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Private & Confidential
The Management Committee
Yorkhill Housing Association Limited
1271 Argyle Street
Glasgow
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4 August 2026

Our ref: JESP/CHHE/YORKHA01

Dear Committee members

Yorkhill Housing Association Limited
Audit findings for the year ended 31 March 2026

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. Our audit work is substantially complete, other than the following:

- Post year end management accounts to be provided
- Solicitors' letter remains outstanding
- Finalisation of supplier statement testing

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

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.

Identified risk of material misstatement	Audit approach	Audit findings and conclusions
Management override of controls Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it is a risk of material misstatement due to fraud and thus a significant risk **Risk of material misstatement: Very High**	Procedures performed to mitigate risks of material misstatement in this area included: • Review of accounting estimates, judgements and decisions made by management; • Testing of journal entries; and • Review of any unusual 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. **Risk of material misstatement: Low**	In respect of going concern, we have reviewed: • your assessment of going concern; • the annual budget; • the long term financial forecasts; • current banking facilities; and • post year end management accounts.	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.

Identified risk of material misstatement	Audit approach	Audit findings and conclusions
Impairment of housing properties- this is a key accounting estimate An impairment may have occurred and not be recognised meaning that housing properties are overstated in the financial statements. **Inherent risk of material misstatement:** • Housing properties (Valuation): **Medium**	• 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 also looked for potential impairment indicators such as: -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.
Defined benefit pension scheme - this is a key accounting estimate 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. **Inherent risk of material misstatement:** • Defined benefit pension liability (Completeness, valuation and classification): **Medium**	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.	From the audit work performed we are satisfied that the pension valuation has been correctly accounted for and disclosed within the financial statements. We also confirmed that the actuarial assumptions were in line with benchmark assumptions.

Covenant compliance		
Yorkhill Housing Association must monitor its compliance with the loan covenants. Breaches would technically mean that the loans are repayable unless the breaches are waived by the lender. Any potential requirement to repay could have a significant impact on the Association's financial position. **Inherent risk of material misstatement:** • Bank loans (Rights & obligations): Medium	We reviewed the loan facilities in place during the year and at the year end, with particular attention to the loan taken out in the year. We have reviewed your workings to test the covenants, and have re-performed the calculations based on the final statutory financial statements. We also reviewed any correspondence from the lenders during the year to identify any potential indications of breaches.	From our review we did not identify any issues with the covenant workings prepared nor did we identify any breaches of covenants at the year end.

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 at 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.

We have noted our observations in Appendix III.

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 if required	Self-review	Corporation tax compliance services are provided by a separate tax team.
iXBRL tagging of the financial statements	Self-review Management decisions	The iXBRL tagging is performed by a tax assistant, not involved in the actual engagement team or wider audit department, 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.

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

Jennifer Spence
Senior Statutory Auditor
jennifer.spence@azets.co.uk

Appendix I
Corrected misstatements

SCHEDULE OF PROPOSED ADJUSTMENTS

Journals			Statement of Financial Position		Statement of Comprehensive Income	
			Increase	Decrease	Decrease	Increase
TOTAL COMPREHENSIVE INCOME PER TRIAL BALANCE						255,843
1	Dr	Factoring control account	110,271			
	Cr	Prepaid rent and factoring		110,271		
	Being:	reallocation of prepaid rent and factoring to creditors for statutory disclosure purposes				
2	Dr	Factoring management costs			95,062	
	Cr	Management and maintenance costs				95,062
	Being:	reclassification of factoring administration costs recognised within general admin costs				
3	Dr	Administration expenses			22,490	
	Cr	Prepayments		22,490		
	Being:	historical prepayments balance released in the year				
4	Dr	Loans due > 1yr	10,423			
	Cr	Loans due < 1yr		10,423		
	Being:	correction to loan ageing in line with loan agreement				
		Total	120,694	143,184	117,552	95,062
		Net effect	-	22,490	-	22,490
		Adjusted Total Comprehensive Income				233,353

Appendix II
Uncorrected Misstatements

SCHEDULE OF UNCORRECTED MISTATEMENTS

Journals			Statement of Financial Position		Statement of Comprehensive Income	
			Increase	Decrease	Decrease	Increase
1	Dr	Factoring arrears bad debt expenses			24,769	
	Cr	Factoring arrears debtor		24,769		
	Being:	adjustment to incorporate provision against potentially irrecoverale factoring arrears				
2	Dr	Office properties - cost brought forward		5,000		
	Cr	Office properties - depreciation brought forward	5,000			
	Being:	adjustment to ensure cost and depreciation brought forward agree to prior year signed accounts (although net correctly to nil)				
3	Dr	Rent arrears debtor	29,583			
	Cr	Rent arrears bad debt expense				29,583
	Being:	adjustment for potential overstatement of provision over irrecoverable rent arrears debtors				
4	Dr	Bank	22,501			
	Cr	Expenses				22,501
	Being:	unreconciled amount between bank statement confirmation and trial balance				
5	Dr	Expenses			40,514	
	Cr	Trade creditors		40,514		
	Being:	ureconciled variance between trade creditors balance per the nominal ledger and the year end trade creditors listing				
6	Dr	Grant income			25,737	
	Cr	Other debtors		25,737		
	Being:	adjustment to write off grant award in dispute in respect of the windows project				
7	Dr	Other creditors	6,562			
	Cr	Rental income				6,562
	Being:	adjustment to write off rent in advance held in suspense accounts that is not allocated to any specific tenant				
8	Dr	Housing Property asset - Land	412,416			
	Cr	Housing Property asset - Stucture		412,416		
	Dr	Housing Property asset - Land	8,248			
	Cr	Housing property - depreciation				8,248
	Being:	adjustment to allocate an element of property additions to land and remove potential over-depreciation				
9	Dr	Bad debt expense			39,203	
	Cr	Other debtor - Overnewton Centre		39,203		
	Being:	adjustment to provide against potentially irrecoverable debt from Glasgow City Council in respect of the operation of the Overnewton Centre				
		Total	484,310	547,639	130,223	66,894
		Net effect	-	63,329		63,329

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 on prior year points

Area	Observation	Implication	Recommendation	Follow up in current year
Bad Debt Provision Other deficiency	It was noted that there was no movement in the bad debt provision. An unadjusted error is noted in appendix II.	There is a risk that is that the rental arrears figure is over or under stated in the accounts.	The bad debt provision should be reviewed to ensure this is appropriate. The client should perform a formal review each year end with input from finance and housing.	Point remains outstanding.
Trade creditors listing reconciliation Other deficiency	The trial balance for trade creditors at the year end did not reconcile to the trade creditors listing at the year end – although Homemaster confirmed that the year end balance in the nominal ledger was correct, not having a listing that is up to date and reconciled means that there is a risk that the creditors balance is misstated.	There is a risk that balances are misstated without being identified, as trade creditors listing cannot be relied on to perform reconciliations to supplier statement balances.	The trade creditors listing should be reviewed by the finance team and by Homemaster to ensure that the issue with the trade creditors listing is fixed and that the trade creditors listing is reconciled to the trade creditors balance per the nominal ledger.	Point remains outstanding.

Current year points

Area	Observation	Implication	Recommendation	Management response
Bank Reconciliations	There was a difference between the bank balance per the bank confirmation received at the year end and the bank balance per the Association's trial balance. Although a bank reconciliation had been performed, this was not retained and therefore was not able to evidence whether this related to an expected variance or an error.	There is a risk that the variance in the bank could relate to an error or omitted posting in the Association's financial records and no reconciliation being held makes it more difficult to evidence that no such error has occurred.	Bank reconciliations should be performed on a regular basis and retained as evidence that all transactions have been accounted for.	
Bad Debt Provision – Rental Arrears	It was noted that there was no movement in the bad debt provision covering rental and factoring arrears. An unadjusted error is noted in appendix II.	There is a risk that is that the rental arrears and factoring arrears figures are over or under stated in the accounts.	The bad debt provision should be reviewed to ensure this is appropriate. The client should perform a formal review each year end with input from finance and housing.	