £ | Other revenue grants £ | Supporting People income £ | Other income £ | Total Turnover £ | Operating expenditure - bad debts £ | Other operating expenditure £ | 2022 Operating surplus/ (deficit) £ | 2021 Operating surplus/ (deficit) £ |
|---|---|---------------------------------|-------------------------------------|----------------------|------------------------|--|--|---|---|
| Wider role activities | - | - | - | - | - | - | (24,843) | (24,843) | - |
| Factoring | - | - | - | 13,449 | 13,449 | - | - | 13,449 | 13,449 |
| Development and construction of property activities | - | - | - | - | - | - | - | - | - |
| Agency / management services | - | - | - | - | - | - | - | - | - |
| Commercial properties rental income & hub income | - | - | - | 43,295 | 43,295 | - | (12,211) | 31,084 | (5,726) |
| Tenant participation costs | - | - | - | - | - | - | (12,676) | (12,676) | (8,084) |
| Re-chargeable repair bad debts | - | - | - | - | - | - | - | - | - |
| Connect Community Trust | - | - | - | - | - | - | - | - | 19,263 |
| Other activities | - | - | - | 4 | 4 | - | - | 4 | - |
| Total from other activities 2022 | | | | 56,748 | 56,748 | - | (49,730) | 7,018 | |
| <i>Total from other activities 2021</i> | - | - | - | 105,716 | 105,716 | (49,463) | (37,351) | | 18,902 |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**7. Directors' emoluments**

The directors are defined as the members of the Management Committee, the Director and any other person reporting directly to the Director or the Management Committee. No emoluments were paid to any member of the Management Committee during the year (2021: £nil). The Association considers key management personnel to be the Management Committee and the senior management team of the Association only.

| | 2022 £ | 2021 £ |
|---|----------------|-----------|
| Emoluments payable to the Director (excluding pension contributions) | 70,435 | 69,876 |
| Pension contributions in respect of the Director | 7,044 | 6,988 |
| Only the director received emoluments greater than £60,000 | | |
| Total emoluments paid to key management personnel | 209,122 | 197,051 |
| Employer NI in respect of key management personnel | 23,977 | 22,647 |
| Pension contributions payments in respect of key management personnel | 16,075 | 15,109 |
| | 249,174 | 234,807 |

Key management personnel, consists of the Director, the Finance & Corporate Services Manager, the Housing & Customer Services Manager and the Assets & Maintenance Manager.

The number of officers including the highest paid officer, who received emoluments (excluding pension contributions) over £60,000 was in the following ranges:-

| | 2022 Number | 2021 Number |
|--------------------|----------------|----------------|
| £60,001 to £70,000 | - | 1 |
| £70,001 to £80,000 | 1 | - |

8. Employee information

| | 2022 Number | 2021 Number |
|--|----------------|----------------|
| The average number of full-time equivalent persons employed during the year was: | 18 | 19 |
| The average total number of employees employed during the year was | 19 | 20 |
| Staff costs were: | 2022 £ | 2021 £ |
| Wages and salaries | 686,802 | 638,664 |
| Society security costs | 65,516 | 60,259 |
| Other pension costs | 64,893 | 56,816 |
| | 817,211 | 755,739 |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**8. Employee information (cont'd)****Year ended 31 March 2022**

During the year, past service deficit contributions of £61,162 (2021: £59,436) were paid. Of this payment, £59,247 (2021: £57,520) was a payment in respect of the SHAPS past service deficit liability. The remainder of £1,915 (2021: £1,916) was pension management costs which have been included in the pension contributions total included in staff costs above.

9. Operating surplus

| | 2022 | 2021 |
|---|--------------|--------------|
| | £ | £ |
| Surplus before tax is stated after charging: | | |
| Depreciation - Tangible Fixed Assets | 1,059,125 | 1,040,500 |
| - Loss on disposed components | 116,254 | 22,401 |
| Auditor's Remuneration - Audit services (exc VAT) | 11,500 | 10,000 |
| - Other services (exc VAT) | 5,500 | 5,000 |
| Internal Auditor's fees (exc VAT) | 4,950 | 10,080 |
| Operating lease rentals – other | 9,491 | 9,019 |
| | <u>2,399</u> | <u>4,576</u> |

10. Interest receivable and other income

| | 2022 | 2021 |
|---|--------------|--------------|
| | £ | £ |
| Bank interest | 2,399 | 4,096 |
| Defined benefit pension liability – interest income (Note 24) | - | 480 |
| | <u>2,399</u> | <u>4,576</u> |

11. Interest and financing costs

| | 2022 | 2021 |
|---|----------------|----------------|
| | £ | £ |
| Defined benefit pension liability – interest charge (Note 24) | 3,247 | - |
| On bank loans and overdrafts | 228,553 | 234,350 |
| | <u>231,800</u> | <u>234,350</u> |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

12. Tax on surplus on ordinary activities

The Association is a Registered Scottish Charity and is not liable to United Kingdom Corporation Tax on its charitable activities Nil (2021: £nil). No tax is due on the Association's other activities due to the losses incurred Nil (2021: £nil).

| 13. Tangible fixed assets | Housing properties held for letting £ | Housing properties under construction £ | Total £ |
|----------------------------------|--|--|--------------------|
| (a) Housing properties | | | |
| Cost | | | |
| At 1 April 2021 | 41,021,910 | 80,530 | 41,102,440 |
| Additions - properties | - | - | - |
| Additions - components | 798,938 | - | 798,938 |
| Disposals - properties | - | - | - |
| Disposals - components | (361,117) | - | (361,117) |
| At 31 March 2022 | 41,459,731 | 80,530 | 41,540,261 |
| Depreciation | | | |
| At 1 April 2021 | 13,578,571 | - | 13,578,571 |
| Charge for year | 1,032,522 | - | 1,032,522 |
| On disposals – properties | - | - | - |
| On disposals - components | (244,863) | - | (244,863) |
| At 31 March 2022 | 14,366,230 | - | 14,366,230 |
| Net Book Value | | | |
| At 31 March 2022 | 27,093,501 | 80,530 | 27,174,031 |
| At 31 March 2021 | 27,443,339 | 80,530 | 27,523,869 |

Additions to housing properties include capitalised development administration costs of £Nil (2021: £nil) and capitalised interest of £Nil (2021: £nil).

Included in freehold housing properties is land with a historic cost allocation of £2,708,922 (2021: £2,708,922).

All land and properties are freehold.

WELLHOUSE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

13. Tangible fixed assets

| (b) Other fixed assets | Commercial properties £ | Office premises (leasehold) £ | Office furniture & equipment £ | Total £ |
|-------------------------------|----------------------------|-------------------------------------|-----------------------------------|------------|
| Cost | | | | |
| As at 1 April 2021 | 340,000 | 1,408,547 | 184,796 | 1,933,343 |
| Additions | - | - | - | - |
| Revaluations | 10,000 | - | - | 10,000 |
| Disposals | - | - | - | - |
| As at 31 March 2022 | 350,000 | 1,408,547 | 184,796 | 1,943,343 |
| Aggregate Depreciation | | | | |
| As at 1 April 2021 | - | 410,066 | 184,796 | 594,862 |
| Charge for year | - | 26,603 | - | 26,603 |
| Depreciation on disposals | - | - | - | - |
| As at 31 March 2022 | - | 436,669 | 184,796 | 621,465 |
| Net Book Value | | | | |
| At 31 March 2022 | 350,000 | 971,878 | - | 1,321,878 |
| At 31 March 2021 | 340,000 | 998,481 | - | 1,338,481 |

The commercial properties (4 shop units) were revalued by Jones Lang La Salle, Chartered Surveyors, at 25 July 2022 on a market value basis. The Management Committee consider this to be the fair value at 31 March 2022.

The office is built on land which is leased. The lease expires on 23 June 2063.

| | | |
|--|------------------|------------------|
| 14. Housing stock | 2022 | 2021 |
| | £ | £ |
| The number of units of accommodation in management at the year-end was:- | | |
| General Needs - New build | 342 | 342 |
| - Rehabilitation | 452 | 452 |
| | 794 | 794 |
| 15. Negative goodwill | 2022 | 2021 |
| | £ | £ |
| Gross | 1,449,101 | 1,449,101 |
| Amortisation | | |
| As at 1 April | (419,476) | (381,342) |
| Released during the year | (38,134) | (38,134) |
| | (457,610) | (419,476) |
| Net position at 31 March | 991,491 | 1,029,625 |

The negative goodwill was generated as a result of a transfer of engagements from GHA in 2010/11.

WELLHOUSE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

| | | |
|---|------------------|-------------|
| 16. Debtors | 2022 | 2021 |
| | £ | £ |
| Arrears of rent and service charges | 327,736 | 391,380 |
| Less: Provision for doubtful debts | (247,396) | (298,217) |
| | 80,340 | 93,163 |
| Other debtors | 115,693 | 175,012 |
| | 196,033 | 268,175 |
| All amounts shown under debtors fall due for payment within one year. | | |
| 17. Cash and cash equivalents | 2022 | 2021 |
| | £ | £ |
| Cash at bank and in hand | 3,126,776 | 2,929,887 |
| 18. Creditors: amounts falling due within one year | 2022 | 2021 |
| | £ | £ |
| Bank loans (note 19) | 241,503 | 235,998 |
| Trade creditors | 397,952 | 234,346 |
| Rent in advance | 134,517 | 119,355 |
| Other taxation and social security | 19,452 | - |
| Other creditors | 146,940 | 106,767 |
| Accruals | 83,945 | 151,890 |
| Deferred capital grant (note 20) | 546,061 | 555,807 |
| | 1,570,370 | 1,404,163 |

At the year end other creditors included outstanding pension contributions of £13,131 (2021: £nil).

WELLHOUSE HOUSING ASSOCIATION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

| 19. Creditors: amounts falling due after more than one year | 2022 £ | 2021 £ |
|--|-------------------|-------------------|
| Bank loans | 7,428,760 | 7,679,036 |
| Deferred capital grants (note 20) | 14,036,397 | 14,575,288 |
| | 21,465,157 | 22,254,324 |

Bank loans are secured by specific charges on the Association's properties. The net book value of housing properties secured at the year-end was £22,422,433 (2021: £22,708,153). The loans are repayable at rates of interest of between 1.12% to 4.4% in instalments, due as follows:

| | | |
|---|------------------|-----------|
| Amounts due within one year | 241,503 | 235,998 |
| Amounts due between one and two years | 236,699 | 236,699 |
| Amounts due between two and five years | 719,660 | 719,660 |
| Amounts due in more than five years | 6,472,401 | 6,722,677 |
| | 7,670,263 | 7,915,034 |
| Less: amount shown in current liabilities | (241,503) | (235,998) |
| | 7,428,760 | 7,679,036 |

| 20. Deferred capital grants | 2022 £ | 2021 £ |
|--|-------------------|-------------------|
| Balance at 1 April | 15,131,095 | 15,601,902 |
| Grants received in year | - | 85,000 |
| Released to income in year – components disposed | (2,577) | - |
| Released to income in year – Housing properties | (522,532) | (532,279) |
| Released to income in year – Other fixed assets (office) | (23,528) | (23,528) |
| Balance at 31 March | 14,582,458 | 15,131,095 |
| Split as follows: | | |
| Amounts due within one year | 546,061 | 555,807 |
| Amounts due between one and two years | 546,061 | 555,807 |
| Amounts due between two and five years | 1,638,182 | 1,667,421 |
| Amounts due in more than five years | 11,852,154 | 12,352,060 |
| | 14,582,458 | 15,131,095 |

WELLHOUSE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022

| | | |
|---|-------------|-------------|
| 21. Share capital | 2022 | 2021 |
| | £ | £ |
| Shares of £1 each issued and fully paid | | |
| At 1 April | 103 | 118 |
| Shares issued in year | - | - |
| Shares cancelled in year | (4) | (15) |
| | <hr/> | <hr/> |
| At 31 March | 99 | 103 |
| | <hr/> | <hr/> |

Each member of the Association holds one share of £1 in the Association. These shares carry no rights to dividend or distributions on winding up. When a shareholder ceases to be a member, that person's share is cancelled and the amount paid thereon becomes the property of the Association. Each member has a right to vote at members' meetings. Called up share capital on the Statement of Financial Position has been adjusted to reflect the number of shares held by active members.

22. Revenue reserve

The revenue reserve is unrestricted and undesignated funds available for general use to further the Association's aims and objectives.

23. Related party transactions

Three Committee members and a member who resigned during the year (2021: three) are tenants of the Association. Those members that are tenants of the Association have tenancies that are on the Association's normal tenancy terms and they cannot use their positions to their advantage. The total rent charged in the year relating to tenant Management Committee members is £13,980 (2021: £17,119). The total rent arrears relating to tenant Management Committee members is £1,158 (2021: £2,279). The total prepaid rent relating to tenant Management Committee members is £254 (2021: £nil).

24. Retirement benefit obligations

General

The Scheme is a multi-employer defined benefit scheme. The Scheme offers six benefit structures to employers, namely:

- Final salary with a 1/60th accrual rate.
- Career average revalued earnings with a 1/60th accrual rate.
- Career average revalued earnings with a 1/70th accrual rate.
- Career average revalued earnings with a 1/80th accrual rate.
- Career average revalued earnings with a 1/120th accrual rate, contracted in.
- Defined Contribution (DC) option.

An employer can elect to operate different benefit structures for their active members (as at the first day of April in any given year) and their new entrants. The DC option can be introduced by the employer on the first day of any month after giving a minimum of 3 months' notice. Wellhouse Housing Association Limited has elected to operate the Defined Contribution (DC) Scheme to all other staff.

Defined benefit scheme

The Trustees commission an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, so that the Scheme can meet its pension obligations as they fall due.

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market values. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

Final Salary with a 1/60th Accrual Rate Scheme

There was an annual employer past service deficit contribution of £59,247 (net of expenses) made in the year ended 31 March 2022 (2021 - £57,520).

As at the Statement of Financial Position date there are no active members (2021: *nil*) of the defined benefit scheme employed by Wellhouse Housing Association Limited. The last remaining member transferred to the defined contribution scheme during the year to 31 March 2019. Wellhouse Housing Association Limited no longer offers membership to the defined benefit scheme with all existing and new staff offered the defined contribution scheme.

The last triennial valuation of the Scheme was performed as at 30 September 2018 by a professionally qualified actuary using the "projected unit credit" method. The market value of the Scheme's assets at the valuation date was £877 million. The valuation revealed a shortfall of assets compared to liabilities of £121 million, equivalent to a past service funding level of 89%

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

24. Retirement benefit obligations (cont'd)

General (cont'd)

In accordance with FRS 102 section 28, the operating and financing costs of pension and post retirement schemes (determined by TPT) are recognised separately in the Statement of Comprehensive Income. Service costs are systematically spread over the service lives of the employees and financing costs are recognised in the period in which they arise. The difference between actual and expected returns on assets during the year, including changes in the actuarial assumptions, is recognised in Other Comprehensive Income.

Present values of defined benefit obligation, fair value of assets and defined benefit liability

| | 31 March 2022 £'000 | <i>31 March 2021 £'000</i> |
|---|------------------------------------|------------------------------------|
| Fair value of plan assets | 1,804 | <i>1,730</i> |
| Present value of defined benefit obligation | (1,804) | <i>(1,906)</i> |
| Defined benefit liability to be recognised | - | <i>(176)</i> |

Reconciliation of opening and closing balances of the defined benefit obligation

| | Year ended 31 March 2022 £'000 | <i>Year ended 31 March 2021 £'000</i> |
|--|---|---|
| Defined benefit obligation at start of period | (1,906) | <i>(1,576)</i> |
| Current service cost | - | <i>-</i> |
| Expenses | (2) | <i>(2)</i> |
| Interest expense | (41) | <i>(37)</i> |
| Actuarial (losses)/gains due to scheme experience | (39) | <i>21</i> |
| Actuarial (losses)/gains due to changes in demographic assumptions | (6) | <i>-</i> |
| Actuarial (losses)/gains due to changes in financial assumptions | 160 | <i>(341)</i> |
| Benefits paid and expenses | 30 | <i>29</i> |
| Defined benefit liability at the end of the period | (1,804) | <i>(1,906)</i> |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

24. Retirement benefit obligations (cont'd)

Reconciliation of opening and closing balances of the fair value of plan assets

| | Year ended 31 March 2022 £'000 | Year ended 31 March 2021 £'000 |
|--|---|---|
| Fair value of plan assets at start of the period | 1,730 | 1,576 |
| Interest income | 38 | 38 |
| Experience on plan assets (excluding amounts included in interest income) - gain | 5 | 86 |
| Contributions by the employer | 61 | 59 |
| Benefits paid and expenses | (30) | (29) |
| Fair value of plan assets at end of period | 1,804 | 1,730 |

Defined benefit costs recognised in the Statement of Comprehensive Income

| | Year ended 31 March 2022 £'000 | Year ended 31 March 2021 £'000 |
|--|---|---|
| Current service cost | - | - |
| Admin expenses | 2 | 2 |
| Net interest expense/(income) | 3 | (1) |
| Defined benefit costs recognised in Statement of Comprehensive Income | 5 | 1 |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

24. Retirement benefit obligations (cont'd)

Defined benefit costs recognised in Other Comprehensive Income

| | Year ended 31 March 2022 £'000 | Year ended 31 March 2021 £'000 |
|--|---|--------------------------------------|
| Experience on plan assets (excluding amounts included in net interest cost – gain | 5 | 86 |
| Experience gains and losses arising on the plan liabilities – (losses)gain | (39) | 21 |
| Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation (losses) | (6) | - |
| Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation – gain/(losses) | 160 | (341) |
| Total amount recognised in other comprehensive income – actuarial gain/(loss) | 120 | (234) |

Fund allocation for employer's calculated share of assets

| | 31 March 2022 £'000 | 31 March 2021 £'000 |
|-------------------------------|---------------------------|---------------------------|
| Absolute Return | 83 | 85 |
| Alternative Risk Premia | 75 | 69 |
| Cash | - | 1 |
| Corporate Bond Fund | 115 | 130 |
| Credit Relative Value | 58 | 50 |
| Currency hedging | (8) | - |
| Distressed Opportunities | 65 | 59 |
| Emerging Markets Debt | 68 | 70 |
| Global Equity | 359 | 268 |
| High Yield | 18 | 45 |
| Infrastructure | 113 | 97 |
| Insurance-Linked Securities | 38 | 36 |
| Liability Driven Investment | 440 | 416 |
| Long Lease Property | 52 | 40 |
| Net Current Assets | - | 13 |
| Over 15 Year Gilts | 1 | 1 |
| Private Debt | 46 | 41 |
| Property | 47 | 31 |
| Risk Sharing | 59 | 62 |
| Secured Income | 97 | 95 |
| Liquid Credit | 12 | 30 |
| Opportunistic Credit | 6 | 47 |
| Opportunistic Illiquid Credit | 60 | 44 |
| Total Assets | 1,804 | 1,730 |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022**

24. Retirement benefit obligations (cont'd)

The main financial assumptions used by the Scheme Actuary, TPT, in their FRS 102 calculations are as follows:

| Assumptions as at | 31 March 2022 % per annum |
|---|--------------------------------------|
| Discount rate | 2.79 |
| Inflation (RPI) | 3.51 |
| Inflation (CPI) | 3.16 |
| Salary growth | 4.16 |
| Allowance for commutation of pension for cash at retirement | 75% of maximum allowance |

The mortality assumptions adopted at 31 March 2022 imply the following life expectancies:

| | Life expectancy at age 65 (years) |
|-------------------------|--|
| Male retiring in 2022 | 21.6 |
| Female retiring in 2022 | 23.9 |
| Male retiring in 2042 | 22.9 |
| Female retiring in 2042 | 25.4 |

The mortality assumptions adopted at 31 March 2022 imply the following life expectancies:

Member data summary**Active members**

| | Number | Total earnings (£'000s p.a.) | Average age (unweighted) |
|--------------|---------------|---|-------------------------------------|
| Males | - | - | - |
| Females | - | - | - |
| Total | - | - | - |

Deferred members

| | Number | Deferred pensions (£'000s p.a.) | Average age (unweighted) |
|--------------|---------------|--|-------------------------------------|
| Males | 2 | 24 | 52 |
| Females | 5 | 17 | 46 |
| Total | 7 | 41 | 48 |

Pensioners

| | Number | Pensions (£'000s p.a.) | Average age (unweighted) |
|--------------|---------------|-----------------------------------|-------------------------------------|
| Males | 3 | 20 | 65 |
| Females | 2 | 18 | 68 |
| Total | 5 | 38 | 66 |

24. Retirement benefit obligations (cont'd)**Employers debt on withdrawal**

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by a Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up. The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

The Association has been notified by The Pensions Trust of the estimated debt on withdrawal from the Scheme based on the financial position of the Scheme as at 30 September 2021. As of this date the estimated debt for the Association was £838,897.

Review of historic benefit changes

In May 2021 the Scheme Trustee (TPT Retirement Solutions) notified employers of a review of historic scheme benefit changes, and this review has raised legal questions regarding whether and when some historic benefit changes should take effect, the outcome of which could give rise to an increase in liabilities for some employers. The Scheme Trustee has determined that it is prudent to seek clarification for the Court on these items. This process is ongoing, and the matter is unlikely to be resolved before late 2024 at the earliest.

On 4 May 2022 the Scheme Trustee issued an update to employers which included an estimate of the potential total additional liabilities at total scheme level, on a Technical Provisions basis. However, until Court directions are received, it is not possible to calculate the impact of this issue on an individual employer basis with any accuracy. As a result of this no allowance has been made for this within the accounting disclosures included in this note.

25. Connect Community Trust

Connect Community Trust is not deemed a related party of the Association; however, due to the nature of relationship between both entities, it has been deemed reasonable to disclose their activities separately.

During the 2020/21 year Connect Community Trust formally terminated their relationship with Wellhouse Housing Association Limited and vacated both the Hub and Newhills Road. Consequently, there were no charges made to CCT by the Association in the current year.

At the year end, Connect Community Trust owed the Association £67,608 (2021: £67,608). This is made up of unpaid rent and service charges of £18,145 as well as a claim for damages of £44,339 for Newhills Road and £5,124 for the Hub, which remained unpaid at the end of March 2021.

No monies have been received from Connect Community Trust and following legal advice the bad debt provision put in place in the prior year will be used to write off the balance owed to the Association.

WELLHOUSE HOUSING ASSOCIATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

| | | |
|---|------------------|-------------|
| 26. Capital commitments | 2022 | 2021 |
| | £ | £ |
| Capital expenditure that has been contracted for but has not been provided for in the financial statements. | 310,765 | - |
| Funded by: | | |
| Grants | - | - |
| Reserves | 310,765 | - |
| Private finance | - | - |
| | 310,765 | - |
| 27. Commitments under operating leases | | |
| At the year end, the total future minimum payments under operating leases were due as follows: | | |
| | 2022 | 2021 |
| | £ | £ |
| Equipment: | | |
| Not later than one year | 9,491 | 9,491 |
| Later than one year and not later than five years | - | - |
| More than five years | - | - |
| | 9,491 | 9,491 |
| 28. Net cash flow from operating activities | 2022 | 2021 |
| | £ | £ |
| Surplus for the year | 465,404 | 870,069 |
| Adjustments for non-cash items: | | |
| Carrying amount of other fixed asset disposals | - | 10,938 |
| Depreciation of housing properties | 1,148,776 | 1,030,679 |
| Depreciation of other fixed assets | 26,603 | 32,222 |
| Increase in debtors | 72,142 | (4,262) |
| Increase/(decrease) in creditors | 170,448 | 70,090 |
| Release of negative goodwill | (38,134) | (38,134) |
| Release of deferred Government capital grant | (548,637) | (555,807) |
| Adjustments for investing and financing activities: | | |
| Interest payable | 231,800 | 234,350 |
| Interest received | (2,399) | (4,576) |
| Forfeited share capital | (4) | (15) |
| Net cash generated from operating activities | 1,525,999 | 1,645,554 |

Private & Confidential

The Management Committee
Wellhouse Housing Association Limited
The Hub
49 Wellhouse Crescent
Glasgow
G33 4LA

1 September 2022

Our ref: JMCB/NNOC/WELLHO01

Dear Committee members

Wellhouse Housing Association Limited
Audit findings for the year ended 31 March 2022

This audit findings letter highlights the significant findings arising from the audit for the benefit of those charged with governance.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) (ISAs (UK)), which is directed towards forming and expressing an opinion on the financial. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

1 Audit status and audit opinion

We are pleased to report that the audit progressed well from our perspective and in accordance with the agreed timetable.

We do not propose any modifications to our audit opinion which is unqualified.

We are an accounting, tax, audit, advisory and businesses services group that delivers a personal experience both digitally and at your door.

Accounting | Tax | Audit | Advisory | Technology

Azets Audit Services is a trading name of Azets Audit Services Limited Registered in England & Wales Registered No. 09652677. VAT Registration No. 219 0608 22. Registered office: Churchill House, 59 Lichfield Street, Walsall, West Midlands, WS4 2BX. Registered to carry on audit work in the UK under Firm Number CO04632199 and regulated for a range of investment business activities by the Institute of Chartered Accountants in England & Wales. The term 'Board Director' is used to refer to a statutory director and principle of the company as registered at Companies House. Any other designations that include the term 'Partner' or 'Director' are not registered directors or principals of the registered company.



2 Significant findings

Findings related to significant risks

Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, we consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

| Risk | Audit approach | Audit findings and conclusion |
|---|--|--|
| Fraud in revenue recognition Under ISA (UK) 240 there is a presumed risk of fraud in relation to revenue recognition. The presumption is that the Association could adopt accounting policies or recognise revenue in such a way as to lead to a material misstatement in the reported revenue position. | <ul style="list-style-type: none"> Reviewed and tested revenue recognition policies; Undertook detailed substantive testing on material revenue streams; and Performed a rental income proof in total. | We identified no issues in respect of the recognition of revenue recognition. |
| Management override of controls Under ISA (UK) 240 there is a presumed risk that management and Committee members can process transactions or make adjustments to financial records outside of the normal financial control processes. Such transactions could lead to a material misstatement in the financial statements. | <ul style="list-style-type: none"> Reviewed accounting estimates, judgements and decisions made by management and Committee members; Tested journal entries; and Reviewed any unusual or significant transactions. | From the testing performed we identified no evidence of management override. |
| Going concern As part of the audit of the financial statements we will review the going concern status of the Association. | In respect of going concern, we reviewed: <ul style="list-style-type: none"> your assessment of going concern; the annual budget; the long term financial forecasts; current banking facilities including renewal details; and post year end management accounts. We also had detailed discussion with the finance team in respect of going concern. Finally, we asked the Management Committee, via the letter of representation, to confirm that the Management Committee has concluded that the Association is a going concern and confirm that the financial statements reflect all post balance sheet events. | We concur with the Committee's assessment that it is appropriate to continue to prepare the financial statements on a going concern basis and there are no material uncertainties relating to going concern which should be disclosed in the financial statements. |

| | | |
|--|---|---|
| <p>Defined benefit pension scheme - this is a key accounting estimate</p> <p>The Association is a member of a defined benefit pension scheme: the SHAPS. Each year TPT provides a year-end accounting valuation of the SHAPS defined benefit scheme. The Association needs to account for the pension movement in the financial statements and ensure the disclosure is appropriate.</p> | <p>We obtained from you the annual FRS 102 pension valuation and reviewed the year-end accounting journals. We reviewed the assumptions used within the valuation to ensure that these are appropriate and reasonable in comparison to benchmark assumptions, and we ensured that all necessary disclosure requirements are met.</p> | <p>From the audit work performed we are satisfied that the pension valuation has been correctly accounted for and disclosed within the financial statements.</p> |
| <p>Depreciation of housing properties - this is a key accounting estimate</p> <p>In accordance with component accounting, the cost of each housing unit is split across its identified significant components. Each component is then depreciated over their expected useful life with reference to expected life cycles and sector benchmarks. On replacement, the disposed component is removed from the accounting records and the new component is capitalised and depreciated over its expected useful life.</p> | <p>We tested a sample of components and ensured the components selected were depreciated in line with the Association's depreciation policy. We assessed the rate of depreciation and ensured that this was in line with the Association's life cycle plans and with sector benchmarks. We reviewed additions and repairs to ensure that all new components were capitalised and appropriately depreciated and that all replaced components had been removed from the accounting records.</p> | <p>From our testing, we have concluded that the depreciation policies applied were appropriate for the underlying component and consistent with prior years.</p> <p>We identified no evidence of bias in the depreciation rates used.</p> |
| <p>Recoverability of rental arrears- this is a key accounting estimate</p> <p>It is important that the recoverability of arrears is assessed by the Association at the year end with an appropriate bad debt provision established. The pandemic, in most cases, has seen an increase in rental arrears, thus increasing the risk of arrears not being recovered.</p> | <p>We ensured the bad debt provision is reasonable by:</p> <ul style="list-style-type: none"> • testing a sample of tenants with an arrears balance at the year-end for cash received post year end; and • estimating what we think the bad debt provision should be based on the results of our post year end cash testing, the aging of the debtors and size of individual balances and comparing that against the bad debt provision in place. As part of this we expect former arrears to be fully provided for and a provision in place for current arrears which are deemed at higher risk of not being recovered, these being tenants on payment plans which are not consistently being adhered to or tenants with larger arrears balances (e.g. > £1,000). | <p>The rental arrears at the year-end were reviewed and the bad debt provision was considered appropriate.</p> <p>There was no evidence of bias in the estimated provision.</p> |
| <p>Fair value of investment properties- this is a key accounting estimate</p> <p>The Association's investment properties are held at fair value in line</p> | <p>We considered if there has been a material change in circumstances since the last valuation was performed to ensure the current carrying value is representative of</p> | <p>The fair value of the investment properties was compared to 3rd party valuations which are</p> |

| | | |
|--|---|---|
| with FRS 102. A 3rd party independent qualified valuer is engaged to value the investment property and following this each year, the Committee and SMT review whether the carrying value reflects the current market/fair value. | the fair value at the year end. We also reviewed the method and underlying assumptions used to carry out the valuation to ensure these were appropriate. We also assessed the independence, experience and qualification of the 3rd party valuer. | considered to still reflect the fair value of the investment properties held. We consider that the 3rd party valuer was independent and was suitably experienced and qualified to perform the valuation. |
| Impairment of social housing units - this is a key accounting estimate At each reporting date, the Association must assess whether there are any indicators of impairment to the social housing units held. | We reviewed the carrying value (net book value less any unamortised grant) of the social housing units against the estimated depreciated replacement cost (this being the estimated cost of building or purchasing an asset of equivalent age and condition) to ensure no impairment has occurred. We considered whether there were any potential impairment indicators such as: <ul style="list-style-type: none"> • long term voids and difficult to let units; • units with significant repairs required; • cost overruns on new developments; • land banks; • units expected to be sold; and • units earmarked for demolition. | From our review we did not identify any impairment indicators and did not identify any impairment. |
| Expenditure It important that all expenditure is appropriately incurred and subject to the appropriate purchase authorisation procedures. | We tested a sample of purchases, ensuring that the item selected from the ledger had sufficient backup, was appropriate expenditure for a RSL and was subject to the Association's purchase authorisation procedures. | For the sample of expenditure items tested we confirmed that these had been approved in line with the Association's formal authorisation procedures and that the expenditure was appropriate. |
| Changeover of finance system post year end It important that the finance system is correctly transferred post year end, with all balances being correctly carried forward. | We planned to perform testing over a sample of the transfer of the closing trial balance as at 31/03/2022 to the opening trial balance at 01/04/2022. However, the finance team decided not to complete the import to the new system until after the audit has been completed. | This risk will be raised in the year to 2022/23 to ensure this import is completed correctly. |

There were no changes to our audit plan previously communicated to you.

3 Going concern

As auditor, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

As noted above within our significant findings we have agreed with the Committee's conclusion that it is appropriate to prepare the financial statements on a going concern basis. In arriving at this conclusion, we have reviewed in detail the forecasts covering the 12 months from the signing of these financial statements, the long-term forecasts in place and post year end performance.

4 Accounting policies, presentation and disclosures

The accounting policies used in preparing the financial statements are unchanged from the prior year.

Our work included a review of the adequacy of disclosures in the financial statements and consideration of the appropriateness of the accounting policies adopted. We found the disclosed accounting policies, and the overall disclosures and presentation to be appropriate.

5 Other communication requirements

Fraud or suspected fraud

We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit.

Our work as auditor is not intended to identify any instances of fraud of a non- material nature and should not be relied upon for this purpose.

Non-compliance with laws and regulations

As part of our standard audit testing, we have reviewed the laws and regulations impacting the Association.

There are no indications from this work of any significant incidences of non-compliance or material breaches of laws and regulations stopping the Association from continuing as a going concern or that would necessitate a provision or contingent liability.

There are also many other laws and regulations relating to health and safety as well as human resources generally and industry specific requirements. We are not aware of any significant incidences of non-compliance.

Related parties

We are not aware of any related party transactions which have not been disclosed.

6 Misstatements

We are required to inform you of any significant misstatements within the financial statements presented for audit that have been discovered during the course of our audit.

The audit adjustments identified from our audit work are detailed in Appendix I.

The uncorrected misstatements identified from our audit work are detailed in Appendix II.

7 Internal controls

The purpose of an audit is to express an opinion on the financial statements. As part of our work, we considered internal controls relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. However, this work was not for the purpose of expressing an opinion on the effectiveness of internal controls.

We are required to report to you in writing, significant deficiencies in internal controls that we have identified during the audit. These matters are limited to those which we have concluded are of sufficient importance to merit being reported to you.

The scope of our work is not designed to be an extensive review of all internal controls. If we had performed more extensive procedures, we might have identified more deficiencies.

The deficiency identified from our audit work is reported in Appendix III below.

8 Independence

The Ethical Standard 2019 and ISA (UK) 260 require us to confirm our independence.

The provision of non-audit services

We have detailed in the table below the non-audit services provided together with the threats to our independence as external auditor these present and the safeguards we put in place to mitigate these threats:

| Non-audit service | Type of threat | Safeguard |
|---|-------------------------------------|---|
| Corporation tax compliance services | Self-review | Corporation tax compliance services are provided by a separate tax team. |
| Preparation of the financial statements | Self-review Management decisions | All adjustments to the financial statements were agreed with those charged with governance. In addition to this, a 2nd manager review of the financial statements was performed by an audit manager not involved in the audit of the financial statements. |
| iXBRL tagging of the financial statements | Self-review Management decisions | The iXBRL tagging is performed by an audit assistant, not involved in the actual audit, after the financial statements have been signed. Tagging is a largely mechanical process. In the event there are questions of judgement, these will be passed to management or those charged with governance to answer. |

We confirm that Azets Audit Services and the engagement team complied with the FRC's Ethical Standards. We confirm that all threats to our independence have been properly addressed through appropriate safeguards and that we are independent and able to express an objective opinion on the financial statements.

In accordance with our profession's ethical guidance and further to our planning letter to you, confirming audit planning arrangements there are no further matters to bring to your attention in relation to Integrity, Objectivity and Independence.

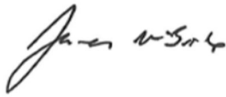
9 Disclaimer

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. We do not accept any responsibility for any loss occasioned to any third party acting or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by your team during our audit.

If we can be of any further assistance, please contact me.

Yours faithfully



James McBride
Senior Statutory Auditor
james.mcbride@azets.co.uk

Appendix I
Audit adjustments

| | JE detail | Statement of Comprehensive Income (SOI) | | Statement of Financial Position (SOFP) | | Impact on SOCI |
|-------------------------------------|---|---|-----------|--|-------------|------------------|
| | | Dr | Cr | Dr | Cr | |
| 1 | Reserves Capitalised Component - External Doors Replacement Being opening balance adjustment | | | £ 6,224 | | £ - |
| | | | | | £ 6,224 | £ - |
| 2 | SHAPS DB Pension liability Interest payable OCI - Actuarial movements Being adjustment to incorporate year end SHAPS actuarial valuation | £ 3,247 | | £ 116,753 | | £ - |
| | | | £ 120,000 | | | -£ 3,247 |
| | | | | | | £ 120,000 |
| 3 | Investment property OCI - gain on investment property revaluation Being gain on revaluation of investment property | | £ 10,000 | £ 10,000 | | £ - |
| | | | | | | £ 10,000 |
| 4 | Components - cost Capitalised components Being reallocation of capitalised component additions | | £ 805,161 | £ 805,161 | | £ - |
| | | | | | | £ 805,161 |
| 5 | HP - cost HAG HP - accumulated amortisation HAG OFA - accumulated amortisation HP - accumulated depreciation HP - accumulated depreciation OFA - accumulated depreciation Loss on disposal OFA - Depreciation HP - Depreciation HAG Amortisation Non HSG Amortisation Being fixed asset journal | | | £ 361,117 | | £ - |
| | | | | £ 525,109 | | £ - |
| | | | | £ 23,528 | | £ - |
| | | | | | £ 1,032,522 | £ - |
| | | | | £ 244,863 | | £ - |
| | | | | | £ 26,603 | £ - |
| | | £ 116,254 | | | | -£ 116,254 |
| | | £ 1,032,522 | | | | -£ 1,032,522 |
| | | £ 26,603 | | | | -£ 26,603 |
| | | | £ 525,109 | | | £ 525,109 |
| | | | £ 23,528 | | | £ 23,528 |
| 6 | Negative goodwill - accumulated amortisation Amortisation of negative goodwill Being amortisation of negative goodwill | | | £ 38,134 | | £ - |
| | | | £ 38,134 | | | £ 38,134 |
| Client late adjustment | | | | | | |
| 7 | Provision for bad debt - rent Bad debt - rent Being release of provision for bad debt | | | £ 26,692 | | £ - |
| | | £ 26,692 | | | | £ 26,692 |
| Impact on SOCI - increase of | | | | | | £ 369,999 |

Appendix II
Uncorrected misstatements

| | JE detail | Statement of Comprehensive Income (SOCl) | | Statement of Financial Position (SOFP) | | Impact on SOCI | | | |
|--------------------------------|--|--|--------|--|--------|----------------|--------|--------|---|
| | | Dr | Cr | Dr | Cr | | | | |
| 1 | Legal fees | £ | 10,399 | | | -£ | 10,399 | | |
| | Accruals | | | | £ | 10,399 | £ | - | |
| | Being the correction to legal fee accrual at year end | | | | | | | | |
| 2 | Intangible assets | | | £ | 7,200 | | £ | - | |
| | Expenditure | | £ | 7,200 | | | £ | 7,200 | |
| | Being capitalisation of intangible assets | | | | | | | | |
| 3 | Expenditure | £ | 10,831 | | | | -£ | 10,831 | |
| | Trade creditors | | | | £ | 10,831 | £ | - | |
| | Being debit balances within trade creditors | | | | | | | | |
| 4 | Prepayments | | | £ | 50,945 | | £ | - | |
| | Trade creditors | | | | | £ | 50,945 | £ | - |
| | Being insurance invoice received in advance | | | | | | | | |
| 5 | Bad debts - rechargeable repairs | £ | 50,223 | | | | -£ | 50,223 | |
| | Bad debt - rechargeable repairs | | | | £ | 50,223 | £ | - | |
| | Being 100% provision for rechargeable repairs | | | | | | | | |
| 6 | Expenditure - bad debts | £ | 3,706 | | | | -£ | 3,706 | |
| | Other debtors | | | | £ | 3,706 | £ | - | |
| | being increase in other debtors bad debt provision | | | | | | | | |
| 7 | P&L - credit note | £ | 5,000 | | | | -£ | 5,000 | |
| | Trade debtors | | | | £ | 5,000 | £ | - | |
| | Being credit note issued to CCT | | | | | | | | |
| Impact on SOCI - a decrease of | | | | | | | -£ | 72,959 | |

Appendix III

Internal controls

Control points arising from our current year work and our recommendations are summarised below. The recommendations are categorised into three risk ratings as shown in the key.

Key: **Significant deficiency** in internal control, **Other deficiency** in internal control, **Other observations** from the audit

Follow up of prior year points

We have followed up on the points for improvement identified in the prior year audit which we have detailed in the table below.

| Area | Observation | Implication | Recommendation | Follow up in current year |
|---------------------------------|--|---|--|---|
| Significant deficiency 1 | <p>Per review of purchase invoices being posted to the nominal ledger it was identified that invoices had incorrectly been posted into the wrong period.</p> <p>As part of the walk-through testing of purchase ledger, 2 invoices were discovered to have been posted to December instead of November.</p> <p>An audit adjustment was raised in the prior year for invoices posted to the incorrect period.</p> | Expenditure could be recognised in the wrong accounting period. | Ensure all invoices are being posted on the date per the invoice. If the invoices relate to a prior or future period then an accrual or prepayment should be recognised. | <p>As part of the walk-through testing of purchase ledger and purchase cut off testing, some invoices were discovered to have been posted to the wrong date. This was human error, and ordinarily, invoices mis-posted will be picked up as part of the accruals process where they are re-allocated into the correct period.</p> <p>An uncorrected misstatement was raised in the current year for invoices posted to the incorrect period.</p> <p>Point not yet actioned</p> |

Azets Audit Services
Chartered Accountants
Titanium 1
King's Inch Place
Renfrew
PA4 8WF

Wellhouse Housing Association Limited

Dear Sirs

The following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience such as we consider necessary in connection with your audit of the Association's financial statements for the year ended 31 March 2022. These enquiries have included inspection of supporting documentation where appropriate and are sufficient to satisfy ourselves that we can make each of the following representations. All representations are made to the best of our knowledge and belief.

GENERAL

1. We have fulfilled our responsibilities as Committee members, as set out in the terms of your engagement letter dated 4 August 2022 under the Co-operative and Community Benefit Societies Act 2014 and Part 6 of the Housing (Scotland) Act 2010 for preparing financial statements in accordance with applicable law and United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice) for being satisfied that they give a true and fair view and for making accurate representations to you.
2. All the transactions undertaken by the Association have been properly reflected and recorded in the accounting records.
3. All the accounting records have been made available to you for the purpose of your audit. We have provided you with unrestricted access to all appropriate persons within the Association, and with all other records and related information requested, including minutes of all Management Committee meetings, AGMs and SGMs.

ADJUSTMENTS & DISCLOSURES

4. The financial statements are free of material misstatements, including omissions.
5. We have reviewed and approved all audit adjustments made in the financial statements. See appendix 1 for details of such audit adjustments.
6. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. See appendix 2 for details of such uncorrected misstatements.
7. We have reviewed and approved all disclosures made in the financial statements and we are not aware of any other matters which require disclosure in order to comply with the requirements of United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice), the Determination of Accounting Requirements 2019 as issued by the Scottish Housing Regulator or the Statement of Recommended Practice for Social Housing Providers issued in 2018.

INTERNAL CONTROL AND FRAUD

8. We acknowledge our responsibility for the design, implementation and maintenance of internal control systems to prevent and detect fraud and error. We have disclosed to you the results of our risk assessment that the financial statements may be misstated as a result of fraud.
9. We have disclosed to you all instances of known or suspected fraud affecting the Association involving management, employees who have a significant role in internal control or others that could have a material effect on the financial statements.
10. We have also disclosed to you all information in relation to allegations of fraud or suspected fraud affecting the Association's financial statements communicated by current or former employees, regulators or others.

ASSETS AND LIABILITIES

11. The Association has satisfactory title to all assets and there are no liens or encumbrances on the Association's assets except for those that are disclosed in the notes to the financial statements.
12. There were no changes in fixed assets during the year ended 31 March 2022 other than those disclosed in the financial statements.
13. We have reviewed the residual values attached to fixed assets and confirm they are still appropriate and reasonable reflections of these assets condition and usage.
14. All actual liabilities, contingent liabilities and guarantees given to third parties have been recorded or disclosed as appropriate.

15. We have no plans or intentions that may materially alter the carrying value and, where relevant, the fair value measurements or classification of assets and liabilities reflected in the financial statements.
16. We confirm that all bank accounts have been disclosed to you and are included within the financial statements.
17. We confirm that the Association has not contracted for any capital expenditure other than as disclosed in the financial statements.

ACCOUNTING ESTIMATES

18. The methods, data and significant assumptions used by us in making accounting estimates, and their related disclosures, are appropriate to achieve recognition, measurement and disclosure that is reasonable in the context of the applicable financial reporting framework.

LOANS AND ARRANGEMENTS

19. The Association has not granted any advances or credits to, or made guarantees on behalf of, Committee members other than those disclosed in the financial statements.

LEGAL CLAIMS

20. We have disclosed to you all claims in connection with litigation that have been, or are expected to be, received and such matters, as appropriate, have been properly accounted for and disclosed in the financial statements.

LAWS AND REGULATIONS

21. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements and disclosures, including non-compliance matters:
 - a. Involving financial impropriety;
 - b. Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the Association's financial statements;
 - c. Related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Association's operations, its ability to continue in operation, or to avoid material penalties; and
 - d. Involving management, or employees who have significant roles in internal control, or others.
22. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance, other than those already disclosed.

RELATED PARTIES

23. Related party relationships and transactions have been appropriately accounted for and disclosed in the financial statements. We have disclosed to you all relevant information concerning such relationships and transactions and we confirm that such information is complete. We are not aware of any other matters which require disclosure in order to comply with the requirements of the Co-operative and Community Benefit Societies Act 2014, Part 6 of the Housing (Scotland) Act 2010 or accounting standards.

SUBSEQUENT EVENTS

24. All events subsequent to the date of the financial statements which require adjustment or disclosure have been properly accounted for and disclosed.

GOING CONCERN

25. We believe that the Association's financial statements should be prepared on a going concern basis on the grounds that there are sufficient cash reserves in place and long-term forecasts show that surpluses and positive cashflows will continue to be generated.
26. We have considered a period of twelve months from the date of approval of the financial statements. We believe that no further disclosures relating to the Association's ability to continue as a going concern need to be made in the financial statements.

DISCLOSURE OF INFORMATION TO THE AUDITOR

- 27. We acknowledge our legal responsibilities regarding disclosure of information to you as auditor and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware.
- 28. Each Committee member has taken all the steps that they ought to have taken as a Committee member in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

.....
Signed on behalf of the Management Committee by:

Maureen Morris
Chair

Date: 1 September 2022

Appendix 1 – Audit adjustments

| | JE detail | Statement of Comprehensive Income (SOCl) | | Statement of Financial Position (SOPF) | | Impact on SOCl | |
|-------------------------------|---|--|-----------|--|-----------|----------------|-----------|
| | | Dr | Cr | Dr | Cr | | |
| 1 | Reserves | | | £ 6,224 | | £ | - |
| | Capitalised Component - External Doors Replacement | | | £ | 6,224 | £ | - |
| | Being opening balance adjustment | | | | | | |
| 2 | SHAPS DB Pension liability | | | £ 116,753 | | £ | - |
| | Interest payable | £ 3,247 | | | | -£ | 3,247 |
| | OCI - Actuarial movements | £ | 120,000 | | | £ | 120,000 |
| | Being adjustment to incorporate year end SHAPS actuarial valuation | | | | | | |
| 3 | Investment property | | | £ 10,000 | | £ | - |
| | OCI - gain on investment property revaluation | £ | 10,000 | | | £ | 10,000 |
| | Being gain on revaluation of investment property | | | | | | |
| 4 | Components - cost | | | £ 805,161 | | £ | - |
| | Capitalised components | £ | 805,161 | | | £ | 805,161 |
| | Being reallocation of capitalised component additions | | | | | | |
| 5 | HP - cost | | | £ | 361,117 | £ | - |
| | HAG HP - accumulated amortisation | | | £ 525,109 | | £ | - |
| | HAG OFA - accumulated amortisation | | | £ 23,528 | | £ | - |
| | HP - accumulated depreciation | | | £ | 1,032,522 | £ | - |
| | HP - accumulated depreciation | | | £ 244,863 | | £ | - |
| | OFA - accumulated depreciation | | | £ | 26,603 | £ | - |
| | Loss on disposal | £ 116,254 | | | | -£ | 116,254 |
| | OFA - Depreciation | £ 1,032,522 | | | | -£ | 1,032,522 |
| | HP - Depreciation | £ 26,603 | | | | -£ | 26,603 |
| | HAG Amortisation | | £ 525,109 | | | £ | 525,109 |
| | Non HSG Amortisation | | £ 23,528 | | | £ | 23,528 |
| | Being fixed asset journal | | | | | | |
| 6 | Negative goodwill - accumulated amortisation | | | £ 38,134 | | £ | - |
| | Amortisation of negative goodwill | £ | 38,134 | | | £ | 38,134 |
| | Being amortisation of negative goodwill | | | | | | |
| Client late adjustment | | | | | | | |
| 7 | Provision for bad debt - rent | | | £ 26,692 | | £ | - |
| | Bad debt - rent | £ | 26,692 | | | £ | 26,692 |
| | Being release of provision for bad debt | | | | | | |
| | Impact on SOCl - increase of | | | | | £ | 369,999 |

Appendix 2 – Uncorrected misstatements

| | JE detail | Statement of Comprehensive Income (SOI) | | Statement of Financial Position (SOPF) | | Impact on SOI |
|-------------------------------|---|---|---------|--|----------|----------------|
| | | Dr | Cr | Dr | Cr | |
| 1 | Legal fees Accruals <i>Being the correction to legal fee accrual at year end</i> | £ 10,399 | | | £ 10,399 | £ 10,399 - |
| 2 | Intangible assets Expenditure <i>Being capitalisation of intangible assets</i> | | £ 7,200 | £ 7,200 | | £ - £ 7,200 |
| 3 | Expenditure Trade creditors <i>Being debit balances within trade creditors</i> | £ 10,831 | | | £ 10,831 | £ 10,831 - |
| 4 | Prepayments Trade creditors <i>Being insurance invoice received in advance</i> | | | £ 50,945 | £ 50,945 | £ - £ - |
| 5 | Bad debts - rechargeable repairs Bad debt - rechargeable repairs <i>Being 100% provision for rechargeable repairs</i> | £ 50,223 | | | £ 50,223 | £ 50,223 - |
| 6 | Expenditure - bad debts Other debtors <i>being increase in other debtors bad debt provision</i> | £ 3,706 | | | £ 3,706 | £ 3,706 - |
| 7 | P&L - credit note Trade debtors <i>Being credit note issued to CCT</i> | £ 5,000 | | | £ 5,000 | £ 5,000 - |
| Impact on SOI - a decrease of | | | | | | £ 72,959 |

Audited Financial Accounts (AFS) 2021-2022

| | |
|------------------------|-----------------------------------|
| Landlord Name: | Wellhouse Housing Association Ltd |
| RSL Reg No.: | 281 |
| Report generated date: | 23/08/2022 13:59:19 |

Approval

| | | |
|------|--------------------|----------------|
| A1.1 | Date approved | - |
| A1.2 | Approver | Maureen Morris |
| A1.3 | Approver job title | Chair |

Audited Financial Accounts (AFS) 2021-2022

STATEMENT OF COMPREHENSIVE INCOME

| | Current Year | Prior Year |
|---|----------------|----------------|
| | £'000 | £'000 |
| Turnover | 3,986.5 | 3,999.0 |
| Operating costs | (3,329.8) | (2,937.3) |
| Gain/(loss) on disposal of property, plant and equipment | 0.0 | 0.0 |
| Exceptional items | 10.0 | 0.0 |
| Operating surplus/(deficit) | 666.7 | 1,061.7 |
| Share of operating surplus/(deficit) in joint ventures and associates | 0.0 | 0.0 |
| Interest receivable | 2.4 | 4.6 |
| Interest payable | (231.8) | (234.3) |
| Other financing (costs)/income | 0.0 | 0.0 |
| Release of negative goodwill | 38.1 | 38.1 |
| Movement in fair value of financial instruments | 0.0 | 0.0 |
| Decrease in valuation of housing properties | 0.0 | 0.0 |
| Reversal of previous decrease in valuation of housing properties | 0.0 | 0.0 |
| Total | (191.3) | (191.6) |
| Surplus/(deficit) before tax | 475.4 | 870.1 |
| Tax (payable)/recoverable | 0.0 | 0.0 |
| Surplus/(deficit) for the year | 475.4 | 870.1 |
| Actuarial (loss)/gain in respect of pension schemes | 120.0 | (234.0) |
| Change in fair value of hedged financial instruments | 0.0 | 0.0 |
| Total comprehensive income for the year | 595.4 | 636.1 |

Audited Financial Accounts (AFS) 2021-2022

STATEMENT OF CHANGES IN EQUITY

| | Share capital | Revenue reserve Restricted fund | Revenue reserve Unrestricted fund | Restricted reserve | Revaluation reserve |
|--|---------------|------------------------------------|--------------------------------------|--------------------|------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance at end of the previous year | 0.1 | 0.0 | 7,196.2 | 0.0 | 0.0 |
| Opening balance adjustments | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Issue of shares | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Cancellation of shares | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Surplus/(deficit) from statement of comprehensive income | 0.0 | 0.0 | 595.4 | 0.0 | 0.0 |
| Transfer from revaluation reserve to revenue reserve | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Transfer of restricted expenditure from unrestricted reserve | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Balance at end of the current year | 0.1 | 0.0 | 7,791.6 | 0.0 | 0.0 |

| | Total excluding non-controlling interest | Non-controlling interest | Total including non-controlling interest |
|--|--|-----------------------------|--|
| | £'000 | £'000 | £'000 |
| Balance at end of the previous year | 7,196.3 | 0.0 | 7,196.3 |
| Opening balance adjustments | 0.0 | 0.0 | 0.0 |
| Issue of shares | 0.0 | 0.0 | 0.0 |
| Cancellation of shares | 0.0 | 0.0 | 0.0 |
| Surplus/(deficit) from statement of comprehensive income | 595.4 | 0.0 | 595.4 |
| Transfer from revaluation reserve to revenue reserve | 0.0 | 0.0 | 0.0 |
| Transfer of restricted expenditure from unrestricted reserve | 0.0 | 0.0 | 0.0 |
| Balance at end of the current year | 7,791.7 | 0.0 | 7,791.7 |

Audited Financial Accounts (AFS) 2021-2022

STATEMENT OF FINANCIAL POSITION

| | Current Year | Prior Year |
|---|-------------------|-------------------|
| | £'000 | £'000 |
| <u>Non-current assets</u> | | |
| Intangible assets and goodwill | 0.0 | 0.0 |
| Housing properties - NBV | 27,174.0 | 27,523.9 |
| Negative goodwill | (991.5) | (1,029.6) |
| Net housing assets | 26,182.5 | 26,494.3 |
| Non-current investments | 0.0 | 0.0 |
| Other plant, property and equipment | 1,321.9 | 1,338.4 |
| Investments in joint ventures and associates | 0.0 | 0.0 |
| Total non-current assets | 27,504.4 | 27,832.7 |
| Receivables due after more than one year | 0.0 | 0.0 |
| <u>Current assets</u> | | |
| Investments | 0.0 | 0.0 |
| Stock and work in progress | 0.0 | 0.0 |
| Trade and other receivables due within one year | 196.0 | 268.2 |
| Cash and cash equivalents | 3,126.8 | 2,929.9 |
| Total current assets | 3,322.8 | 3,198.1 |
| Payables: amounts falling due within one year | (1,570.4) | (848.4) |
| <u>Deferred income: amounts falling due within one year</u> | | |
| Scottish housing grants (SHG) | 0.0 | (555.8) |
| Other grants | 0.0 | 0.0 |
| Total deferred income: amounts falling due within one year | 0.0 | (555.8) |
| Net current assets/(liabilities) | 1,752.4 | 1,793.9 |
| Total assets less current liabilities | 29,256.8 | 29,626.6 |
| Payables: amounts falling due after more than one year | (7,428.7) | (7,679.0) |
| Provisions | 0.0 | 0.0 |
| Pension asset/(liability) | 0.0 | (176.0) |
| <u>Deferred income: amounts falling due after more than one year</u> | | |
| Scottish housing grants (SHG) | (14,036.4) | (14,575.3) |
| Other grants | 0.0 | 0.0 |
| Total deferred income: amounts falling due after more than one year | (14,036.4) | (14,575.3) |
| Total long term liabilities | (21,465.1) | (22,430.3) |
| Net assets | 7,791.7 | 7,196.3 |
| <u>Capital and reserves</u> | | |
| Share capital | 0.1 | 0.1 |
| Revaluation reserves | 0.0 | 0.0 |
| Restricted reserves | 0.0 | 0.0 |
| Revenue reserves | 7,791.6 | 7,196.2 |
| Total reserves | 7,791.7 | 7,196.3 |

Audited Financial Accounts (AFS) 2021-2022

STATEMENT OF CASH FLOWS

| | Current Year | Prior Year |
|---|--------------|------------|
| | £'000 | £'000 |
| Net cash inflow/(outflow) from operating activities | 1,466.8 | 1,588.0 |
| | | |
| Tax (paid)/refunded | 0.0 | 0.0 |
| | | |
| <u>Cash flow from investing activities</u> | | |
| | | |
| Acquisition and construction of properties | (798.9) | (168.8) |
| Purchase of other non-current assets | 0.0 | (38.0) |
| Sales of properties | 0.0 | 0.0 |
| Sales of other non-current assets | 0.0 | 0.0 |
| Capital grants received | 0.0 | 0.0 |
| Capital grants repaid | 0.0 | 0.0 |
| Interest received | 2.4 | 4.0 |
| Net cash inflow/(outflow) from investing activities | (796.5) | (202.8) |
| | | |
| <u>Cash flow from financing activities</u> | | |
| | | |
| Interest paid | (228.6) | (234.3) |
| Interest element of finance lease rental payment | 0.0 | 0.0 |
| Share capital received/(repaid) | 0.0 | 0.0 |
| Funding drawn down | 0.0 | 0.0 |
| Funding repaid | 0.0 | (239.8) |
| Early repayment and associated charges | 0.0 | 0.0 |
| Capital element of finance lease rental payments | (244.8) | 0.0 |
| Withdrawal from deposits | 0.0 | 0.0 |
| Net cash inflow/(outflow) from financing activities | (473.4) | (474.1) |
| | | |
| Net change in cash and cash equivalents | 196.9 | 911.1 |
| | | |
| Cash and cash equivalents at end of the previous year | 2,929.9 | 2,018.8 |
| Cash and cash equivalents Opening balance adjustment | 0.0 | 0.0 |
| Cash and cash equivalents at end of the current year | 3,126.8 | 2,929.9 |

Audited Financial Accounts (AFS) 2021-2022

Particulars of turnover, operating costs and operating surplus or deficit – Current Year

| | Turnover | Operating Costs | Operating Surplus/(Deficit) |
|-------------------------------|----------------|------------------|-----------------------------|
| | £'000 | £'000 | £'000 |
| Affordable letting activities | 3,929.8 | (3,280.1) | 649.7 |
| Other activities | 56.7 | (49.7) | 7.0 |
| Total | 3,986.5 | (3,329.8) | 656.7 |

Particulars of turnover, operating costs and operating surplus or deficit – Prior Year

| | Turnover | Operating Costs | Operating Surplus/(Deficit) |
|-------------------------------|----------------|------------------|-----------------------------|
| | £'000 | £'000 | £'000 |
| Affordable letting activities | 3,893.3 | (2,850.5) | 1,042.8 |
| Other activities | 105.7 | (86.8) | 18.9 |
| Total | 3,999.0 | (2,937.3) | 1,061.7 |

Audited Financial Accounts (AFS) 2021-2022

Particulars of turnover, operating costs and operating surplus or deficit from affordable letting activities

| | General Needs Social Housing | Supported Social Housing Accommodation | Shared Ownership Housing | Other | Current Year Total | Prior Year Total |
|---|---------------------------------|--|--------------------------------|------------|-----------------------|------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Rent receivable | 3,359.5 | 0.0 | 0.0 | 0.0 | 3,359.5 | 3,301.4 |
| Service charges | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Gross income | 3,359.5 | 0.0 | 0.0 | 0.0 | 3,359.5 | 3,301.4 |
| Voids | (28.6) | 0.0 | 0.0 | 0.0 | (28.6) | (22.2) |
| Net income | 3,330.9 | 0.0 | 0.0 | 0.0 | 3,330.9 | 3,279.2 |
| Grants released from deferred income | 548.6 | 0.0 | 0.0 | 0.0 | 548.6 | 555.8 |
| Revenue grants from Scottish Ministers | 50.3 | 0.0 | 0.0 | 0.0 | 50.3 | 0.0 |
| Other revenue grants | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 58.3 |
| Total turnover: letting | 3,929.8 | 0.0 | 0.0 | 0.0 | 3,929.8 | 3,893.3 |
| Management and maintenance administration costs | (1,363.3) | 0.0 | 0.0 | 0.0 | (1,363.3) | (1,147.7) |
| Service costs | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Planned maintenance | (321.3) | 0.0 | 0.0 | 0.0 | (321.3) | (145.4) |
| Reactive maintenance | (473.4) | 0.0 | 0.0 | 0.0 | (473.4) | (433.4) |
| Bad debts written (off)/back | 26.7 | 0.0 | 0.0 | 0.0 | 26.7 | (93.3) |
| Depreciation: housing | (1,148.8) | 0.0 | 0.0 | 0.0 | (1,148.8) | (1,030.7) |
| Impairment | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Operating costs | (3,280.1) | 0.0 | 0.0 | 0.0 | (3,280.1) | (2,850.5) |
| Operating surplus/(deficit) | 649.7 | 0.0 | 0.0 | 0.0 | 649.7 | 1,042.8 |

Prior Year

| | | | | |
|------------------------------------|-----------|-----|-----|-----|
| Total turnover: letting | 3,893.3 | 0.0 | 0.0 | 0.0 |
| Operating costs | (2,850.5) | 0.0 | 0.0 | 0.0 |
| Operating surplus/(deficit) | 1,042.8 | 0.0 | 0.0 | 0.0 |

Audited Financial Accounts (AFS) 2021-2022

Particulars of turnover, operating costs and operating surplus or deficit from other activities

| | Grants from Scottish Ministers | Other revenue grants | Supporting people income | Other income | Total turnover | Other operating costs | Current Year Operating surplus/(deficit) | Prior Year Operating surplus/(deficit) |
|--|--------------------------------------|----------------------------|--------------------------------|--------------|-------------------|-----------------------------|--|--|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Wider role | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | (23.8) | (23.8) | 0.0 |
| Care and repair | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Investment property activities | 0.0 | 0.0 | 0.0 | 43.3 | 43.3 | (12.2) | 31.1 | (5.7) |
| Factoring | 0.0 | 0.0 | 0.0 | 13.4 | 13.4 | 0.0 | 13.4 | 13.4 |
| Support activities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Care activities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Contracted out services undertaken for RSLs | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Contracted out services undertaken for others | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Developments for sale to RSLs | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Developments for sale to non-RSLs | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Uncapitalised development administration costs | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other activities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | (13.7) | (13.7) | 11.2 |
| | | | | | | | | |
| Current Year Total | 0.0 | 0.0 | 0.0 | 56.7 | 56.7 | (49.7) | 7.0 | |
| | | | | | | | | |
| Prior Year Total | 0.0 | 0.0 | 0.0 | 105.7 | 105.7 | (86.8) | 18.9 | |

Audited Financial Accounts (AFS) 2021-2022

ANALYSIS - UNITS

| | General Needs Social Housing | Supported Social Housing Accommodation | Shared Ownership Housing | Other | Current Year Total | Prior Year Total |
|---------------------------------------|------------------------------------|--|--------------------------------|----------|-----------------------|---------------------|
| Units owned and managed at year end | 793 | 0 | 0 | 0 | 793 | 794 |
| Units managed, not owned at year end | 0 | 0 | 0 | 0 | 0 | 54 |
| Units owned, not managed at year end | 0 | 0 | 0 | 0 | 0 | 0 |
| Units held for demolition at year end | 0 | 0 | | 0 | 0 | 0 |
| Total units owned / managed | 793 | 0 | 0 | 0 | 793 | 848 |

COST PER UNIT - Current Year

| | General Needs Social Housing | Supported Social Housing Accommodation | Shared Ownership Housing | Other | Total |
|---|------------------------------------|--|--------------------------------|----------|---------------|
| Management & maintenance administration | £1,719 | - | - | - | £1,719 |
| Planned maintenance | £405 | - | - | - | £405 |
| Reactive maintenance | £597 | - | - | - | £597 |
| Total direct maintenance | £1,002 | - | - | - | £1,002 |
| Total management & maintenance | £2,721 | - | - | - | £2,721 |

COST PER UNIT - Prior Year

| | General Needs Social Housing | Supported Social Housing Accommodation | Shared Ownership Housing | Other | Total |
|---|------------------------------------|--|--------------------------------|-------|---------------|
| Management & maintenance administration | £1,445 | | | | £1,445 |
| Planned maintenance | £183 | | | | £183 |
| Reactive maintenance | £546 | | | | £546 |
| Total direct maintenance | £729 | | | | £729 |
| Total management & maintenance | £2,174 | | | | £2,174 |

Audited Financial Accounts (AFS) 2021-2022

SUPPLEMENTARY ITEMS

| | Current Year | Prior Year |
|--|--------------|------------|
| | £'000 | £'000 |
| Chief Executive emoluments excluding pension contributions | 70.4 | 69.8 |
| Total key management personnel emoluments | 249.2 | 197.1 |
| Total staff costs | 817.2 | 755.7 |
| External auditors' fees – audit | 11.5 | 10.0 |
| External auditors' fees – other | 1.5 | 5.0 |
| Capitalised maintenance costs | 798.9 | 168.8 |
| Capitalised development administration costs | 0.0 | 0.0 |
| Capitalised interest costs | 0.0 | 0.0 |
| Accumulated depreciation | 14,366.2 | 13,578.6 |
| Receivables - gross rental | 327.7 | |
| Receivables – bad debt provision | (247.4) | (298.2) |
| Receivables - net rental | 80.3 | 93.2 |
| Total Pension deficit recovery payments due | 1,804.0 | 1,906.0 |
| Housing loans due within one year | 241.5 | 236.0 |
| Housing loans due after more than one year | 7,187.3 | 7,679.0 |
| Other loans due within one year | 0.0 | 0.0 |
| Other loans due after more than one year | 0.0 | 0.0 |
| Overdraft / bridging finance | 0.0 | 0.0 |
| Intra-group loans due within one year | 0.0 | 0.0 |
| Intra-group loans due after more than one year | 0.0 | 0.0 |
| Intra-group lending | 0.0 | 0.0 |
| Intra-group receivables (trading) | 0.0 | 0.0 |
| Other intra-group payables (trading) | 0.0 | 0.0 |

Audited Financial Accounts (AFS) 2021-2022

CONTEXTUAL INFORMATION

| | | | |
|---|--|-------------------------------------|--|
| Accounting year end | March | | |
| Date financial statements authorised | 01/09/2022 | | |
| Are the financial statements qualified? | No | | |
| Were there any emphasis of matter points raised in the audit report? | No | | |
| External auditors' name | Azets | | |
| Number of years since a full procurement exercise was undertaken for the external auditor | 1 | | |
| Internal auditors' name | Wylie & Bisset | | |
| Number of years since a full procurement exercise was undertaken for the internal auditor | 1 | | |
| Do you have an Audit Committee? | Yes | | |
| Do you have a Treasury Management Strategy? | Yes | | |
| How do you account for capital grant income? | Accruals method | | |
| Calendar year of last housing asset revaluation | N/A | | |
| Contingent liabilities | Legal action | <input type="checkbox"/> | |
| | LSVT contract compliance | <input type="checkbox"/> | |
| | Pension | <input type="checkbox"/> | |
| | Repayment of SHG | <input type="checkbox"/> | |
| | Other | <input type="checkbox"/> | |
| | None | <input checked="" type="checkbox"/> | |
| SHAPS financial assessment risk rating | Low | | |
| Are you appealing this risk rating? | No | | |
| How many staff members not currently contributing to any scheme? | 1 | | |
| Staff Pension Schemes | | | |
| Which scheme(s) are you members of? | How many participating members in each scheme? | | |
| SHPS DC | 18 | | |
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SUBSIDIARIES AND CONNECTED ORGANISATIONS
SUBSIDIARIES

| Subsidiary name | | Subsidiary status during Financial year | Accounts status | Subsidiary company Turnover £'000 | Subsidiary company Operating surplus/(deficit) £'000 | Subsidiary company Net assets £'000 |
|-----------------|--|---|-----------------|-----------------------------------|--|-------------------------------------|
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CONNECTED ORGANISATIONS

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CONNECTED ORGANISATIONS - OTHER

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Audited Financial Accounts (AFS) 2021-2022

RATIOS

| | Current Year | Prior Year | Prior Year Sector Median |
|---|--------------|------------|--------------------------------|
| Financial capacity | | | |
| Interest cover | 642.7% | 679.5% | 442.1% |
| Gearing | 55.2% | 69.3% | 54.1% |
| Efficiency | | | |
| Voids | 0.9% | 0.7% | 0.6% |
| Gross arrears | 9.8% | | |
| Net arrears | 2.4% | 2.8% | 2.2% |
| Bad debts | (0.8%) | 2.8% | 0.8% |
| Staff costs / turnover | 20.5% | 18.9% | 20.7% |
| Key management personnel / staff costs | 30.5% | 26.1% | 14.6% |
| Turnover per unit | £5,027 | £5,037 | £5,194 |
| Responsive repairs to planned maintenance ratio | 2.4 | 0.7 | 1.9 |
| Liquidity | | | |
| Current ratio | 2.1 | 2.3 | 1.9 |
| Profitability | | | |
| Gross surplus / (deficit) | 16.7% | 26.5% | 19.6% |
| Net surplus / (deficit) | 11.9% | 21.8% | 11.9% |
| EBITDA / revenue | 25.5% | 48.1% | 31.4% |
| EBITDA exc. deferred grant | 11.7% | | |
| Financing | | | |
| Debt burden ratio | 1.9 | 2.0 | 2.1 |
| Net debt per unit | £5,425 | £6,278 | £7,053 |
| Debt per unit | £9,368 | £9,969 | £10,560 |
| Diversification | | | |
| Income from non-rental activities- | 16.4% | 18.0% | 17.5% |

Comments

| Page | Field | Comment |
|--------------------------------|---|--|
| SOCI | Turnover | Social rents and commercial properties |
| SOCI | Operating costs | operating costs per audited accounts |
| SOCI | Exceptional items | revaluation of commercial properties |
| SOCI | Interest receivable | Bank interest |
| SOCI | Interest payable | bank loan interest |
| SOCI | Release of negative goodwill | release of housing grants |
| SOCI | Decrease in valuation of housing properties | revaluation of commercial units |
| SOCI | Actuarial (loss)/gain in respect of pension schemes | per triannual review |
| SOFP | Housing properties - NBV | per audited accounts |
| SOFP | Payables: amounts falling due after more than one year | Bank loans |
| SOFP | Total deferred income: amounts falling due after more than one year comment | Deferred capital grants |
| SOCF | Acquisition and construction of properties | component replacements |
| Analysis - Affordable Lettings | Voids | voids increased in current year |
| Analysis - Affordable Lettings | Other grants | no other grants |
| Analysis - Affordable Lettings | Management and maintenance administration costs | staff and admin costs |
| Analysis - Affordable Lettings | Planned maintenance | Planned maintenance reaching more normal levels by close of year due to COVID restrictions easing |
| Analysis - Affordable Lettings | Reactive maintenance | Reactive maintenance reaching more normal levels by close of year due to COVID restrictions easing |
| Analysis - Affordable Lettings | Bad debts written (off)/back | Bad debt provision reduced in year resulting in a release of previous bad debt provision |
| Analysis - Affordable Lettings | Depreciation: housing | Depreciation to reflect new components and disposals in year together with housing stock |

Comments (i)

| Page | Field | Comment |
|-----------------------------|--|--|
| Analysis - Other Activities | Investment property activities | 4 Commercial properties continue to be owned by the association with one property being void for the full year |
| Analysis - Other Activities | Other activities | These costs were for tenant participation |
| Supplementary Items | Total key management personnel emoluments | staff full year in post this year |
| Supplementary Items | External auditors' fees - other | Additional fees previous years due to staff not being in post within finance |
| Supplementary Items | Capitalised maintenance costs | large investment in window & door replacement |
| Supplementary Items | Receivables - gross rental | per accounts |
| Supplementary Items | Receivables - bad debt provision | per accounts |
| Supplementary Items | Receivables - net rental | per accounts |
| Contextual Information | Full procurement exercise undertaken for external auditor | A full procurement exercise took place in March 2022 and only Azets tendered. |
| Contextual Information | Full procurement exercise undertaken for internal auditor | A full procurement exercise took place in November 2021 and from the 3 companies who tendered Wylie Bisset were considered the strongest |
| Contextual Information | How many staff members not currently contributing to a pension scheme? | Staff member has requested to opt out of scheme at present |

Annual Return (AR30) form

Society Name: Wellhouse Housing Association Limited

Society Num: 2469 RS

An Annual Return must be completed by all societies registered under the Co-operative and Community Benefit Societies Act 2014 ('the Act') (including any societies previously registered under the Industrial and Provident Societies Act 1965). The Annual Return must include:

- this form;
- a set of the society's accounts; and
- where required, an audit report or report on the accounts.

A society must submit the Annual Return within 7 months of the end of the society's financial year. Failure to submit on time is a prosecutable offence.

Please note that this form, including any details provided on the form, will be made available to the public through the Mutuels Public Register.

For guidance on our registration function for societies, which includes guidance on the requirement to submit an Annual Return, please see [here](#)

2.1 What date did the financial year covered by these accounts end?

31/03/2022

3.1 Please provide the names of the people who were directors of the society during the financial year this return covers.

Some societies use the term 'committee member' or 'trustee' instead of 'director'. For ease of reference, we use 'director' throughout this form.

| Name of Director | Month of Birth | Year of Birth |
|------------------|----------------|---------------|
| Jane Heppenstall | Jan | 1966 |
| Maureen Morris | Aug | 1951 |
| Michelle Harrow | Jul | 1979 |

| | | |
|----------------|-----|------|
| Darron Brown | Apr | 1977 |
| Clare Monteith | Nov | 1970 |
| Shona McKenna | Dec | 1976 |
| Sarah Morris | Dec | 1989 |
| | Mar | |

3.2 All directors must be 16 or older. Please confirm this is this case:

☒ All directors are aged 16 or over

3.3 Societies are within the scope of the Company Director Disqualification Act 1986 (CDDA). Please confirm that no director is disqualified under that Act:

☒ No director is disqualified

3.4 Please state any close links which any of the directors has with any society, company or authority.

'Close links' includes any directorships or senior positions held by directors of the society in other organisations.

N/A

3.5 Please provide the name of the person who was secretary at the end of the financial year this return covers.

Societies must have a secretary

| Name of Secretary | Month of Birth | Year of Birth |
|-------------------------|----------------|---------------|
| Martin Wilkie-McFarlane | Nov | 1966 |

4.1 Please confirm that:

☒ accounts are being submitted with this form

☒ the accounts comply with relevant statutory and accounting requirements

☒ the accounts are signed by two members and the secretary (3 signatures in total)

4.2 Based on the accounts, please provide the information requested below for the financial year covered by this return.

Number of members

99

Turnover

3986547

Assets

30827227

Number of Employees

19

Share Capital

99

**Highest rate of interest
paid on shares**

0

4.3 What Standard Industrial Classification code best describes the society's main business?

Where more than one code applies, please select the code that you feel best describes the society's main business activity. You will find a full list of codes [here](#)

SIC Code

**Renting and operating of Housing Association
real estate (68201)**

*

Societies are required to appoint an auditor to audited unless they are small or have disapplied this requirement. For further guidance see chapter 7 of our guidance:

<https://www.fca.org.uk/publication/finalised-guidance/fg15-12.pdf>

5.1 Please select the audit option the society has complied with:

- ☒ Full Professional Audit
- ☐ Auditor's report on the accounts
- ☐ Lay Audit
- ☐ No audit

5.2 Please confirm the audit option used by the society is compliant with the society's own rules and the Act

☒ We have complied with the audit requirements

5.3 Please confirm any audit report (where required) is being submitted with this Annual Return

☒ Yes

☐ Not applicable

5.4 Is this society accepted by HM Revenue and Customs (HMRC) as a charity for tax purposes?

☒ Yes

☐ No

5.5 If the society is registered with the Office of the Scottish Charity Regulator (OSCR) please provide your OSCR registration number.

☒ Registered

☐ Not applicable

OSCR Number

SC036552

5.6 Is the society a housing association?

☐ No

☒ Yes

5.7 Please confirm which housing regulator you are registered with, and provide the registration number they have given you:

☐ Homes and Communities Agency

☒ Scottish Housing Regulator

☐ The Welsh Ministers

Scottish Housing Registration Number

HAC281

6.1 Is the society a subsidiary of another society?

- ☐ Yes
☒ No

6.2 Does the society have one or more subsidiaries?

(As defined in sections 100 and 101 of the Act)

- ☐ Yes
☒ No

All societies are registered meeting one of two conditions for registration. These are that the society is either:

- a bona fide co-operative society ('co-operative society'); or
- are conducting business for the benefit of the community ('community benefit society').

You must answer the questions set out in the next section of this form, depending on which condition for registration you meet.

If you are not sure which condition for registration applies to the society please see chapters 4 and 5 of our guidance [here](#).

7.1 Condition for Registration

- ☐ Co-operative society
☒ Community Benefits society

Community benefit societies must answer the following questions in relation to the financial year covered by this return.

7B.1 What is the business of the society?

For example, did you provide social housing, run an amateur sports club etc.

Registered Social Landlord - The principal activity of the Association being the provision and management of affordable rented accommodation

7B.2 Please describe the benefits to the community the society delivered?

Here we are looking to see what the benefits to the community were. Community can be said to be the community at large. For example, did you relieve poverty or homelessness through the provision of social housing.

As a landlord and managing agent- the provision, construction, improvement and management of land and accommodation

7B.3 Please describe how the society's business delivered these benefits?

The business of the society must be conducted for the benefit of the community. Please describe how the society's business (as described in answer to question 7B.1) provided benefit to the community.

As above

7B.4 Did the society work with a specific community, and if so, please describe it here?

For instance, were the society's activities confined to a specific location; or to a specific group of people? Please note that in serving the needs of any defined community, the society should not inhibit the benefit to the community at large.

The local geographic community covers: The Wellhouse area in Easterhouse, Glasgow

7B.5 What did the society do with any surplus or profit?

For instance, did you pay a dividend to members (and if so, on what basis); did money get reinvested in the business; put into reserves; used for some other purpose?

Surplus for the year was transferred to Reserves, which are carried forward to the next financial year. These reserves are required for the future upkeep and maintenance of the properties.

7B.6 Please state any significant commercial arrangements that the society has, or had, with any other organisation that could create, or be perceived as creating, a conflict of interest.

Please tell us how you ensured that any such conflict of interest did not prevent the society from acting for the benefit of the community.

N/A

Employer Details Question 1**1a. Is the organisation a Registered Social Landlord? * ***☒ Yes ☐ No**If the organisation is a Registered Social Landlord, please provide its registration number: * ***

HAC281

1b. Registered Company Number (if applicable)

SC036552

1c. Registered Charity Number (if applicable)

SC036552

1d. Is your organisation part of a Group? * *☐ Yes ☒ No**1e. The year-end date of the latest audited statutory accounts used for this information: * ***

31/03/2022

1f. The average number of staff employed by the participating employer during the latest financial year (to be extracted from the employees note in the accounts): * *

19

1g. Do you offer any of the Final Salary or CARE structures available within SHAPS (i.e. the defined benefit structures) to new joiners? * *☐ Yes ☒ No**Balance Sheet KPI (Assets less debt) Question 2**

For monetary costs, please enter a value to the nearest £'000s e.g. £63,806,512 must be entered as 63807.

2a. Does your organisation hold any housing stock? * *☒ Yes ☐ No**The gross valuation (before depreciation) of housing properties at the latest audited balance sheet date. This should be the value in the statutory accounts, either at gross historical cost, or at a valuation. (£'000s): * ***

41022

Valuation basis**How properties have been valued (e.g. existing use value – social housing, market value – tenanted, or gross historical cost if housing is not valued in the statutory accounts). If gross historical cost is used this should be gross of depreciation and housing grants: * ***

Open Market Value Tenanted

2b. Secured debt**The value of all secured debt drawn as at the balance sheet date, including amounts due within one year and amounts due in greater than one year. "Secured debt" means any financial indebtedness for which security has been provided (e.g. bank loans, bonds issued to raise funds, or the value of pledges of security given in favour of other pension schemes, but excluding SHAPS). (£'000s): * ***

22422

2c. Cash**The value of UNRESTRICTED cash and short term cash deposits held as at the balance sheet date, net of overdrafts. (£'000s): * ***

3127

2d. Other Property Assets

The net book value of all non-housing land and buildings (including investment properties) (please do NOT include furniture, computers, vehicles etc) as at the balance sheet date (*being the book value in the statutory accounts, net of depreciation and grants*). (£'000s): * *

1408

2e. Investments

The value of fixed asset investments at the balance sheet date. *Here, fixed asset investments should exclude any investments in, or loans to other group undertakings. It should include for example, bonds, equities and managed funds.* (£'000s): * *

0

Balance Sheet KPI (Unsecured creditors) Question 3

Please detail the latest available deficit information for all defined benefit pension schemes that the company is legally liable for. Any deficit information relating to TPT managed schemes will be pre-populated. Note: where the buyout deficit is not available, please insert the pension figure instead. For monetary costs, please enter a value to the nearest £'000s e.g. £63,806,512 must be entered as 63807.

3a. Pension scheme

The value of your organisation's individual pension scheme obligations. Please note that any values relating to SHAPS and TPT's Growth Plan (GP) will be populated as applicable:

| Name of scheme: | Individual buy-out deficit: | Valuation basis: | Effective date: |
|-----------------|-----------------------------|------------------|-----------------|
| SHAPS | 838.8966 | Buy-out | 30/09/2021 |

Do you participate in any other defined benefit pension schemes? * *

☐ Yes ☒ No

3b. Social housing grants

The total value of social housing grants and other grants received in relation to the housing properties net of any amortisation. (£'000s):

Please note that under FRS 102, this value is no longer included in the fixed assets note. The value should be available from the notes in the accounts (see example input here) or otherwise please complete using your associations underlying books and records. * *

14036

3c. Other unsecured creditors

The amount of any other unsecured financial indebtedness, including trade and other creditors (for example, rent received in advance, amounts payable to other group undertakings, other taxation and social security, accruals and deferred income), but specifically excluding amortised social housing / other grant, Pension creditors and overdrafts. * *

0

Affordability KPI Question 4

For monetary costs, please enter a value to the nearest £'000s e.g. £63,806,512 must be entered as 63807.

4a. Net unrestricted incoming resources (Operating Surplus)

Recognised after expenditure but before transfers and recognised gains/losses. (£'000s):

| Latest financial year * * | Previous financial year * * | Financial year 2 years ago * * |
|---------------------------|-----------------------------|--------------------------------|
| 657 | 1061 | 1058 |

4b. Amortised social housing & other capital grants

Recognised as income during the year (£'000s):

| Latest financial year * * | Previous financial year * * | Financial year 2 years ago * * |
|---------------------------|-----------------------------|--------------------------------|
| 548 | 555 | 562 |

4c. Net interest payable

(Where interest receivable exceeds payable enter as a negative value). (£'000s):

| Latest financial year ** | Previous financial year ** | Financial year 2 years ago ** |
|--------------------------|----------------------------|-------------------------------|
| 228 | 230 | 242 |

4d. Gift aid receipts

Recognised above the operating surplus / deficit line in the income and expenditure account. (£'000s):
(normally disclosed within the turnover analysis note to the accounts).

| Latest financial year ** | Previous financial year ** | Financial year 2 years ago ** |
|--------------------------|----------------------------|-------------------------------|
| 0 | 0 | 0 |

4e. Total depreciation

Charged each year to the income and expenditure account (£'000s):
(in respect of both housing and non-housing assets, and including any impairment charges).

| Latest financial year ** | Previous financial year ** | Financial year 2 years ago ** |
|--------------------------|----------------------------|-------------------------------|
| 1175 | 1041 | 1027 |

4f. Pension costs

Total value, for each year that has been charged in the income and expenditure account. (£'000s):
(these values can usually be found in the employee information note).

| Latest financial year ** | Previous financial year ** | Financial year 2 years ago ** |
|--------------------------|----------------------------|-------------------------------|
| 65 | 57 | 52 |

4g. Employer contributions

Total value, for each year (on an accruals basis), that have been paid to all pension schemes the employer participates in. (£'000s):
(This should include employer deficit contributions paid (defined benefit and defined contribution schemes) and past service deficit payments but exclude movements to the deficit).

| Latest financial year ** | Previous financial year ** | Financial year 2 years ago ** |
|--------------------------|----------------------------|-------------------------------|
| 61 | 59 | 57 |

4h. Capital expenditure

What was the existing capital expenditure on existing housing stock in (£'000s):

| Latest financial year ** | Previous financial year ** | Financial year 2 years ago ** |
|--------------------------|----------------------------|-------------------------------|
| 798 | 253 | 443 |

Further employer information Question 5

5a. Trading & Going Concern Issues

Accounts used to complete this questionnaire are expected to be signed off on a going concern basis (please select the relevant option): **

☒ Yes ☐ No

If no, please provide further details in the box below (otherwise leave blank)

Please review the five points below and provide further details (if any one of the points are applicable to your organisation) in the box below:

- Serious financial loss (actual or potential)
- Loss of material contracts
- Serious or material reduction in the funding for care and support services e.g. for employers with significant care elements in their business where there is a withdrawal of funding from the local authority
- Default or financial difficulties of major suppliers or service providers
- Serious and immediate potential cash flow issues

5b. Assets, Debt & Security

Please review the six points below and provide further details (if any of the points are applicable to your organisation) in the box below:

- Any material reduction in housing stock or asset values (actual or potential)
- Breach or potential breach (including, for the avoidance of doubt, technical breaches) of any banking covenants
- Material changes to banking facilities
- Proposed assignation or transfer of the existing lender's security to another lender
- Material changes to any asset disposal strategy agreed with the regulator
- Intention to develop new housing units and how this may be financed (e.g. housing grants, borrowings, reserves or other sources)

5c. Other Issues / Events

Please review the six points below and provide further details (if any of the points are applicable to your organisation) in the box below:

- If your organisation has recently experienced any regulatory intervention and any actions/monitoring arising from this (e.g. downgrade)
- Qualification(s) to the audit opinion in the latest audited accounts
- Serious concern raised by lenders or auditors
- Fraud or the investigation of fraud
- Notification of the outcome of a financial assessment of the RSL or its parent/subsidiaries/related companies/connected bodies from the Trustees
- Merger or corporate transaction taking place

5d. What impact will climate change have on your organisation?

- Are any of your physical assets at risk due to climate change (e.g. flooding)?
- To what extent are additional costs anticipated due to net zero commitments?

Forecasting KPI Question 6

For monetary costs, please enter a value to the nearest £'000s e.g. £63,806,512 must be entered as 63807. Using your latest available forecast information, please complete the following fields (£'000s) to allow us to assess the future affordability of pension contributions.

6a. Operating surplus (i.e. after expenditure but before transfers and recognised gains/losses):

| Next Year ** | Next Year +1 | Next Year +2 |
|--------------|--------------|--------------|
| 1142 | 755 | 1027 |

6b. Amortised social housing/capital grant recognised as income:

| Next Year ** | Next Year +1 | Next Year +2 |
|--------------|--------------|--------------|
| 561 | 578 | 561 |

6c. Net interest payable (Enter net interest payable as positive or net interest receivable as negative):

| Next Year ** | Next Year +1 | Next Year +2 |
|--------------|--------------|--------------|
| 256 | 235 | 253 |

6d. Gift aid receipts (above the operating surplus / deficit line in the income and expenditure account):

| Next Year ** | Next Year +1 | Next Year +2 |
|--------------|--------------|--------------|
| 0 | 0 | 0 |

6e. Depreciation (above the operating surplus / deficit line in the income and expenditure account):

| Next Year ** | Next Year +1 | Next Year +2 |
|--------------|--------------|--------------|
| 1017 | 1036 | 1060 |

6f. Pension costs for all schemes (only a single figure is required here):

| Next Year ** | Next Year + 1 | Next Year + 2 |
|--------------|---------------|---------------|
| 107 | 121 | 122 |

6g. What is your estimated average annual capital spend on climate change and ESG initiatives over the next three years? * *

15

Comments:

continual improvements made as required

| | |
|-----------------------------------|---|
| Audit & Risk Committee | 1 September 2022 |
| Agenda Item | 5 |
| Title of Paper | Internal Audits – Fire & gas Safety, Homemaster Housing Management and Finance system |
| Author | Robert Murray, Finance & Corporate services Manager |
| Attachment(s) | 1. Internal Audit Fire & Gas safety 2. New Finance & Housing Management System |

FOR INFORMATION

1 PURPOSE

- 1.1 To advise the Committee on the two most recent internal audits covering Fire & Gas safety and the new Homemaster Housing management & Finance System
- 1.2 To update Committee on the findings in the report from Wylie & Bisset and to note the recommendations and the management responses.

2 RECOMMENDATIONS

- 2.1 That the Committee notes the contents from the Internal Audit Annual Report.
- 2.2 That the Committee notes the progress staff have made in addressing the recommendations of the internal audit.

3 BUSINESS PLAN, VISION AND VALUES

- 3.1 This Report is consistent with Wellhouse's Strategic Objective to provide good governance and financial management
- 3.2 This Report is relevant in respect of the following Core Values:-
 - Accountability
- 3.3 This Report also meets the requirement from the Operational Plan – "Internal Audit".

4 BACKGROUND

- 4.1 As part of the internal audit program a review of Gas & Fire Safety was carried out. The previous review was in April 2018.
- 4.2 The new Finance & Housing Management system was introduced in April 2022 and it was therefore considered appropriate to have the system reviewed at an early stage.

5 MAIN ISSUES

- 5.1 The Gas & Fire Safety audit had a strong conclusion with 8 areas of good practice identified that should be commendable to the diligence of the Asset & Maintenance team.
- 5.2 There was no recommendations within the Fire & Gas safety Audit.
- 5.3 The new Finance & Housing management system was reviewed. There were 6 areas of good practice identified
- 5.4 There were 3 recommendations, one high, one medium and one low. The High level recommendation was regarding additional unbudgeted costs and steps will be taken to ensure future projects have a clear and complete budget in place. There is a clear plan in place to complete the project by December 2022 and have the system process and procedures for each department appropriately documented.

6. DISCUSSION

- 6.1 Comments and questions are invited to Wylie Bissett who are presenting the reports

7. REGULATORY, LEGAL AND CONSTITUTIONAL ISSUES

- 7.1 Internal audit is a regulatory requirement for Wellhouse to have a comprehensive internal audit programme in place at the moment,
- 7.2 Robust budget setting and overview of such by the committee is part of our annual assurance commitment.

8. FINANCIAL IMPLICATIONS

- 8.1 These audits are within the budgeted annual plan

9. KEY RISKS

9.1

| (a) Strategic Risks | (b) Operational Risks | (c) Project Level Risks |
|--|-----------------------|-------------------------|
| There is a risk that if required policies are not put in place that there could continue to be weaknesses in the internal controls of the Association. | | |
| Mitigation | Mitigation | Mitigation |
| Accept in full Wylie Bissett recommendations and implement them immediately. | | |

10. EQUALITY, DIVERSITY & HUMAN RIGHTS IMPLICATIONS

10.1 None apparent.

11. SUSTAINABILITY

11.1 Not applicable.

12. SWOT ANALYSIS

12.1 Not required.

13. CONCLUSION

13.1 This Audit resulted in a “weak” conclusion, however, the processes put in place will avoid a repetition of these errors. In addition, the errors were noted and corrected at the time.

Wellhouse Housing Association

Internal Audit 2022-23

Gas & Fire Safety
August 2022

Overall Conclusion

Strong

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The matters raised in this report came to our attention during the course of our audit and are not necessarily a comprehensive statement of all weaknesses that exist or all improvements that might be made.

This report has been prepared solely for Wellhouse Housing Association's individual use and should not be quoted in whole or in part without prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any third party.

We emphasise that the responsibility for a sound system of internal control rests with management and work performed by internal audit should not be relied upon to identify all system weaknesses that may exist. Neither should internal audit be relied upon to identify all circumstances of fraud or irregularity should there be any although our audit procedures are designed so that any material irregularity has a reasonable probability of discovery. Every sound system of control may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas that are considered to be of greatest risk and significance.

1 EXECUTIVE SUMMARY

Overview

Purpose of review

The purpose of the assignment was to ensure that the risks surrounding the gas safety arrangements in place at the Association are appropriately managed and controlled. We also assessed the arrangements in place for fire safety at the Association.

This assignment was agreed as part of the 2022/23 Internal Audit Plan.

Scope of review

Our objectives for this review were to ensure:

- The Association has a policy for gas safety checks with appropriate procedures in place to ensure access is gained to properties as required and to ensure that checks are completed within the required timeframe.
- The Association has appropriate escalation procedures to ensure all properties have an annual gas safety check and to ensure that the process begins as early as possible to ensure full compliance.
- Only Gas Safe registered contractors or personnel are used in respect of gas safety checks within the Association.
- There are quality audits undertaken to ensure that the work carried out is of a satisfactory standard and any issues highlighted have been followed up, and value for money is being obtained from the service.
- The Association has carried out appropriate fire risk assessments where required.
- The Association has the relevant policies in place for fire safety.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

1 EXECUTIVE SUMMARY

Limitation of scope

There was no limitation of scope.

Background Information

Gas Management Policy

The Association's Gas Management Policy was created in April 2018 and was last reviewed in February 2022. The next review is scheduled for February 2025. The Policy covers the following:

- Definitions;
- Procedure;
- Quality Assurance; and
- Covid Regulations.

Roles and Responsibilities

The Assets & Maintenance Manager maintains a record of all gas appliances installed in the Association's managed properties, as well as ensuring that an annual service and safety check is carried out on all gas appliances in the property list. The Maintenance Assistant is responsible for monitoring the database of properties and updating where appropriate.

Gas Management Process

The Association's Gas Service contractor (Saltire Facilities Management) will issue letters with an appointment date to all tenants no later than 8 weeks before the service due date. If the date does not suit the tenant, the tenant will be given a 1-week window to rearrange the date.

The Gas Engineer will also carry out a safety inspection of any non-Association gas appliances in the property, whilst also testing the carbon monoxide detector, heat detector and smoke alarms. The Engineer will record all details on their CP12 documentation, including expiry dates on all alarms. These CP12s will then be forwarded to the Maintenance Assistant, who adds it to the Housing Management System.

1 EXECUTIVE SUMMARY

In the event of a no access, the Gas Engineer will complete a maintenance visit slip and leave it at the property. Following 2 access attempts, the tenancy details will be passed to the Maintenance Assistant for further action.

Below we detail the Association's approach for properties where no access is granted:

Action 1 – The Gas Service Contractor will issue a letter to the tenant informing them of their next gas service date. This should be no sooner than 8 weeks before the service due date. The tenants will have the opportunity to change their appointment by contacting the Gas Service Contractor.

Action 2 – If the Gas Service Contractor fails to gain access on the appointment date, a no access card will be left at the property encouraging the tenant to contact the Association or the Gas Service Contractor to arrange a suitable appointment.

Action 3 – If no response received by the tenant within 7 working days of the no access card being delivered, the Gas Service Contractor will try all possible means of communication with the tenant to arrange a suitable appointment. If the Gas Service Contractor fails to contact the tenant a further appointment letter will be sent to the tenant.

Action 4 – Failure by the tenant to contact the Gas Service Contractor or the Maintenance Assistant within 7 days of the action 3 letter above, will result in the Maintenance Assistant contacting the Housing Officer to ascertain if there are extenuating circumstances such as serious health issues which may impair the tenant's ability to allow access, to assess any risks which may be present during forced entry, to gain alternative contact numbers/email addresses or to ascertain any other circumstances why access has not been provided – such as abandonment, custodial sentences or long term hospital stays.

Action 5 – the Maintenance Assistant will attempt to contact the tenant by phone and/or email to make arrangements for access for this work. When calling by telephone, 3 attempts will be made (one a.m., one p.m. and one late call, and dates/times noted).

Action 6 – Where the intended action is to be taken to force entry, the standard pro forma should be fully completed and countersigned by Customer Service & Housing Services Manager or Assets & Maintenance Manager of the Association prior to proceeding with arrangements to force entry.

Action 7 – Following the enquiries made by the Maintenance Assistant in point 5 above, and with no response, action will be taken to make a forced entry and carry out the service. At this stage a letter giving at least 7 days' notice of the Association's intention to force entry will be

1 EXECUTIVE SUMMARY

hand delivered to the tenant.

These letters will note the Association's intention to gain entry by force if no access is provided on a specified date and time, the consequences and costs associated with non-cooperation and also the tenant's legal obligations under their tenancy agreement with the Association.

Action 8 – Ensure that Forced Entry Procedure is fully adhered to during the action to force entry and carry out the gas service/safety check. In addition to this, the following actions should be carried out:

1. The lock changed (if tenant not present and entry has been forced).
2. Notification left pinned to the door that the locks have been changed and the service/safety check carried out, along with details of what the tenant must do next (contact the office to retrieve the new keys during office hours outwith keys will be left at Shettleston Police Station).
3. Minimum 2 staff members (inclusive of Gas Engineer) to remain in attendance whilst gas service is carried out, property vacated and secured all as Forced Entry Procedure.
4. Where there is no gas supply (quantum meter) present at time of forced entry and service, the supply piping from the meter will be disconnected and capped on the Association's side of the meter.

The tenant will have to contact the Association directly to have this supply reinstated and the appliance serviced during the same visit.

Action 9 – When forcing entry, the Association will photograph any pre-existing damage as well as record what was done in the house and any damage caused by the Association and/or its contractors as a result of the process of breaking in.

Action 10 – If a tenant makes, then breaks an arrangement for access the Association will move on to the next stage as if no arrangement had been made.

1 EXECUTIVE SUMMARY

Quality Checks

Scotia Plumbing and Heating undertake gas safety checks on behalf of the Association. The contractor is on the Gas Safe Register, with copies of heating engineers provided to the Association annually. The engineers are required to check at least 5% of gas services each year.

Fire Safety Policy

The Fire Safety Policy was created in July 2022 and is next due to be reviewed in July 2023. The Policy is used to provide a robust fire safety framework which can be implemented to secure the safety and wellbeing of tenants, visitors, contractors, and firefighters.

Fire Risk Assessments

The Association's Housing Officers undertake fire risk assessments during their monthly walkthrough at the properties within their housing unit. The Association also undertake a fire risk assessment of the office building on an annual basis, highlighting the risks in the office and the controls in place to mitigate against the risk.

Roles and Responsibilities

The Director holds ultimate accountability and responsibility for the development and implementation of the Fire Risk Policy and processes.

The Asset & Maintenance Manager is responsible for the practical delivery and implementation of the Fire Risk Policy, processes and for identifying any areas for improvement. They are also responsible for maintaining an effective regime of fire safety/prevention and monitoring the Association's housing stock and common areas. The Asset & Maintenance Manager is also responsible for reporting any incident of fire to the Director and SMT.

The Asset Manager is responsible for maintaining a register of fire safety installations across the housing stock, as well as identifying, programming, and procuring major fire safety equipment and works.

Housing Officers carry out regular inspections of blocks and common closes monthly. Housing Officers also identify areas of concerns relating to fire safety and raise it with the Housing Manager.

1 EXECUTIVE SUMMARY

Data Analytics

We used data analytics to ensure that each of the properties within the gas register had in date CP12's. We were able to confirm this and to provide further assurance selected a sample of 80 properties to confirm that the CP12s were in place.

Work Undertaken

In line with our objectives, we undertook the following work:

Objective 1 - The Association has a policy for gas safety checks with appropriate procedures in place to ensure access is gained to properties as required and to ensure that checks are completed within the required timeframe.

- We discussed and reviewed the gas safety arrangements in place at the Association with the Maintenance Assistant.
- We reviewed the Association's Gas Management Policy to confirm that this is robust.

Objective 2 – The Association has appropriate escalation procedures to ensure all properties have an annual gas safety check and to ensure that the process begins as early as possible to ensure full compliance.

- We reviewed the process in place for arranging the gas safety service including a review of the communication with tenants.
- We undertook sample testing of 10% (80) of properties at the Association to ensure that procedures are being adhered to by the Association's staff and properties received their gas service in line with regulations.

Objective 3 - Only Gas Safe registered contractors or personnel are used in respect of gas safety checks within the Association.

- We reviewed the Gas Safe certificates of Scotia Plumbing & Heating and Saltire Facilities Management to confirm the contractors are Gas Safe registered.

Objective 4 - There are quality audits undertaken to ensure that the work carried out is of a satisfactory standard and any issues highlighted have been followed up, and value for money is being obtained from the service.

- We reviewed the external validations undertaken by contractors to ensure that they are satisfactory, and any issues are highlighted.

1 EXECUTIVE SUMMARY

Objective 5 - The Association has carried out appropriate fire risk assessments where required.

- We reviewed fire risk assessments undertaken by the Association to ensure that they were appropriate. This was confirmed during our screen share with the Maintenance Assistant.

Objective 6 - The Associations has the relevant policies in place for fire safety.

- We reviewed the Fire Safety Policy to ensure that it was robust.

1 EXECUTIVE SUMMARY

Conclusion

Overall conclusion

Overall Conclusion: Strong

Following our review, we are able to provide a strong level of assurance relating to the risks surrounding the gas and fire safety arrangements and that they are being managed and controlled. This can be highlighted by numerous good practice points and there have been no recommendations raised for improvement.

Summary of recommendations

Grading of recommendations

| | High | Medium | Low | Total |
|-------------------|------|--------|-----|-------|
| Gas & Fire Safety | 0 | 0 | 0 | 0 |

As can be seen from the above table there were no recommendations made.

1 EXECUTIVE SUMMARY

Areas of good practice

The following is a list of areas where the Association is operating effectively and following good practice.

| | |
|----|---|
| 1. | The Association has a robust and detailed Fire Policy, which was last reviewed in July 2022 and is next due to be reviewed in July 2023. |
| 2. | The Association have clear roles and responsibilities for staff relating to fire safety, which are detailed in the Fire Policy. |
| 3. | The Association carry out fire risk assessments during Housing Officers visits and inspections. |
| 4. | Scotia Plumbing and Heating undertake quality checks of 5% of properties that have received gas services for the Association. |
| 5. | The Association use Saltire Facilities Management and Scotia Plumbing & Heating for gas safety checks and quality audits. Both contractors are registered on the Gas Safety Register. |
| 6. | The Association's Gas Management Policy appropriately outlines the roles and responsibilities for gas management at the Association. |
| 7. | We tested a sample of 10% of the Association's Housing Stock (80 properties) to ensure that each property holds a valid current CP12 for 2020 and 2021, and where appropriate 2022, and that the service has been carried out within 365 days of the previous certificate being issued. No issues were identified from our testing. |
| 8. | The Association has a detailed and robust Gas Maintenance Policy, which was last updated in February 2022, and is next due to be reviewed in February 2025. |

2 BENCHMARKING

We include for your reference comparative benchmarking data of the number and ranking of recommendations made for audits of a similar nature in the most recently finished internal audit year.

Gas & Fire Safety

| Benchmarking | | | | |
|--|------|--------|-----|-------|
| | High | Medium | Low | Total |
| Average number of recommendations in similar audits | 0 | 0 | 1 | 1 |
| Number of recommendations at Wellhouse Housing Association | 0 | 0 | 0 | 0 |

From the table above it can be seen that the Association has a lower number of recommendations compared to those associations it has been benchmarked against.

3 AUDIT ARRANGEMENTS

The table below details the actual dates for our fieldwork and the reporting on the audit area under review. The timescales set out below will enable us to present our final report at the next Audit & Risk Committee meeting.

| Audit stage | Date |
|---------------------------------|------------------|
| Fieldwork start | 11 July 2022 |
| Closing meeting | 20 July 2022 |
| Draft report issued | 5 August 2022 |
| Receipt of management responses | 24 August 2022 |
| Final report issued | 24 August 2022 |
| Management Committee | 1 September 2022 |
| Number of audit days | 3 |

4 KEY PERSONNEL

Wellhouse Housing Association
Gas & Fire Safety

We detail below our staff who undertook the review together with the Association staff we spoke to during our review.

Wylie & Bisset LLP

| | | | |
|---------|------------------|------------------------|----------------------------------|
| Partner | Graham Gillespie | Partner | graham.gillespie@wyliebisset.com |
| Manager | Scott McCready | Internal Audit Manager | scott.mccready@wyliebisset.com |
| Auditor | Neil Hamilton | Internal Auditor | neil.hamilton@wyliebisset.com |

Wellhouse Housing Association

| | | | |
|---|----------------|-----------------------|-----------------------------|
| Key Contact | Jonathan Danks | Maintenance Assistant | jonathan@wellhouseha.org.uk |
| Wylie & Bisset appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and co-operation. | | | |

APPENDICES

A GRADING STRUCTURE

For each area of review, we assign a level of assurance in accordance with the following classification:

| Assurance | Classification |
|-------------|---|
| Strong | Controls satisfactory, no major weaknesses found, no or only minor recommendations identified. |
| Substantial | Controls largely satisfactory although some weaknesses identified, recommendations for improvement made. |
| Weak | Controls unsatisfactory and major systems weaknesses identified that require to be addressed immediately. |
| No | No or very limited controls in place leaving the system open to significant error or abuse, recommendations made require to be implemented immediately. |

A GRADING STRUCTURE

For each recommendation, we assign a grading either as High, Medium or Low priority depending on the degree of risk assessed as outlined below:

| Grading | Classification |
|---------|--|
| High | Major weakness that we consider needs to be brought to the attention of the Audit & Risk Committee and addressed by Senior Management of the Association as a matter of urgency. |
| Medium | Significant issue or weakness which should be addressed by the organisation as soon as possible. |
| Low | Minor issue or weakness reported where management may wish to consider our recommendation. |

Purpose of review

The purpose of the assignment is to ensure that the risks surrounding the gas safety arrangements in place at the Association are appropriately managed and controlled. We will also assess the arrangements in place for fire safety at the Association.

This assignment was agreed as part of the 2022/23 Internal Audit Plan.

Scope of review

Our objectives for this review are to ensure:

- The Association has a policy for gas safety checks with appropriate procedures in place to ensure access is gained to properties as required and to ensure that checks are completed within the required timeframe.
- The Association has appropriate escalation procedures to ensure all properties have an annual gas safety check and to ensure that the process begins as early as possible to ensure full compliance.
- Only Gas Safe registered contractors or personnel are used in respect of gas safety checks within the Association.
- There are quality audits undertaken to ensure that the work carried out is of a satisfactory standard and any issues highlighted have been followed up, and value for money is being obtained from the service.
- The Association has carried out appropriate fire risk assessments where required.
- The Associations has the relevant policies in place for fire safety.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

Limitation of scope

There is no limitation of scope.

Audit approach

Our approach to the review will be:

- Obtain and review the policies and procedures in place in relation to gas safety.
- Conduct sample testing of gas safety certificates.
- Discussing with staff the current staffing structures in place with regards to gas safety and fire safety.
- Conducting testing of contractors to ensure they are Gas Safe registered.
- Review the quality checks and monitoring procedures in place to ensure value for money.
- Review of the fire safety arrangements in place and the documentation held relating to this.
- The Association staff have received appropriate training on fire safety and gas safety.
- Review the risk assessments for fire safety and gas safety.

Potential key risks

The potential key risks associated with the area under review are:

- The Association does not have a policy for gas safety checks with appropriate procedures in place to ensure access is gained to properties as required and to ensure that checks are completed within required timeframes.
- The Association does not have appropriate escalation procedures to ensure all properties have an annual gas safety check and to ensure that the process begins as early as possible to ensure full compliance.
- Gas Safe registered contractors or personnel are not used in respect of gas safety checks within the Association.
- There are no quality audits undertaken to ensure that the work carried out is of a satisfactory standard.
- The Association has not carried out appropriate fire risk.
- The Association may have inappropriate or out of date policies for Fire Safety.

Wellhouse Housing Association

Internal Audit 2022-23

New Finance & Housing Management System
August 2022

Overall Conclusion

Weak

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Wellhouse Housing Association
New Finance & Housing Management System

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The matters raised in this report came to our attention during the course of our audit and are not necessarily a comprehensive statement of all weaknesses that exist or all improvements that might be made.

This report has been prepared solely for Wellhouse Housing Association's individual use and should not be quoted in whole or in part without prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any third party.

We emphasise that the responsibility for a sound system of internal control rests with management and work performed by internal audit should not be relied upon to identify all system weaknesses that may exist. Neither should internal audit be relied upon to identify all circumstances of fraud or irregularity should there be any although our audit procedures are designed so that any material irregularity has a reasonable probability of discovery. Every sound system of control may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas that are considered to be of greatest risk and significance.

1 EXECUTIVE SUMMARY

Overview

Purpose of review

We reviewed the implementation of the new Housing Management system, HomeMaster, to assess whether the system is working as anticipated, and that the Association is fully utilising the benefits and efficiencies that the new system offers. We also reviewed the implementation process to ensure that deadlines and costs were met, and that staff have received sufficient training on the system.

This assignment was agreed as part of the 2021/22 Internal Audit Plan.

Scope of review

Our objectives for this review were to ensure:

- The new Finance & Housing Management System is fit for purpose and operating in line with good practice.
- Data has been accurately transferred from the previous Finance & Housing Management System.
- Sufficient training has been given to those staff who will be using the new Finance & Housing Management System.
- Appropriate controls have been put in place over the new Finance & Housing Management System and these are being adhered to by staff.
- The project methodology and processes adopted in deciding to proceed with the new Finance & Housing Management System, and the governance of the project, are sound.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

1 EXECUTIVE SUMMARY

Limitation of scope

There was no limitation of scope.

Background Information

Change in System

In February 2021, the Association presented the motion to the Management Committee to consider changing the system used by the Association to manage its housing, maintenance, and financial needs. The Association used SDM, which the Association found to be causing issues and had failings as a housing management software. The following issues were highlighted relating to the SDM system used by the Association:

- Support for the system and its current lifespan;
- Cost;
- System failings against a modern-day housing system;
- Poor confidence of staff in the system; and
- A lack of financial interface.

The Committee approved the Association to explore the possibility of purchasing a new system subject to a full assessment. The Association's assessment highlighted an alternative system that could be implemented to replace SDM. The Association then presented a system analysis to the Management Committee, which outlined the current SDM system, the alternative system (HomeMaster) and the benefit of switching system for the following areas:

- Support and lifespan;
- Cost;
- System Comparison;
- Staff Opinion; and
- Finance.

1 EXECUTIVE SUMMARY

HomeMaster provided the Association with demonstrations and allowed the Association to test the system, where the Association received demonstrations on the housing, maintenance, and financial functions, as well as allowing the Association's staff members to ask any questions that they had. The Association also approached other Glasgow based housing associations who use the system, who all endorsed and recommended it.

The following are benefits of the system to the Association:

- The functionality of the dedicated customer portal accessible from any web browser or device with access to rent account, rent statements, personal information, repairs reporting, WHA newsletters and information, tenant surveys, information exchange etc.
- The functionality of the dedicated contractors' portal accessible from any web browser or device allowing job ticket access, invoice submission, information exchange etc.
- For tenants who can access live up to date information on their account.
- All tenant information stored in one secure system.
- Improved customer services through streamlined, more efficient and enhanced processes.
- Improved functionality for housing, maintenance and finance staff.

The Management Committee approved the termination of the contract with SDM and approved the new HomeMaster system on the 25th February 2021.

Costing

When assessing the costs of the implementation of the HomeMaster system, the Association reported to the Management Committee that the costs would be £23k per annum for the system which is circa £10k more than the annual cost of SDM. The Association reported to the Management Committee that the new system provides the Association with greater value for money and there are no future update costs. We also note that SDM had cost the Association £94,000 over the last 5 years as a result of upgrades to the system.

Since the process to implement the project started, the Association has paid an additional £56,004 in costs to HomeMaster for support, training and for an external consultant to assist the Association. Please see **Section 3: Detailed Recommendations** for further information.

1 EXECUTIVE SUMMARY

We note that for 2021 the Association only paid for 1 SDM licence at a cost of £2.5k and are looking to pay for this for 2023 also to allow easy access to historical information for ongoing tenant cases.

Data Transfer and Go Live

The Association utilised a HomeMaster contact and the Association's staff members to transfer the data from SDM to HomeMaster. During this process, the Association highlighted that this was a specialist task and contracted a consultant to oversee the transfer and work with HomeMaster. The consultant then mapped the data between SMD and HomeMaster and transferred the required information over.

The majority of the functions of the new HomeMaster system went live in April 2022. The main elements that did not go live are the waiting list and allocations functions were the Association are still using SDM. This is due to the Association highlighting that the new system required further work to meet their needs. As such, HomeMaster are in the process of developing a new module to allow the Association to manage its waiting lists and allocations. The Association expect this to be implemented by the end of December 2022.

The Housing Team were able to transfer over all information relating to tenants in arrears and the status of each tenant i.e. are they repaying, what letter are they on. However, the Association's Housing Team are yet to transfer over the information relating to the waiting lists, allocations and factoring and as noted above are looking to implement the HomeMaster module and transfer the relevant information by the end of December 2022.

The Finance Team fully utilise the HomeMaster system for all tasks and have successfully completed the management accounts for the 1st quarter of 2022/23. Once the 2021/23 financial statements are fully approved and signed off, the Association will transfer the balances from SDM to HomeMaster and all information will be held on HomeMaster. The Finance & Corporate Services Manager noted that once the financial statements are signed off, they will open dialogue with HomeMaster about further enhancing the reporting information from the system. Please see **Section 4: Observations** for further information.

The Maintenance Team have transferred over all information held in the previous system, with the exception of the Property Component Database. The Association are looking to transfer this over by the end of September 2022 once the 2021/22 financial statements are signed off and the assets are agreed. The Maintenance Team are utilising HomeMaster for all other tasks. Please see **Section 4: Observations** for further information.

1 EXECUTIVE SUMMARY

Project Methodology

The Association has a detailed and robust Key Information Document that outlines how each element of the project will be delivered. It outlines how the information for each element will be transferred over, and who is responsible for it. We do note, however, that set timescales for implementation of the project are not outlined. Please see **Section 3: Detailed Recommendations** for further information. The Association noted that the initial go live date was 1st December 2021 but this was delayed due to the issues highlighted thru the data transfer stage. The revised go live date was 1st April 2022 and the majority of the system is live as noted above.

Training

The new system provider hosted 3-day long sessions showing the functionality of the system, as well as answering any questions that staff at Wellhouse had regarding the system. This was further supplemented by the Association providing work shops and training to staff once the new system was live, as well as being able to practice on a test system.

Controls

Each member of staff has their own unique login, which can be accessed via the cloud-based system, meaning they are able to log in on any device. The system has a 2-factor authentication model in place for staff members to login, needing both a password and then a passcode. Access and authority are tiered within the system, meaning, for example, if an invoice of a certain amount was to be entered into the system, it would automatically go to a member of staff who has the required authentication levels to authorise it. Users are also only able to access information relating to the team they are in, with Super Users and Managers given more access than normal users.

1 EXECUTIVE SUMMARY

Work Undertaken

In line with our objectives, we undertook the following work:

Objective 1 - The new Finance & Housing Management System is fit for purpose and operating in line with good practice.

- We reviewed the business case and rational presented to the Management Committee for the new HomeMaster system to ensure that it was appropriate and had been approved.
- We also reviewed the operation and controls of the housing, maintenance, and financial functions of the system via screenshare to ensure that it is operating effectively.

Objective 2 - Data has been accurately transferred from the previous Finance & Housing Management System.

- We reviewed the information that has been transferred to the new system and discussed with staff how this was done to ensure that information has been accurately transferred.

Objective 3 - Sufficient training has been given to those staff who will be using the new Finance & Housing Management System.

- Discussions with staff regarding the training that was provided relating for the new HomeMaster system to ensure that it was sufficient.

Objective 4 - Appropriate controls have been put in place over the new Finance & Housing Management System and these are being adhered to by staff.

- We reviewed the controls in place for the new HomeMaster system to ensure that these are being adhered to by staff.

Objective 5 - The project methodology and processes adopted in deciding to proceed with the new Finance & Housing Management System, and the governance of the project, are sound.

- We reviewed the project methodology and processes adopted in deciding how to proceed and implement the new system to ensure that it was appropriate.

1 EXECUTIVE SUMMARY

Conclusion

Overall conclusion

Overall Conclusion: Weak

Following our review, we are able to provide the Association with a substantial level of assurance regarding the implementation of the new Finance & Housing Management system. The Association went live with the system in April 2022 with the exception of the allocations and waiting lists which HomeMaster are currently developing a new module for the Association. Following our review, we have raised 3 recommendations for improvement including 1 high grade recommendation relating to the costing of the system. Please see **Section 3: Detailed Recommendations** for further information. We have also raised 1 observation. Please see **Section 4: Observations** for further information.

Summary of recommendations

Grading of recommendations

| | High | Medium | Low | Total |
|---|------|--------|-----|-------|
| New Finance & Housing Management System | 1 | 1 | 1 | 3 |

The following is a summary of the recommendations we have graded as high:

- Project Budget

1 EXECUTIVE SUMMARY

Areas of good practice

The following is a list of areas where the Association is operating effectively and following good practice.

| | |
|----|---|
| 1. | The Association clearly outline their project methodology within the HomeMaster Key Information document. The document outlines how each aspect of the project will be rolled out and how this will be completed. |
| 2. | The Association's new HomeMaster system is cloud based and has a two-factored authentication in place for all staff before they are able to access the system. |
| 3. | The Association has a tiered access system in place on HomeMaster, meaning staff are only able to view information relating to their role and requirements. |
| 4. | The Association held training sessions and workshops with members of staff to ensure that they were familiarised with the new HomeMaster system. |
| 5. | <p>The Association presented the pros and cons of changing to the HomeMaster system, as well as a business case, to the Management Committee for approval in February 2021.</p> <p>The Management Committee approved the termination of the Association's contract with SDM and approved the implementation of the new HomeMaster system.</p> |
| 6. | We undertook walkthrough testing for each of the functions of the new system to ensure that there are appropriate controls in place for each. We were able to confirm that the controls for each of the functions of the new system are appropriate. |

2 BENCHMARKING

We include for your reference comparative benchmarking data of the number and ranking of recommendations made for audits of a similar nature in the most recently finished internal audit year.

New Finance & Housing Management System

| Benchmarking | | | | |
|--|------|--------|-----|-------|
| | High | Medium | Low | Total |
| Average number of recommendations in similar audits | 0 | 0 | 2 | 2 |
| Number of recommendations at Wellhouse Housing Association | 1 | 1 | 1 | 3 |

From the table above it can be seen that the Association has a higher number of recommendations compared to those associations it has been benchmarked against.

3 DETAILED RECOMMENDATIONS

| Project Budget | | | |
|----------------|---|-------|---|
| Ref. | Finding and Risk | Grade | Recommendation |
| 1. | <p>When assessing the costs of the implementation of the HomeMaster system, the Association reported to the Management Committee that the costs would be £23k per annum for the system.</p> <p>We reviewed the proposal presented to the Management Committee found that this did not consider any additional costs over and above the annual fee.</p> <p>During our review, we found that the since the process to implement the HomeMaster begun, the Association has paid an additional £56,004 in costs to HomeMaster for support, training and for an external consultant to assist the Association. While we appreciate that the additional costs were reported to the Management Committee, we found that these costs were not included within the business case presented to the Management Committee or included within a project budget.</p> <p>There is the risk that the Association is not fully aware of the additional costs required to implement the HomeMaster system. There is also the risk that the Management Committee did not have access to the full costs required to implement the system.</p> | High | <p>We recommend that the Association assess what future costs are required to ensure that the system is fully implemented and meets the needs of the Association and that these are clearly set out and monitored.</p> <p>We also recommend that for future projects the Association prepare a clear and detailed project budget and that costs against this are monitored.</p> |

3 DETAILED RECOMMENDATIONS

| Management response | Responsibility and implementation date |
|--|---|
| <p>In October 2021 when it became known that there was a need to review and purge the data within the existing SDM system specialist help was obtained. Staff within the organisation did not have the required level of skills or available time to carry out the task. The cost has enabled the migration to be more accurate and ensure that the data has been appropriately cleansed. If the original SDM system had been retained it is likely that similar costs would have been required to be spent to purge the data that had not actively been carried out for over a decade.</p> <p>The management committee were advised at regular intervals of the progress of the Homemaster system, delays and additional costs and minutes reflecting this at committee meetings have been shared with Wylie Bissett</p> <p>Ongoing improvements to the Homemaster system will be fully costed and a budget presented to Committee if any significant expenditure is required in the future. The Homemaster system contract was signed off between the association and Designer Software Solutions at a point when the association did not have a full time permanent Finance & Corporate Services Manager. Future projects will be fully costed with consideration for additional costs and contingencies considered and appropriately presented to Committee in accordance with our values.</p> | <p><i>Responsible Officer:</i></p> <p>Robert Murray</p> <p><i>Implementation Date:</i></p> <p>August 2022</p> |

3 DETAILED RECOMMENDATIONS

| Timescales | | | |
|------------|---|---------------|--|
| Ref. | Finding and Risk | Grade | Recommendation |
| 2. | <p>The implementation of a new Finance & Housing Management system is a major project and can have serious implications for the Association if this is not implemented correctly. The implementation of the system should include a clear timescale of testing and the final implementation of the project.</p> <p>During our review, we found that the Association received a Key Information Workshop document that outlined the project methodology. During our review of the document, we found that there was not clear timescales within this within the document provided to us. The Project Timescales section only noted 'N/A'.</p> <p>The Association informed us that the initial go live date was 1st December 2021 and that due to issues highlighted relating to the transfer of information between the systems that this was delayed until 1st April 2022. We were provided with emails that mentioned the plan, however, we were not given sight of the actual plan.</p> <p>We note that the Association informed us that there was a revised timetable set for the project that was on a live portal. However, as the Association no longer have access to this, we were unable to confirm if this was in place.</p> <p>There is the risk that the lack of clear timescales could lead to further</p> | Medium | <p>We recommend that the Association ensure that there are set timescales for the full implementation of the system particularly the new housing module.</p> |

3 DETAILED RECOMMENDATIONS

| | | | |
|---|------------------------------|--|--|
| | delays and additional costs. | | |
| Management response | | | Responsibility and implementation date |
| There was a clear plan in place that set out the revised date of 1 st April 2022 and after the initial delay when further work was required by Wellhouse staff and Homemaster staff regular project meetings took place. The implementation Manager from Homemaster and the Finance & Corporate Services Manager ensured that appropriate meetings were attended by key personnel and that the revised timeline did not slip and this is evidenced by the fact the project did go live at the agreed revised date of 1 st April 2022. | | | <i>Responsible Officer:</i> Carol Hamilton (Housing Manager) Robert Murray (Finance & Corporate Services Mnager) <i>Implementation Date:</i> December 2022 |

3 DETAILED RECOMMENDATIONS

| Procedure Documents | | | |
|---------------------|--|------------|---|
| Ref. | Finding and Risk | Grade | Recommendation |
| 3. | <p>The Association should ensure that there is a clear guidance documents in place that outline how each of the functionalities within the system operate.</p> <p>During our review, we found that although the Association undertook workshops and HomeMaster provided training days, the Association have yet to update their Procedure Documents to provide clear guidance to staff members.</p> <p>There is the risk that due to the lack of updated Procedure Documents in place that there are inconsistencies in the processes followed by staff members.</p> | Low | We recommend that the Association update their Procedure Documents to clearer outline the processes that should be followed by staff members. |

3 DETAILED RECOMMENDATIONS

| Management response | Responsibility and implementation date |
|---|--|
| Staff from each department continue to become familiar with the new system. The fundamental processes of the association have not changed. Within the next 3-6 months staff will ensure that the processes used within Homemaster are documented and reflect best practices with regards the new system and the need for appropriate controls and segregation of duties | <i>Responsible Officer:</i> Robert Murray (Finance & Corporate Services Manager) Carol Hamilton (Housing Manager) Bill Black (Asset & Maintenance Manger) <i>Implementation Date:</i> December 2022 |

4 OBSERVATIONS

Wellhouse Housing Association
New Finance & Housing Management System

The following is a list of observations from our review

1. The Association delayed the transfer of the finance opening balances for 2022/23 to allow for the completion and approval of the 2021/22 financial statements, this also affected the component and fixed asset list. The Association are looking to transfer this information to the HomeMaster system by the end of September 2022 following the approval of the financial statements at the AGM.

5 AUDIT ARRANGEMENTS

Wellhouse Housing Association
New Finance & Housing Management System

The table below details the actual dates for our fieldwork and the reporting on the audit area under review. The timescales set out below will enable us to present our final report at the next Audit & Risk Committee meeting.

| Audit stage | Date |
|---------------------------------|------------------|
| Fieldwork start | 11 July 2022 |
| Closing meeting | 22 August 2022* |
| Draft report issued | 23 August 2022 |
| Receipt of management responses | 24 August 2022 |
| Final report issued | 24 August 2022 |
| Management Committee | 1 September 2022 |
| Number of audit days | 3 |

*Closing meeting was delayed to allow W&B to seek further clarification.

6 KEY PERSONNEL

Wellhouse Housing Association
New Finance & Housing Management System

We detail below our staff who undertook the review together with the Association staff we spoke to during our review.

| Wylie & Bisset LLP | | | |
|--------------------|------------------|------------------------|----------------------------------|
| Partner | Graham Gillespie | Partner | graham.gillespie@wyliebisset.com |
| Manager | Scott McCready | Internal Audit Manager | scott.mccready@wyliebisset.com |
| Auditor | Neil Hamilton | Internal Auditor | neil.hamilton@wyliebisset.com |

| Wellhouse Housing Association | | | |
|---|----------------|--------------------------------------|-----------------------------|
| Key Contacts: | Robert Murray | Finance & Corporate Services Manager | robert@wellhouseha.org.uk |
| | Jonathan Danks | Maintenance Assistant | jonathan@wellhouseha.org.uk |
| | Fiona Cochran | Housing Officer | fiona@wellhouseha.org.uk |
| Wylie & Bisset appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and co-operation. | | | |

APPENDICES

A GRADING STRUCTURE

Wellhouse Housing Association
New Finance & Housing Management System

For each area of review, we assign a level of assurance in accordance with the following classification:

| Assurance | Classification |
|-------------|---|
| Strong | Controls satisfactory, no major weaknesses found, no or only minor recommendations identified. |
| Substantial | Controls largely satisfactory although some weaknesses identified, recommendations for improvement made. |
| Weak | Controls unsatisfactory and major systems weaknesses identified that require to be addressed immediately. |
| No | No or very limited controls in place leaving the system open to significant error or abuse, recommendations made require to be implemented immediately. |

A GRADING STRUCTURE

Wellhouse Housing Association
New Finance & Housing Management System

For each recommendation, we assign a grading either as High, Medium or Low priority depending on the degree of risk assessed as outlined below:

| Grading | Classification |
|---------|---|
| High | Major weakness that we consider needs to be brought to the attention of the Audit & Risk Committee and addressed by senior management of the organisation as a matter of urgency. |
| Medium | Significant issue or weakness which should be addressed by the organisation as soon as possible. |
| Low | Minor issue or weakness reported where management may wish to consider our recommendation. |

B ASSIGNMENT PLAN

Wellhouse Housing Association
New Finance & Housing Management System

Purpose of review

We will review the implementation of the new Housing Management system, Homemaster, to assess whether the system is working as anticipated and that the Association is fully utilising the benefits and efficiencies that the new system offers. We will also review the implementation process to ensure that deadlines and costs were met and that staff have received sufficient training on the system.

This assignment was agreed as part of the 2021/22 Internal Audit Plan.

Scope of review

Our objectives for this review are to ensure:

- The new Finance & Housing Management System is fit for purpose and operating in line with good practice.
- Data has been accurately transferred from the previous Finance & Housing Management System.
- Sufficient training has been given to those staff who will be using the new Finance & Housing Management System.
- Appropriate controls have been put in place over the new Finance & Housing Management System and these are being adhered to by staff.
- The project methodology and processes adopted in deciding to proceed with the new Finance & Housing Management System, and the governance of the project, are sound.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

Limitation of scope

There is no limitation of scope.

B ASSIGNMENT PLAN

Wellhouse Housing Association
New Finance & Housing Management System

Audit approach

Our approach to the review will be:

- Discussions with staff at the Association to review project arrangements that have been established and are in place.
- Evaluation of the project arrangements to assess their adequacy.
- An assessment of the implementation of the new system.
- Testing to ensure that the system are working as anticipated.
- A review of whether the Association is fully utilising the benefits and efficiencies that the new systems offer.
- Consideration of action plans and key milestone dates going forward.
- Consideration of the cost of the project against budget.
- Review sample of Committee minutes, along with management information presented to each meeting.

Potential key risks

The potential key risks associated with the area under review are:

- The new Finance & Housing Management System may not be fit for purpose and as a result does not provide an adequate assessment of performance.
- Inaccurate data has been transferred into the new Finance & Housing Management System.
- Failure to properly train staff may lead to incorrect processes being carried out increasing the time taken to complete tasks and the likelihood

B ASSIGNMENT PLAN

Wellhouse Housing Association
New Finance & Housing Management System

of erroneous data being recorded.

- Controls have not been updated to reflect the changes in systems and as a result no longer provide an effective control environment.
- Project methodology and processes adopted in deciding to proceed with the new Finance and Housing Management System, and the governance of the project, may have been inefficient.