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Hillcrest Homes (Scotland) Limited

For the year ended 31 March 2026

Audit Summary Report to those charged with Governance

CT Audit Limited is registered in Scotland (SC765600). Our registered office is at 61 Dublin Street, Edinburgh EH3 6NL. Offices in Glasgow, Inverness and London. For full contact details visit www.ct.me.

CT Audit is registered to carry on audit work and is regulated by the Institute of Chartered Accountants of Scotland. Details about our audit registration can be viewed at www.auditregister.org.uk.

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Limitations of this report

This report refers only to material matters we have identified from our audit of the financial statements of Hillcrest Homes (Scotland) Limited, for the year ended 31 March 2026, that we think merit being brought to your attention. The matters raised in this report are only those which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all issues affecting the financial statements of Hillcrest Homes (Scotland) Limited.

Any recommendations for improvements should be assessed by you for their full commercial impact before they are implemented. We draw your attention to the fact that management are responsible for identifying, evaluating and managing risk, including new risks and those which change.

This report has been prepared solely for your use as the Governing Body and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose.

Executive summary

Introduction

The purpose of this report is to highlight the key issues affecting the preparation of the financial statements for the year ended 31 March 2026. It is also used to report to management matters arising from our audit work and to meet the mandatory requirements of International Standard on Auditing (UK) 260 – Communication with those charged with governance.

Changes to our audit plan

In the conduct of our audit, we have not had to alter or change our audit plan, which we communicated to you in our Audit Planning Document dated February 2026. We note how we have addressed the risks identified at planning.

Status of the audit

Our audit is substantially complete although we are finalising our procedures in the following areas:

- Obtaining and reviewing the letter of representation.
- Updating our post balance sheet events review to the date of signing the financial statements.

Audit adjustments

The audit adjustments are discussed in the 'Audit Adjustments' section of this document.

Control matters

The management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of financial control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to the Governing Body.

Matters arising from the financial statements audit and any recommendations have been discussed with senior management and noted in the 'Issues Arising During the Audit' section.

Financial statements opinion

We propose to give an unqualified opinion on the financial statements.

Appreciation

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

Accounting and audit risks and responses

Issues identified at planning stage

As noted in our Audit Planning Document submitted to the Governing Body, the following audit risk areas in respect of the financial statements being materially misstated were identified as significant matters and therefore were considered in detail during our audit fieldwork.

Business risks

Risk and audit response	Resolution
Risk Future developments and strategic plans and their impact on funding requirements, future support services, housing and the overall going concern assumption. Response We will examine strategic business plans and budget projections, evaluating the underlying assumptions to confirm their reasonableness and prudence.	We have reviewed the budget for 2026/27 and the 5 year forecast. We are satisfied that the assumptions that these are based on are reasonable and that suitable variance analysis has been undertaken. We have also reviewed the loan covenant calculations and note that there does not appear to be any indication of a breach over the next 12 months. However, we would recommend that the forecasts are continually stress tested in relation to increasing cost inflation. Based on the above we are satisfied that the Association have sufficient reserves to continue to meet obligations as they fall due.
Risk Consideration of Governance and risk assessment and management. Response The governance framework, risk register, minutes, internal audit reports and any reports from regulatory authorities will be reviewed.	We have reviewed the governance framework, including internal audit reports and any reports from regulatory authorities. We are satisfied that there is an appropriate governance structure in place, as well as an appropriate risk assessment structure implemented; which is well managed.

Audit risks

Risk and audit response	Resolution
Risk Existence, ownership and valuation of housing stock. Response Obtain title deed certification and review results of stock valuation reports and consider if there are any indications of impairment.	We are satisfied that there are no indications of impairment within the housing stock from our testing. Furthermore, we discussed this with management who also confirmed that they were not aware of any issues in relation to impairment of the housing stock.

Risk Accounting and disclosure in respect of related entities. Response We will review inter-company balances to ensure these fully reconcile. Additionally, we will review the financial statements of each entity to confirm that they have been prepared with accurate and complete disclosures.	We are satisfied from our review of the individual entities financial statements, that all relevant and appropriate disclosures have been made in accordance with the legislative requirements. In addition, we have performed disclosure checklists to gain assurance over the disclosures in the financial statements.
Risk Completeness of borrowings and compliance with bank funding covenants Response Verification to third party confirmation and review reports monitoring compliance with covenants during the year.	The completeness of borrowing has been tested with no matters arising. We are satisfied from our review that bank covenants continue to be complied with during the year.
Risk Completeness of income and revenue cycle controls. Response Perform analytical review procedures and completeness testing on the rent accounting system. Agree key sources of non-rental income to third party agreements.	We are satisfied that income has not been materially misstated in the financial statements from the audit work completed. The procedures and controls were reviewed, and income appears to have been allocated appropriately. Additionally, substantive testing was carried out with no issues arising.
Risk Fraud/management override. We have a duty under ISAs to consider and assess the risk of fraud/management override impacting each of our clients. Response We will ask management for their assessment of fraud/management override risk. We will also seek confirmation of any fraud that may have arisen during the year.	We reviewed and tested the Association's systems and are satisfied that there are sufficient controls and procedures in place to identify and mitigate the risk of material fraud. Our testing did not identify any instances of fraud or management override during the year. Furthermore, we used our audit data analytic software to perform testing on the journal entries posted throughout the year. There were no issues arising to bring to your attention.

Risk Completeness of related party disclosure within the financial statements. Under the clarified ISAs we are required to consider the susceptibility to material misstatement due to fraud or error resulting from related party relationships and transactions. Response Discuss with management and review minutes to confirm all related party transactions are correctly recorded and disclosed.	On review of related party disclosures, we are satisfied they are reasonable and complete. The related party transactions were found to be in compliance with the ISAs.

Issues arising during the audit

During the course of our audit work we noted the following issues that we wish to bring to your attention:

Issue	Resolution
Housing Statement of Recommended Practice (SORP) 2026 The SORP was updated in April 2026 to reflect the amendments to Financial Reporting Standard (FRS) 102 and will become effective for periods beginning on or after 1 January 2026. The financial statements for the year ended 31 March 2027 will be the first set to comply with these changes for the Association. The main changes arising from the new SORP are: • Rental income • Lease accounting • Grant income • Narrative reporting Further information is set out in the next column.	Rent from social housing is classified as lease income, as these tenancies are essentially lease agreements. This income should be recorded evenly over the life of the agreement, unless a different method more accurately reflects how the benefit is earned. This is not expected to result in changes to the Associations existing accounting. In terms of the new lease accounting requirements, operating leases (e.g. for property) will have to be accounted for on the balance sheet as assets and liabilities. There is no exemption for intra-group leases, albeit they would be eliminated on consolidation. Grant income does not follow the standard five-step revenue model. Instead, it is treated as a non-exchange transaction under FRS 102 (Sections 24 and 34). Under this framework, grant income is generally recognised only when there is reasonable certainty that the grant conditions will be complied with and the funds will actually be received. If the grant is tied to specific performance-related conditions, it can only be recognised once those specific requirements are fulfilled. This is not expected to result in changes to the Associations existing accounting for grants, but should be assessed carefully, particularly in relation to non-traditional grant funding received. The previous requirement for RSLs to prepare a detailed strategic report at the front of their financial statements has dropped from those with 5,000+ units to 1,000+ units. The key areas to be covered within the strategic report are: • Objectives and strategy; • Development and performance; • Financial position; • Future developments; • Principal risks and uncertainties; • Analysis using financial and non-financial KPIs; and • Governance and statements required by the Scottish Housing Regulator In practice, the Association already includes the above, but it will be important to review the report in detail to ensure appropriate compliance.

	We would be happy to assist with the assessment of the above and its impact on the financial statements of the Association.

Issues arising during the prior year audit

During our audit work in the prior year we noted some issues which are of ongoing relevance. The table below describes these issues and the actions taken to address them.

Issue	Resolution
Draft financial statements From our review of the financial statements of the Association we noted some amendments in respect of the risk disclosures and other minor formatting issues. We also note that the strategic report and the report of the Governing Body can be combined.	We have updated the financial statements accordingly other than combining the strategic and Governing Body report. This can be reviewed in the forthcoming year.
Other Fixed Asset Register During our testing on other fixed assets we noted that the fixed asset register did not fully reconcile to the closing figures in the financial statements.	We recommended that a regular reconciliation of the fixed asset register is undertaken to ensure that it reflects all assets in use. We are satisfied that the fixed asset register reconciles back to the accounting data.
Service charges Per note 2 within the financial statements, the level of disclosed service charge income is significantly less than the disclosed service charge costs. We would normally expect these two figures to be closely aligned.	From discussions with management, we understand that certain service charge income is included within the rents receivable figure. Whereas the service charge cost reflects the full cost of these services. This is still the case for 2026. We therefore continue to recommend that the allocation of income and expenditure from service charges is reviewed and this note updated accordingly.

Forthcoming developments

We enclose a copy of our Technical Developments briefing document which we hope will be of interest to you. If you have any questions regarding any of the content please do not hesitate to contact us.

Internal Control

Weakness and governance issues arising during the audit

We have set out below areas of accounting and internal control weakness that we consider should be brought to the attention of the Trustees which arose as a result of our audit work.
This does not constitute a comprehensive statement of weaknesses that may exist in internal controls or of all improvements which may be made

Definition of priorities

High	Issues subjecting the organisation to material risk which should be addressed as a matter of priority.
Medium	Issues subjecting the organisation to actual or potential significant risk.
Low	Matter which, if addressed, will enhance efficiency and effectiveness.

Issues arising

We are pleased to note that our audit has not identified any control weaknesses or governance issues in the current year.

Weaknesses arising in the prior year

The table below highlights the issues raised in the prior year audit summary report and follows up on the actions taken to address them. Recommendations have been ranked in terms of priority reflecting the risk attaching to the recommendation.

Issues arising	
Issue 1	From our testing we identified that one new starter had no contract in place on the HR file.
Previous recommendation	We recommended that all employees have a signed contract of employment.
Priority	High
Action to date	Our testing did not identify any new starts that did not have a signed contract in place.
Current position	Matter resolved

Audit adjustments

Impact of audit adjustments made

The were no audit adjustments identified in the year.

In addition, there were some presentational and disclosure changes which arose during the course of our audit and, as agreed with you, these have been reflected in the financial statements.

ISA 260 reporting requirements

International Standard on Auditing ('ISA') 260 "Communication of audit matters with those charged with governance" requires us to communicate relevant matters relating to the audit of the financial statements to those charged with governance.

We have set out opposite how each of the key areas has been addressed and where they have been reported:

ISA 260 Requirement	CT Response
Confirmation of the independence of both the Firm and the audit team	Confirmed.
Confirmation of audit approach and scope	Confirmed via planning document.
Consideration of significant accounting policies	Considered throughout the audit process and discussed with management as appropriate.
Consideration of any material risks and exposures	Considered throughout the audit process and further within this report.
Schedule of material audit adjustments (adjusted and unadjusted)	None noted.
Consideration of material uncertainties casting doubt on the entity's ability to continue as a going concern	None noted.
Significant disagreements with management	None noted.
Expected modifications to the auditor's report	None noted.
Material weakness in the accounting and internal control system	None noted.

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