

# SOCIAL HOUSING TECHNICAL UPDATE

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# AUDIT PREPARATION



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## HOT AUDIT TOPICS - COVID

Income?

Impairment?

Going Concern?  
Recoverability?

Pension Assets?

Remote Auditing?



## HOT AUDIT TOPICS - COVID- INCOME

- ▶ Collection of income impacted by Covid?
  - Rental income
  - Sales
  - Bad debts
  - Other contracted income

# HOT COVID TOPICS - PENSIONS

- ▶ Management and auditor challenge of assumptions
- ▶ Additional work on pension assets
- ▶ Require confirmation from Investment funds on assets.
- ▶ GMP Equalisation/McCloud
- ▶ SHPS





## HOT COVID TOPICS- GOING CONCERN

- ▶ Effective for periods commencing on or after 15 December 2019.
- ▶ Audit Quality - UK auditors will follow significantly stronger requirements than those required by current international standards.

Separate entity  
forecasts

Stronger challenge of  
management's GC  
assessment - more  
evidence

Contradictory evidence  
/ Changes YoY

Strengthening  
communication with  
those charged with  
governance

Reasonableness of  
disclosures - clearer

Professional scepticism  
and management bias



# HOT COVID TOPICS-IMPAIRMENT

- ▶ Existing Assets
- ▶ Asset in development
- ▶ Investment Property
- ▶ Goodwill



# HOT COVID TOPICS-RECOVERABILITY

- ▶ Rent
- ▶ Investments in subsidiaries
- ▶ Goodwill





# HOT COVID TOPICS-REMOTE AUDITING

- ▶ Changes to control environment
- ▶ Works well where clarity of responsibilities
- ▶ BDO inflow
- ▶ Good Planning
- ▶ Quality review by client a must



# WHAT'S ON THE HORIZON

## New Auditing Standards



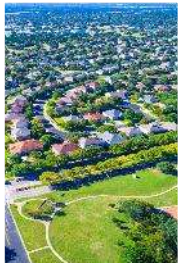
### **ISA 570: (REVISED) GOING CONCERN**

More work required



### **ISA 540 (REVISED) ACCOUNTING ESTIMATES**

Increased emphasis on understanding management's processes.



### **AUDIT REPORT: CHANGES**

Effective from Dec 2020 year ends.



# WHAT'S ON THE HORIZON

## THE 'BIG 3' INTERNATIONAL STANDARDS



### IFRS 15: REVENUE

From contracts with customers  
Effective from 2018



### IFRS 9: FINANCIAL INSTRUMENTS

Effective from 2018



### IFRS 16: LEASES

Effective from 2019







# THE WIDER ENVIRONMENT

Hamid Ghafoor, Head of Social Housing - North

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# TOPICS OF DISCUSSION

- ▶ Audit Market insight
- ▶ Regulator insight

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## TOUGH TIME FOR AUDIT FIRMS

**“Grant Thornton, Mazars Ripped for Flawed U.K. Government Audits”**

Accountancy Today Oct 2020

**“UK watchdog finds apparent breaches by KPMG's Carillion audit-”**

Financial Times Nov 2018

**“Watchdog announces crackdown on sloppy auditing after string of scandals.” |**

Insider Oct 2019

**Thomas Cook's auditor EY to be investigated-**

BBC NEWS - Nov 2019



## AUDIT- DIRECTION OF TRAVEL

- ▶ Significant increase in audit regulation
- ▶ Audit Focus Firms focus is quality
- ▶ Reduction of choice of Firms in social housing
- ▶ Increasing Costs
- ▶ Potential change in scope of audit.
- ▶ CMA/Kingman/Brydon
- ▶ Focus on Audit Committee composition.
- ▶ This focus on quality only going to increase.



# REGULATORY FOCUS

- ▶ Stock condition Surveys
- ▶ Business plans and Stress testing
- ▶ Data Quality
- ▶ Risk flows
- ▶ Covid
- ▶ Structure of organisations
- ▶ Rents
- ▶ Consumer standards



# QUESTIONS

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