Lochaber Housing Association Limited

Audit Summary Report
for the year ended 31 March 2026

www.tc-group.com

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Scope

The purpose of this report is to summarise for the Board of Management the key issues arising from our audit of the Financial Statements. This report is only for the use of the Association and must not be disclosed to any third party without our written consent. We do not assume responsibility to any other person in respect of this report or the audit.

Acknowledgements

We would like to thank the Association's management and staff for their assistance and co-operation during the audit.

Audit Opinion

Based on our detailed audit work which is carried out in accordance with International Standards on Auditing, we have been able to satisfy ourselves that the Financial Statements provide a true and fair view of the Association's affairs and have therefore issued an unmodified audit opinion on the Financial Statements for the year ended 31 March 2026.

Responsibilities

The responsibilities of the Board of Management and ourselves as auditors are set out in our engagement letter.

Letter of Representations

Our audit opinion is based on the signing of the letter of representations and the accounts by the Board of Management and no further significant events arising up to the point of signing the audit report. The letter of representations has been sent to the Association for approval by the Board of Management.

Fraud

Although we are required under International Standards on Auditing to consider fraud when carrying out our audit, the purpose of our audit is not the detection of fraud. Responsibility for the prevention and detection of fraud rests with the Board of Management who should not rely wholly on the external audit function to discharge these responsibilities.

Scope of Audit

The main objective of the audit is to form an opinion as to whether the Financial Statements of Lochaber Housing Association Limited give a true and fair view and confirm that they are prepared under UK GAAP and comply with the Co-operative and Community Benefit Societies Act 2014, Housing (Scotland) Act 2010 and the Determination of Accounting Requirements 2024. Our audit report is made solely to the Association's members, as a body. Our audit work is undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. In those circumstances, to the fullest extent permitted by law, we will not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for the audit report, or for the opinions we form. Further details of the scope of the audit are set out in our engagement letter.

Audit Independence and Ethics

We can confirm that we have complied with the FRC ethical standard and the ethical safeguards as set out in the Audit Plan.

Audit Plan

The Audit Plan for the period ended 31 March 2026 sets out any matters that we are required to inform you of under the Financial Reporting Council (FRC) Ethical Standard and International Standard on Auditing (UK) 260: "Communication with those charged with governance". We can confirm that as far as we are aware there are no changes to these matters or any further issues that may reasonably be thought to bear on the objectivity and independence of the audit team.

Ethical Assurance

We can specifically confirm:

- the firm is not dependent on the audit fees;
- the firm is not owed significant overdue fees;
- there is no actual or threatened litigation between the firm and the Association;
- no benefits have been received by the audit team which are not modest;
- the firm does not have any mutual business interest with the Association; and
- no members of the audit team have any personal or family connections with the Association or officers.

At the conclusion of the audit, we have also conducted a review of our independence and objectivity. In our professional opinion, our independence and objectivity have not been compromised and the firm has acted in accordance with the FRC Ethical Standard.

Key Audit Issues

We have set out below how we have dealt with the key audit issues and risks during the course of the audit.

Risks identified during audit planning	Resolution
Management Override of Controls In all organisations, there is a risk that management and Board members have the opportunity to process transactions or make adjustments to the records outside the normal financial control process. Such transactions could result in a material misstatement within the financial statements. As a result, we consider this a significant risk area in accordance with the International Standard on Auditing (UK) 240 "The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements".	Our audit work did not identify any override of financial controls.
Revenue Recognition Under the International Standard on Auditing (UK) 240 "The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements", there is a requirement for the auditor to presume that the Association could adopt accounting policies or recognise income in such a way that leads to a material misstatement of the reported revenue of the Association.	Our audit work did not identify any material misstatement of revenue.
Development Risk (financial) The Association has a continuing development programme and, as such, risk is increased due to the potential impact of the overall viability of each project and, in turn, upon the Association as a whole.	Our audit work did not identify any material misstatement relating to developments.
Loan Covenant Compliance The Association requires to meet loan covenants set by its various lenders.	Our audit work did not identify any issues with loan covenant compliance.

Key Audit Issues (Continued)

Risks identified during audit planning	Resolution
Current Economic Climate The current economic climate is likely to have a significant impact on the operations of the Association including, but not limited to, affordability of rents, increased costs of finance, potential cost overruns on development and impairment.	Our audit work did not identify any issues in relation to the current economic climate that would impact on the financial statements or our audit opinion.

Qualitative Aspects of the Financial Statements

We have considered the key qualitative aspects of the financial statements and are satisfied these are reasonable.

Qualitative Aspects	Audit Findings
Accounting Policies FRS 102 requires that entities should review their accounting policies regularly to ensure they are appropriate to their particular circumstances for the purposes of giving a true and fair view. As part of the audit, we consider the appropriateness of these policies.	We have reviewed the Association's significant accounting policies and are satisfied that they are appropriate to the Association's circumstances.
Accounting Estimates and Judgements FRS 102 requires that entities should use estimates and judgements appropriate to their particular circumstances for the purposes of giving a true and fair view. As part of the audit, we consider the appropriateness of these estimates and judgements.	We have reviewed the Association's significant accounting estimates and judgments and are satisfied that they are reasonable and appropriate to the Association's circumstances.
Timing of Transactions The Board of Management is responsible for having accounting systems in place which accurately record financial transactions. During the audit we consider whether transactions have been recorded within the correct period.	No material recording issues were identified during the course of the audit.
Going Concern The Board of Management is responsible for assessing whether the Association is a going concern for 12 months from the date of signing of the audit report. As auditors we review the Board of Management's assessment and whether we believe it is appropriate.	Based on our audit work we have concluded that the Board of Management's assessment is appropriate.
Disclosures The Association is responsible for the preparation of the financial statements. We consider whether they are presented in accordance with UK GAAP.	We did not identify any material disclosure errors within the Association's financial statements.

Adjustments to the Financial Statements

We have considered the impact on the audit report of any potential adjustments identified during the course of the audit.

Scope

During the course of our audit, we may identify potential adjustments to the financial statements. All potential adjustments, which are not trivial, are discussed with the Association's management. The decision as to whether to adjust the financial statements lies with the Association as responsibility for the financial statements lies with the Association. As auditor, when preparing our audit report, we will consider whether the financial statements are materially misstated.

Adjustments made to the financial statements	Dr £	Cr £	
Housing properties held for letting transfer	1,949,306		Being adjustment to Rankin Crescent for properties not deemed complete
Housing properties under construction transfer		1,949,306	
Government grant additions	2,960,000		Transfer Allia donation from HAG additions to Other Grant additions
Other grant additions		2,960,000	
Reactive Repairs		787	Being late adjustment for LHAPs cost margin
Housing Property Depreciation	7,922		
Housing Property Loss on component disposal		7,240	
Housing property Depreciation charge		7,922	
Housing property Depreciation disposal		3,514	
Housing Property addiitons component cost	7,223		
Housing Property disposals	10,754		
Accruals		6,436	
Interest income		9,318	Being late adjustment for accrued interest received
Prepayments	9,318		

Adjustments to the Financial Statements (continued)

Adjustments made to the financial statements	Dr £	Cr £	
Major repairs – planned		7,249	Being late adjustment for correction to grant funded Eco additions
Housing Property loss on component disposal	81,072		
Revenue Grant	3,668		
Housing Property Depreciation Disposal	177,715		
Housing Property Additions Component Cost		2,751	
Housing Property Disposals		258,787	
Other Grant additions	6,332		
Insurance claims recharged	79,234		Being late adjustment for Link rent balances
Link Housing Rent payable		37,954	
Link Properties Landscaping		2,256	
Link Insurance Rechargeable		79,234	
Other Creditors	40,210		
Government Grant Amortised	941		Being late adjustment to depreciation and grant amortisation after changes to component additions
Housing Property Depreciation		12,613	
Housing Property Letting Depreciation charge	12,163		
Other Grant Amortisation in year		941	
Unadjusted differences	**Dr £**	**Cr £**	
There were no unadjusted errors identified in the period			

Internal Controls

Significant control weaknesses identified during the course of the audit will be brought to the attention of the Board of Management.

Scope

During the audit we will consider if we have identified any control weaknesses, from our work, which are of sufficient importance to be brought to the attention of the Board of Management. It should be noted that the matters dealt with in this report came to our attention only during the normal course of our audit work and is not as a result of a special review of the Association's systems, procedures and controls. The findings in this report are not designed to be a complete record of weaknesses in your system.

Responsibility

Overall responsibility for maintaining adequate financial reporting systems and systems of internal control, as well as for the prevention and detection of fraud, irregularities, and other errors, rests with management.

Management

Please note that any control weaknesses noted are not intended to reflect in any way on the integrity or competence of any member of the Association's staff from whom we have received every assistance and co-operation.

Findings

Details of our findings and recommendations are set out on the following pages.

Internal Controls (Continued)

Current Control Weaknesses

Observation and Implication	Recommendation	Client's Response
Component life spans We note that the quoted life spans of certain components per the Stock Condition Modelling report do not agree with the depreciation accounting policies quoted in the accounts as shown below: Hot Water Cylinder – accounting policy life of 10 years compared with 20 or 40 in the report. Windows – accounting policy life of 25 years compared with 30 in the report. Kitchens - accounting policy life of 15 years compared with 20 in the report.	We recommend that the depreciation policies are reviewed and brought in line with the Stock Condition Modelling.	
Bad debt write-offs We noted that there was an instance in February 2026 where bad debts were written off before board approval had been given.	We recommend that board approval is always obtained before bad debts are written off.	

Internal Controls (Continued)

Current Control Weaknesses

Observation and Implication	Recommendation	Client's Response
Tenancy Agreements During our fieldwork, a signed tenancy agreement could not be located for one of the tenants.	We recommend that the Association ensures signed tenancy agreements are held for all tenants.	
Wages recharges We noted that salary recharges are still being netted off against salary costs.	We recommend that salary recharges are shown as income rather than being netted off against salary costs.	

Other Matters

Fraud

Although we are required under International Standards on Auditing to consider fraud when carrying out our audit, the purpose of our audit is not the detection of fraud. We have previously enquired about the risk of fraud with management and a representative of your Board of Management. We have not been made aware of any other incidents in the period. Responsibility for the prevention and detection of fraud rests with the Board of Management which should not rely wholly on the external audit function to discharge these responsibilities.

Matters in relation to laws and regulations

We have not been made aware of any significant incidences of non-compliance with relevant laws and regulations. If there are any it is important that we are made aware of these prior to signing the financial statements. Any areas of non-compliance identified during the audit would be listed in the Recommendations section of the Audit Summary Report.

IT Monitoring Controls

As part of our audit, we consider the adequacy of IT monitoring controls and gain an understanding of the entity's information systems. Any deficiencies identified during the course of the audit would be listed in the Recommendations section of the Audit Summary Report. It should be noted that our work is only carried out to form an audit opinion and does not constitute a full review of the IT environment. Responsibilities for IT controls rests with the Management Committee who should not rely wholly on the external audit function to discharge these responsibilities.

Related Party Transactions and Post Balance Sheet Events

During the audit we have made enquiries of management regarding related party transactions and post balance sheet events. All related party transactions and significant post balance sheet events that either you have made us aware of, or we have identified as part of the audit work, are disclosed in the financial statements. You will confirm within the Letter of Representations that there are no omissions.

Other Matters (Continued)

SHAPS

As part of our audit work on the SHAPS pension scheme liability, we review the ISAE3402 report. This report is audited by PWC and looks to provide The Pension Trust (TPT) with assurance over the controls in place. During our review of the report, we noted that PWC have given a qualified audit opinion due to weaknesses identified in some of TPT's internal controls. TPT has responded to these comments, and we note that they have stated that a number of these points are legacy issues still within the systems. While we do not believe that that the identified control weaknesses would result in a material misstatement of the liability reported in your financial statements, we would recommend that the Association should consider the ISAE3402 report and TPT's responses and ensure that it is satisfied with the controls and actions being taken.

SHAPS Contingent liability

Judgement is expected soon in respect of the ongoing legal case involving the Pensions Trust. At present, a contingent liability is disclosed within the financial statements as the outcome of the case is uncertain and the value of any additional liability cannot be measured accurately. Should judgement be passed prior to signing the financial statements then revisions may be required in order to ensure the accounts show a true and fair view.

Future Issues

Our website www.tc-group.com/news contains details of some of the latest accounting and legislative issues affecting Associations.

A Greener Audit

The firm is committed to minimising its impact on the environment in the services that it provides. The following measures have been put in place to minimise the carbon footprint of your audit:



Paperless Audit
The audit was entirely paperless. The work was carried out electronically and will be stored electronically.



Travel
We did not travel to your premises to carry out audit work, and the majority of work was carried out by staff working from home.



Reporting
All our reporting to you, including our audit report, was provided to you electronically.



Meetings
All meetings were carried out using video conferencing applications.



Power
We use cloud based servers from a company that has net zero emmisions.



Commitment
We are committed to further reducing our carbon footprint.

We aim to further develop this process and will seek to report to you annually on the environmental impact of our audit and will, where appropriate, make recommendations where improvements could be made to your systems that will have an environmental benefit.

Contacts

Should you require any further information regarding any matter raised in this report, then please contact one of your key contacts as set out below:

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