

Scottish Housing Regulator

2023/24 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the Scottish Housing Regulator and the Auditor General for Scotland
August 2024

Contents

Key messages	3
Introduction	4
Part 1. Audit of 2023/24 annual report and accounts	6
Part 2. Financial Sustainability	13
Appendix 1. Action plan 2023/24	19

Key messages

2023/24 annual report and accounts

- 1 Scottish Housing Regulator's financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.
- 2 The Performance Report, the Government Statement and the audited part of the Remuneration and Staff Report were all consistent with the financial statements and properly prepared in accordance with the relevant legislation and directions made by Scottish Ministers.
- 3 Key risks identified for the audit of Scottish Housing Regulator's annual report and accounts were outlined in our Annual Audit Plan presented to the Audit and Risk Assurance Committee in March 2024. There are no significant matters from that work to draw to the attention of those charged with governance.

Financial Sustainability

- 4 Scottish Housing Regulator operated within its revised revenue budget and recorded an underspend of £0.188 million against its revenue budget. Capital funding was returned in year to Scottish Government due to delays in the planned office move.
- 5 Scottish Housing Regulator have high level financial projections in place for 2022-2027 and have undertaken scenario planning around some key assumptions. Scottish Housing Regulator continue to update these assumptions in 2024 and remain in discussion with Scottish Government around funding for 2024/25.
- 6 The Learning and Development Strategy has been established following a staff skills audit. Management Team receive quarterly updates on the progress of actions agreed as part of the continuing workforce activities.
- 7 The Board implemented their revised approach to Best Value. A review of the approach is due to be reported to the Audit and Risk Assurance Committee in September 2024.
- 8 SHR approved a new regulatory framework in 2023/24 following engagement and consultation with stakeholders.

Introduction

1. This report summarises the findings from the 2023/24 annual audit of Scottish Housing Regulator (SHR). The scope of the audit was set out in an Annual Audit Plan presented to the 12 March 2024 meeting of the Audit and Risk Assurance Committee. This Annual Audit Report comprises:

- significant matters arising from an audit of SHR’s annual report and accounts
- the following wider scope areas that frame public audit as set out in the [Code of Audit Practice 2021](#), which for less complex bodies includes
 - conclusions on financial sustainability
 - a review of the Annual Governance Statement.

2. This report is addressed to SHR and the Auditor General for Scotland and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

Audit appointment

3. I, Louisa Yule, have been appointed by the Auditor General as auditor of SHR for the period from 2022/23 until 2026/27. The 2023/24 financial year is therefore the second of my five-year appointment.

4. My team and I would like to thank Board and Audit and Risk Assurance Committee members, management and staff, particularly those in finance, for their cooperation and assistance in this year and we look forward to working together constructively over the course of the five-year appointment.

Responsibilities and reporting

5. SHR has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing an annual report and accounts that are in accordance with the accounts direction from Scottish Ministers. SHR is also responsible for compliance with legislation putting arrangements in place for governance, propriety and regularity that enable the board to successfully deliver its objectives.

6. The responsibilities of the independent auditor are established by the Public Finance and Accountability (Scotland) Act 2000 and the [Code of Audit Practice 2021](#) and supplementary guidance and International Standards on Auditing in the UK.

7. The weaknesses or risks identified in this report are only those which have come to our attention during our normal audit work and may not be all that exist.

Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

8. This report contains an agreed action plan at [Appendix 1](#) setting out specific recommendations, responsible officers, and dates for implementation.

Auditor Independence

9. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2023/24 audit fee of £25,530 as set out in our 2023/24 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

10. We add value to SHR by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- sharing intelligence and good practice identified.

Part 1. Audit of 2023/24 annual report and accounts

Public bodies are required to prepare annual report and accounts comprising financial statements and other related reports. These are the principal means of accounting for the stewardship of public funds.

Main judgements

Scottish Housing Regulator's financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.

The Performance Report, the Government Statement and the audited part of the Remuneration and Staff Report were all consistent with the financial statements and properly prepared in accordance with the relevant legislation and directions made by Scottish Ministers.

Key risks identified for the audit of Scottish Housing Regulator's annual report and accounts were outlined in our Annual Audit Plan presented to the Audit and Risk Assurance Committee in March 2024. There are no significant matters from that work to draw to the attention of those charged with governance.

Audit opinions on the annual report and accounts are unmodified

11. The board approved the annual report and accounts for SHR for the year ended 31 March 2024 on 20 August 2024. As reported in the independent auditor's report, in my opinion as the appointed auditor:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- expenditure and income are regular and in accordance with applicable enactments and guidance
- the audited part of the remuneration and staff report, performance report and governance statement were all consistent with the financial statements and properly prepared in accordance with the relevant legislation and directions made by Scottish Ministers.

Overall materiality was assessed on receipt of the unaudited annual report and accounts as £0.102 million.

12. Broadly, the concept of materiality is applied by auditors to determine whether misstatements identified during the audit could reasonably be expected to influence the economic decisions of users of the accounts, and hence impact their opinion set out in the independent auditor's report. Auditors set a monetary threshold when considering materiality, although some issues may be considered material by their nature. It is ultimately a matter of the auditor's professional judgement.

13. Our initial assessment of materiality was carried out during the planning phase of the audit and included within our Annual Audit Plan. This was reviewed and revised on receipt of the unaudited annual report and accounts and is summarised in [Exhibit 1](#).

Exhibit 1 Materiality values

Materiality level	Amount
Overall materiality	£0.102 million
Performance materiality	£0.077 million
Reporting threshold	£0.005 million

[Source: Audit Scotland](#)

14. The overall materiality threshold was set with reference to gross expenditure, which we judged as the figure most relevant to the users of the financial statements.

15. Performance materiality is used by auditors when undertaking work on individual areas of the financial statements. It is a lower materiality threshold, set to reduce the probability of aggregated misstatements exceeding overall materiality. Performance materiality was set at 75% of overall materiality, to reflect the experience of the finance team and the low level of errors reported in prior year audits.

16. It is our responsibility to request that all misstatements, other than those below our reporting threshold, are corrected, although the final decision on making the correction lies with those charged with governance.

Significant findings and key audit matters

17. Under International Standard on Auditing (UK) 260, we communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices.

18. The Code of Audit Practice also requires all audits to communicate key audit matters within the annual audit report under International Standard on Auditing (UK) 701. These are matters that we judged to be of most significance in our audit of the financial statements and are outlined in [Exhibit 2](#).

Exhibit 2

Significant findings and key audit matters from the audit of the annual accounts

Issue	Resolution
<p>1. Remuneration Report</p> <p>Our review of the disclosures within the Remuneration Report identified areas where corrections and improvements were required to ensure compliance with applicable guidance. A small number of disclosure amendments were processed as part of the audit. These included correcting the banding of two employees within the pay banding disclosure, updating narrative and adding more detail to the fair pay disclosures.</p>	<p>We discussed with management where the changes had to be made. They accepted the recommendations and updated the disclosure.</p> <p>As part of the preparation for the 2024/25 Annual Report and Accounts management should consider the technical guidance requirements and enhance quality control processes over the unaudited annual report and accounts to ensure that all required disclosures are included within the remuneration report.</p> <p>Appendix A, Action Plan point 1</p>
<p>2. Inter-company journals</p> <p>Our annual audit plan outlined one significant risk of material misstatement regarding the risk of management override of controls. One of our planned audit actions to gain assurances around this risk was to review a sample of journals. As part of our journal risk assessment our sample selected for journal testing included three inter-company transactions. As Scottish Government provides finance and payroll services to SHR these journals are processed by Scottish Government finance colleagues. No supporting documentation or explanation as to the purpose of the journal could be provided initially and the information is not readily available to SHR's finance officers.</p>	<p>We increased our journal sample in response to the lack of information around inter-company journals, however, we also requested that finance officers made inquiries with officers at Scottish Government around the purpose of the inter-company journals. Copies of the journals were provided and explanations as to the purpose of the journal were obtained. We recommend arrangements are established to improve understanding around all entries processed through SHR account codes.</p> <p>Appendix A, Action Plan, Point 2</p>
<p>3. Employee existence testing and contracts of employment</p> <p>Our audit approach to staff costs included substantive analytical procedures alongside</p>	<p>In response to the absence of contract documentation we considered the controls in place within SHR to verify employee numbers and the respective staff costs.</p>

Issue	Resolution
<p>substantive testing to confirm the existence of a sample of employees.</p> <p>As part of this testing, we requested copies of the contracts of employment for the staff within our sample. Scottish Government provide SHR with human resources services and as such, they hold employment contract documentation.</p> <p>As part of our testing, we also confirmed the employee's existence within the organisational structure through confirmation from their line managers of the employee working within their team.</p> <p>Whilst line managers confirmed the existence of each of the employees sampled, for four of the eight employees sampled, contracts of employment were not able to be provided due to difficulties locating paper contracts held centrally by Scottish Government. For one of these employees, a change of grade contract was provided which provided sufficient audit evidence of the employees' contract.</p>	<p>We noted that finance have a monthly process in place whereby employee numbers and staff costs are reviewed, and variances are investigated. Reasons for the identified movements between months are documented.</p> <p>For each of the employees' sampled, line managers confirmed the employee's role within SHR.</p>

Source: Audit Scotland

19. There were non-material misstatements and disclosure amendments identified within the annual report and accounts which were above our reporting threshold.

- Intangible assets: Software licences issued for a period of greater than 12 months are to be capitalised and included within non-current assets. We reviewed the intangible assets and expenditure listing and identified that the software licence was incorrectly capitalised for four years rather than five which understated the asset valuation and overstated expenditure relating to 2023/24 by £0.038 million, as well as impacting upon amortisation. An adjustment was processed which increased non-current assets by £0.038 million and reduced expenditure by the same amount. As a result of this inaccurate capitalisation, amortisation was also understated by £0.015 million, reducing the value of the intangible assets and increasing expenditure. An adjustment was processed which reduced the asset value of intangible assets by £0.015 million and increased the related expenditure by the same amount.
- Receivables: The unaudited accounts included a receivables balance of £0.032 million. On review of the balance, we noted that £0.031 million of this was input VAT. We were advised that this was a timing issue and the journal had not yet been processed. A journal was processed by Scottish Government in period 13 and this reduced the receivable balance to £0.001 million.

Our audit work responded to the risks of material misstatement we identified in the annual report and accounts

20. We have obtained audit assurances over the identified significant risks of material misstatement to the annual report and accounts. [Exhibit 3](#) sets out the significant risks of material misstatement to the financial statements we identified in our 2023/24 Annual Audit Plan. It also summarises the further audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 3

Identified significant risks of material misstatement in the annual report and accounts

Audit risk	Assurance procedure	Results and conclusions
<p>1. Risk of material misstatement due to fraud caused by management override of controls</p> <p>As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<ul style="list-style-type: none"> • Assess the design and implementation of controls over journal entry processing including making inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. • Test journals at the year-end and post-closing entries and focus on significant risk areas. • Consider the need to test journal entries and other adjustments during the period. • Evaluate significant transactions outside the normal course of business. • Assess the adequacy of controls in place for identifying and disclosing related party relationship and transactions in the financial statements. • We will assess any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year. • Substantive testing of income and expenditure 	<p>We assessed the design and implementation of controls over journal entry and authorisation and concluded that these were appropriate. We reviewed the listing of year-end journals. We assessed the listing and considered risk factors including seldom used account codes and journals processed by infrequent posters. We selected a sample of journals from across the financial year following consideration of the risk factors.</p> <p>As noted in Exhibit 2, the journal sample included three inter-entity journals identified from the journal risk assessment. Documentation was not initially available to support these journals and in response we increased our journal sample. However, following discussion between Scottish Government and SHR finance officers all required documentation was provided.</p> <p>We have made a recommendation within Appendix 1 for arrangements to be established to ensure that officers understand the purpose and details of all journals and transactions</p>

Audit risk	Assurance procedure	Results and conclusions
	<p>transactions around the year-end to confirm they are accounted for in the correct financial year.</p> <ul style="list-style-type: none"> • Focussed testing of accounting accruals and prepayments. 	<p>posted through the SHR account codes.</p> <p>We concluded that from the journal sample and documentation reviewed that there were no indications of management override of controls.</p> <p>No significant transactions outside the normal course of business were identified.</p> <p>Reviewed the arrangements in place for the identification and disclosure of related party relationships and transactions and did not identify any issues.</p> <p>We reviewed accounting estimates and concluded these were appropriate.</p> <p>Our testing confirmed that expenditure transactions were properly accounted for in the correct financial year. SHR only receive income in the form of funding and not from any other sources. We reviewed and confirmed funding had been properly disclosed in the accounts.</p> <p>Focused testing of accruals did not identify any issues.</p> <p>Conclusion: Our audit work has not identified any evidence of management override of controls however, we have recommended arrangements be established to understand the details of inter-company journals processed through SHR account codes.</p>

Source: Audit Scotland

The unaudited annual report and accounts were received in line with the agreed timetable

21. The unaudited annual report and accounts were received in line with our agreed audit timetable on 22 April 2024. The underlying working papers provided were of a good standard and additional information was provided as requested throughout the course of the audit.

Governance Statement and Performance Report is consistent with the financial statements.

22. The governance statement reflects the governance and risk management arrangements in place within SHR. It includes a review of effectiveness of internal control and risk management.

23. The performance report outlines the strategic priorities of SHR and provides a summary of activities and actions taken during the year to meet each priority. The report reflects the level of engagement with stakeholders, including tenants, service users, urban and island landlord groups, local authorities and Scottish Government. It outlines engagement with the Scottish Parliament's Local Government, Housing and Planning Committee and Social Justice and Social Security Committee and the evidence sessions attended.

24. Our review of the governance statement and performance report included within the 2023/24 annual report and accounts concluded that both are consistent with the financial statements and have been properly prepared in accordance with the accounts direction and applicable sectoral guidance.

Good progress was made on prior year recommendations

25. SHR has made good progress in implementing the one audit recommendation from 2023/24. This related to workforce strategy and details of the work SHR have undertaken to address this recommendation is included at paragraph 37-41 and summarised in [Appendix 1](#).

Part 2. Financial Sustainability

Financial sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.

Conclusion

Scottish Housing Regulator operated within its revised revenue budget and recorded an underspend of £0.188 million against its revenue budget. Capital funding was returned in year to Scottish Government due to delays in the planned office move.

Scottish Housing Regulator have high level financial projections in place for 2022-2027 and have undertaken scenario planning around some key assumptions. Scottish Housing Regulator continue to update these assumptions in 2024 and remain in discussion with Scottish Government around funding for 2024/25.

The Learning and Development Strategy has been established following a staff skills audit. Management Team receive quarterly updates on the progress of actions agreed as part of the continuing workforce activities.

The Board implemented their revised approach to Best Value. A review of the approach is due to be reported to the Audit and Risk Assurance Committee in September 2024.

SHR approved a new regulatory framework in 2023/24 following engagement and consultation with stakeholders.

Audit work has addressed the wider scope risks identified in our Annual Audit Plan

26. [Exhibit 4](#) sets out the wider scope risks relating to Financial Sustainability we identified in our 2023/24 audit. It summarises the audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

Exhibit 4

Risks identified from the auditor's wider responsibility under the Code of Audit Practice

Audit risk	Assurance procedure	Results and conclusions
<p>1. Financial Sustainability Scottish Housing Regulator continue to face challenges to their financial sustainability due to uncertainty over future funding allocations as Scottish Government provide funding on an annual basis.</p> <p>In the short to medium term there will be continued financial uncertainties and pressures. There is a risk that detailed financial projections and analysis will not be available to support robust medium to long term financial planning decisions.</p>	<ul style="list-style-type: none"> • Review of budget monitoring reports presented to the Board. • Discussions with management on financial plans and budgets. 	<p>We have reviewed budget monitoring reports presented to the Board on a quarterly basis. The reports provide an overall picture of expenditure against budget and include sufficient detail in the narrative to explain the main budget variances.</p> <p>We have reviewed high level financial assumptions and projections for the period 2022-2027. These include some scenario planning including considering the impact of variables around pay inflation, non-pay expenditure costs and changes to funding levels.</p> <p>We also reviewed financial monitoring arrangements and concluded that these were appropriate.</p> <p>Conclusion: SHR have an approved budget for 2024/25 and have developed high level five-year projections which included scenario planning around key assumptions including funding, staff costs and other non-pay expenditure pressures.</p>

Source: Audit Scotland

SHR operated within its revised budget for 2023/24

27. SHR is a Non-Ministerial Department body and receives its funding directly from the Scottish Government. SHR is responsible for ensuring that the financial outturn position at the year-end is within the budget allocated by Scottish Ministers.

28. The Scottish Government's 2023/24 budget was published in December 2022. It outlined a revenue budget for SHR of £5.318 million, a capital budget of £0.400 million and a non-cash budget of £0.236 million. Following the Spring Budget, a budget revision was actioned resulting in a final budget for 2023/24 of £5.424 million.

29. The final revenue outturn position for SHR was an underspend of £0.188 million against the revised budget. This was largely due to reductions in anticipated office accommodation costs due to the planned office move being delayed and staff cost underspends due to recruitment timescales.

30. SHR returned £0.400 million of their capital funding to Scottish Government as part of the mid-year review. The funds could be returned due to delays in finalising a move to new office accommodation and therefore costs associated with the office fit-out not being required.

31. [Exhibit 5](#) below shows SHR's reported financial outturn performance against Departmental Expenditure Limits (DEL).

Exhibit 5 Performance against DEL in 2023/24

Performance	Initial budget £m	Final budget £m	Outturn £m	Over/(under) spend £m
Resource DEL	5.318	5.424	5.000	0.424
Non-Cash	0.236	0.236	0.093	0.143
Capital DEL	0.400	0.000	0.000	0.000
Total DEL	5.954	5.424	5.093	0.567

Source: Scottish Housing Regulator Annual Report and Accounts 2023/24

SHR prepared and approved an annual budget for 2024/25 alongside high-level five-year projections for 2022-2027 which included scenario planning around key assumptions

32. In March 2024, the Board approved the revenue budget for 2024/25. SHR's revenue funding allocation has reduced by £0.111 million to £5.207 million. The budget paper presented to the Board in March 2024 outlined the financial challenges facing SHR which included continuing high rates of inflation and price rises due to supply chain issues. It also highlighted that SHR need to self-fund the centrally agreed 2024/25 pay award which put further pressure on budgets.

33. SHR have been allocated capital funding of £0.100 million. This is a reduction from the initial 2023/24 capital budget of £0.400 million, however, as noted in paragraph 29, the capital budget was returned in full in 2023/24 due to SHR not moving to new office accommodation as anticipated. SHR plan to move to new office accommodation by mid-2024. The capital funding allocated will be used to support planned IT kit replacement and new furniture required for the new office. The reduction in the capital budget is reflective of the reduced capital costs anticipated for the new office.

34. In addition, Scottish Government have allocated Annually Managed Expenditure (AME) budget of £0.200 million to cover accommodation lease payments. The non-cash budget of £0.100 million will cover depreciation of IT assets.

35. Scottish Government have agreed with SHR that the audit fee will be an adjustment to the accounts, therefore the resource budget set aside for the audit fee can be utilised elsewhere.

36. SHR have five-year high level financial projections in place for 2022-2027. This includes scenario planning around key assumptions including pay awards and inflation. These assumptions will continue to be updated throughout 2024 ahead of dialogue with the Scottish Government on their funding for financial year 2025/26. Given the high proportion of staffing costs as a percentage of the overall budget, SHR have been working on their workforce strategy and should continue to ensure their workforce plans, financial plans and budgets are closely linked to ensure the sustainability of services in the medium term.

SHR have continued to develop workforce activities and have published their Learning and Development Strategy

37. Following audit recommendations, SHR have reviewed and developed their workforce activities. Since 2018, Management Team have reviewed workforce activities and arrangements including completing an organisational restructure which moved from three divisions to two; managed the impact of Covid and refreshing the organisational approach to staff changes and recruitment activities.

38. Throughout 2022/23, Management Team considered progress undertaken and continued with the 2023/24 workforce planning activities including a review of induction arrangements and a staff skills audit which resulted in an updated Learning and Development Strategy.

39. Management Team received quarterly updates throughout the year. The updates detailed progress against each activity. This provides Management Team with an opportunity to regularly review progress, identify any additional activities required and make any changes or refinements required. Furthermore, the agenda for the monthly Management Team meetings continues to have a standing item 'People' on the agenda which provides a further opportunity to discuss any relevant issues.

40. In 2023/24, SHR commissioned consultants to complete a staff skills audit. This provides baseline information that will support decisions around succession planning, skill retention and skills development within the workforce. Following the staff skills audit, SHR have developed a Learning and Development Strategy. This outlines the organisations approach to learning and development, the responsibilities of each individual, line manager, management team and also outlines the range of training approaches and methods available.

41. SHR have invested significant time in developing their workforce activities. These activities have now progressed beyond organisational structures to skill sets and developing the skills needed within the workforce to meet their organisational objectives.

SHR has an established approach to demonstrating their commitment to Best Value

42. [Ministerial guidance to Accountable Officers](#) for public bodies and the [Scottish Public Finance Manual](#) (SPFM) sets out the accountable officer's duty to ensure that arrangements are in place to secure best value. The guidance sets out the key characteristics of best value and states that compliance with the duty of best value requires public bodies to take a systematic approach to self-evaluation and continuous improvement.

43. During the year, SHR implemented their agreed approach to Best Value. Best Value themes have been considered with regards to their Board papers to help monitor and demonstrate SHR's commitment to Best Value. A review of the approach is due to be reported to the Audit and Risk Assurance Committee in September 2024 along with an assessment as to how well SHR have monitored and demonstrated Best Value through their work.

44. SHR reviewed their regulatory framework in 2023/24. In June 2023, SHR launched a discussion paper on the future of social housing regulation in Scotland. The paper set out potential changes to the regulation of social landlords in Scotland and invited stakeholders to share their views.

45. A total of 64 written responses were received from stakeholders including individual tenants, tenant groups, landlord representative and membership bodies, registered social landlords, local authorities and other stakeholders. Further stakeholder engagement also took place when SHR presented the discussion paper at conferences and events.

46. In January 2024 JRS Research Consortium published a report which collated and analysed the responses received and reported the overall findings. SHR responded to broad themes from the consultation feedback and to commonly raised issues in the document titled '*Our regulation of social housing: our response to consultation feedback*' which was published in February 2024. Both documents are available on SHR's website.

47. Following review of the consultation feedback it was evident that a majority of respondents agreed with most of the proposals SHR had set out. However, some changes to the proposed framework were actioned as a result of the consultation exercise. These included amending the guidance on Notifiable Events and Annual Assurance Statements and combining the statutory guidance on requesting a review of a regulatory decision with the guidance to request an appeal of a regulatory decision.

48. In January 2024, SHR Board approved the regulatory framework. The Framework sets out how SHR regulate both Registered Social Landlords (RSLs) and the housing and homelessness services provided by local authorities. The Framework also outlines the sectors regulatory requirements, how SHR obtain assurances and what actions they can take. It also outlines approaches to reporting including thematic work and responding to inquiries, information requests and appeals.

49. The framework outlines a risk-based approach to regulation. This enables SHR to prioritise resources to focus on areas of risk and to plan engagement with landlords through scrutiny, engagement and intervention.

50. The work undertaken by SHR in consulting and developing their regulatory framework demonstrated their commitment to best value through the communication of their vision, the stakeholder consultation and engagement and the outlining of their intention to direct resources to areas of risk.

Appendix 1. Action plan 2023/24

2023/24 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p>1. Remuneration Report</p> <p>Our review of the disclosures within the remuneration report identified areas where corrections were required, and improvements could be made to ensure compliance with technical guidance.</p> <p>Risk – Disclosures do not comply with the applicable guidance.</p>	<p>As part of the preparation for the 2024/25 Annual Report and Accounts management should consider the technical guidance requirements and ensure all required disclosures are included within the remuneration report.</p> <p>Quality control processes should be introduced to confirm the disclosures are in line with the required guidance.</p> <p>Exhibit 2, Point 1</p>	<p>Management Response: FReM will be reviewed to ensure that all required disclosures are made.</p> <p>Responsible officer: Business Manager</p> <p>Agreed date: March 2025</p>
<p>2. Inter-company journals</p> <p>Our journal risk assessment identified three journals for testing relating to intercompany balances processed by the Scottish Government finance team. No documentation or information was initially available to explain the purpose of the journal, however, following discussions between SHR and Scottish Government finance officers, appropriate details and documentation was provided.</p>	<p>Arrangements should be established to ensure finance officers understand the purpose and details of all journals and transactions posted through the SHR account codes by Scottish Government.</p> <p>Exhibit 2, Point 2</p>	<p>Management Response: New internal processes will be put in place as part of the transition to Oracle Cloud.</p> <p>Responsible officer: Finance Officer</p> <p>Agreed date: March 2025</p>

Issue/risk	Recommendation	Agreed management action/timing
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Risk – Journals are processed incorrectly through the account codes of SHR.

Follow-up of prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
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1. Workforce Strategy

Management continue to deliver planned workforce activities. Arrangements are in place for progress updates to Management Team.

Risk – Without robust workforce planning, there is a risk that SHR will not be able to operate effectively whilst maintaining financial balance.

SHR should continue to monitor progress against planned workforce activities and adjust future priorities and activities to reflect changes to budget allocations and financial projections.

Management have completed a staff skills audit and have started delivering key training needs identified from this audit to staff. SHR have introduced a new Learning & Development Strategy to ensure the skills retention and continuing development of the skills of their staff.

Complete

Scottish Housing Regulator

2023/24 Annual Audit Report

Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit:

www.audit-scotland.gov.uk/accessibility



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