Loreburn Housing Association

Annual Report to the Management Committee on the External Audit for the Year Ended 31 March 2026

August 2026

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1. Executive Summary

1.1 Key Reporting Matters

Audit Opinion: We expect to issue an unmodified audit opinion both in terms of the true and fair view opinion and that on Internal Financial Controls.

1.2 Governance & Internal Control

We have undertaken an overall review of the governance arrangements and process of internal control in place at Loreburn Housing Association. Based on our findings it appears that the entity has strong systems in place to comply with governance requirements.

1.3 Fraud and irregularities

An assessment was made of the adequacy of the systems and controls for the prevention and detection of fraud and irregularities during our audit planning procedures. No areas of significant concern were found during normal audit procedures.

1.4 Control Recommendations

We have made three recommendations in relation to the year ended 31 March 2026. We understand there were no recommendations in relation to the 2025 audit and have not had sight of any through our formal minute review. As such there are no recommendations brought forward from the prior year audit.

1.5 This Report

We ask the Management Committee to:

- Consider the issues raised in this annual report before approving the financial statements; and
- Consider the letter of representation (Appendix A) and confirm you are comfortable with the representations proposed.

1.6 Going Concern

We expect to issue an unqualified opinion on the accounts of Loreburn Housing Association for the year ended 31 March 2026. Forecasts and financial projections indicate that the entity has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future, and for this reason will continue to adopt the going concern basis in the preparation of its Financial Statements. As auditors we are satisfied, following review of the forecasts and financial projections, that the Management Committee assessment of the going concern basis of preparation is appropriate.

2. Introduction

2.1 Appointment

This is Wbg's 1st year as the external auditors for Loreburn Housing Association. This Annual Report has been prepared following the conclusion of our audit of the financial statements of Loreburn Housing Association for the year ended 31 March 2026.

2.2 Respective Responsibilities

Our audit has been carried out in accordance with our statutory responsibilities and International Standards on Auditing (UK) issued by the Financial Reporting Council. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements.

It also includes an assessment of the significant estimates and judgements made by the Management Committee in the preparation of the financial statements, and of whether the accounting policies are appropriate to the entity circumstances, consistently applied and adequately disclosed.

2.3 Reporting Framework

Our audit report on the financial statements for the year ended 31 March 2026 is expected to be unqualified.

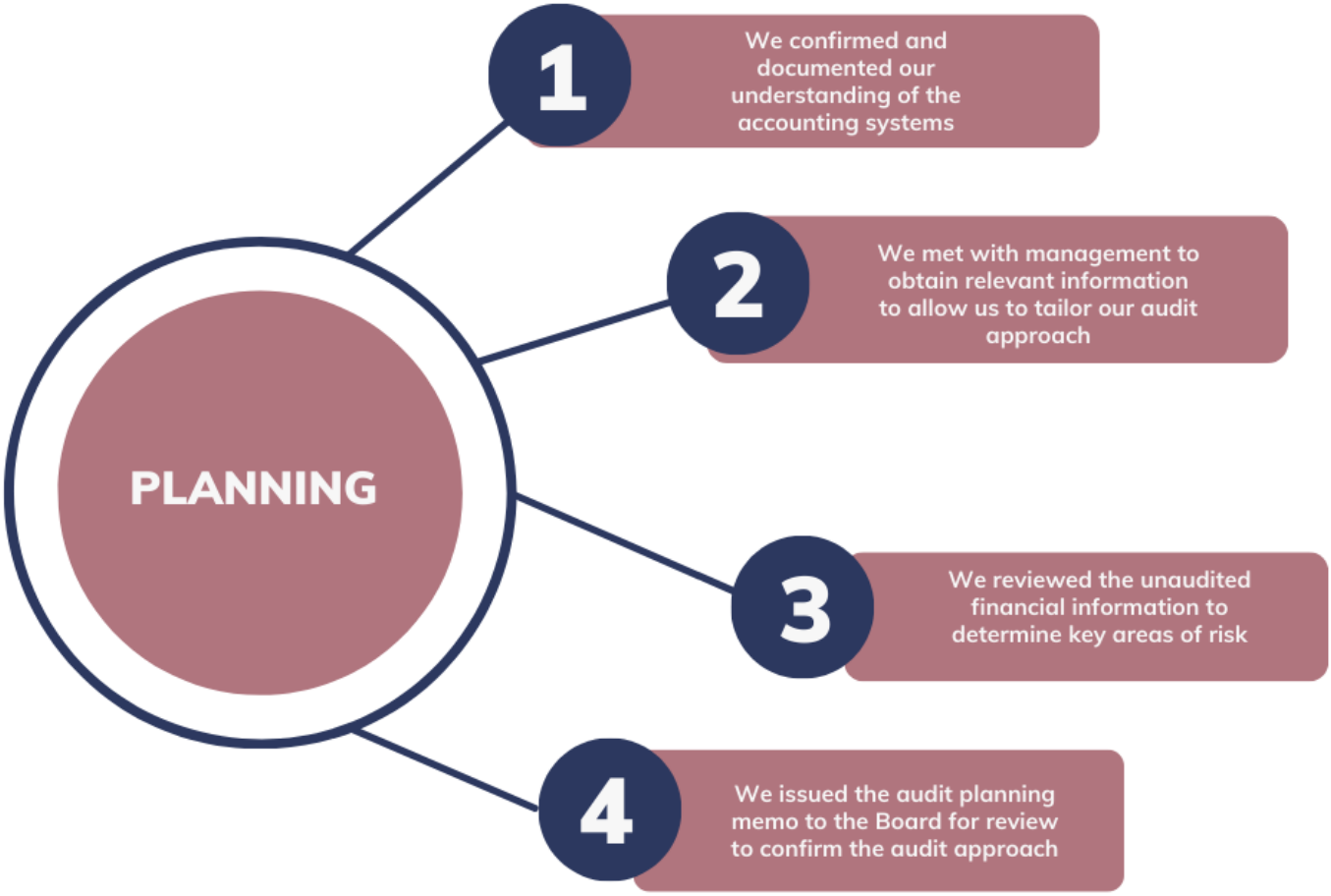
Our audit work has been designed to enable us to form an audit opinion on the financial statements of the entity and should not be relied upon to disclose all weaknesses in internal controls in relation to the entity's systems and financial statements.

This Annual Report has been prepared for the purposes of the management and Management Committee and should not be issued to third parties without our prior written consent. We would emphasise that our comments in this report are not intended to be any reflection on the integrity of the entity's employees whom we would like to thank for their help and assistance throughout our audit work.

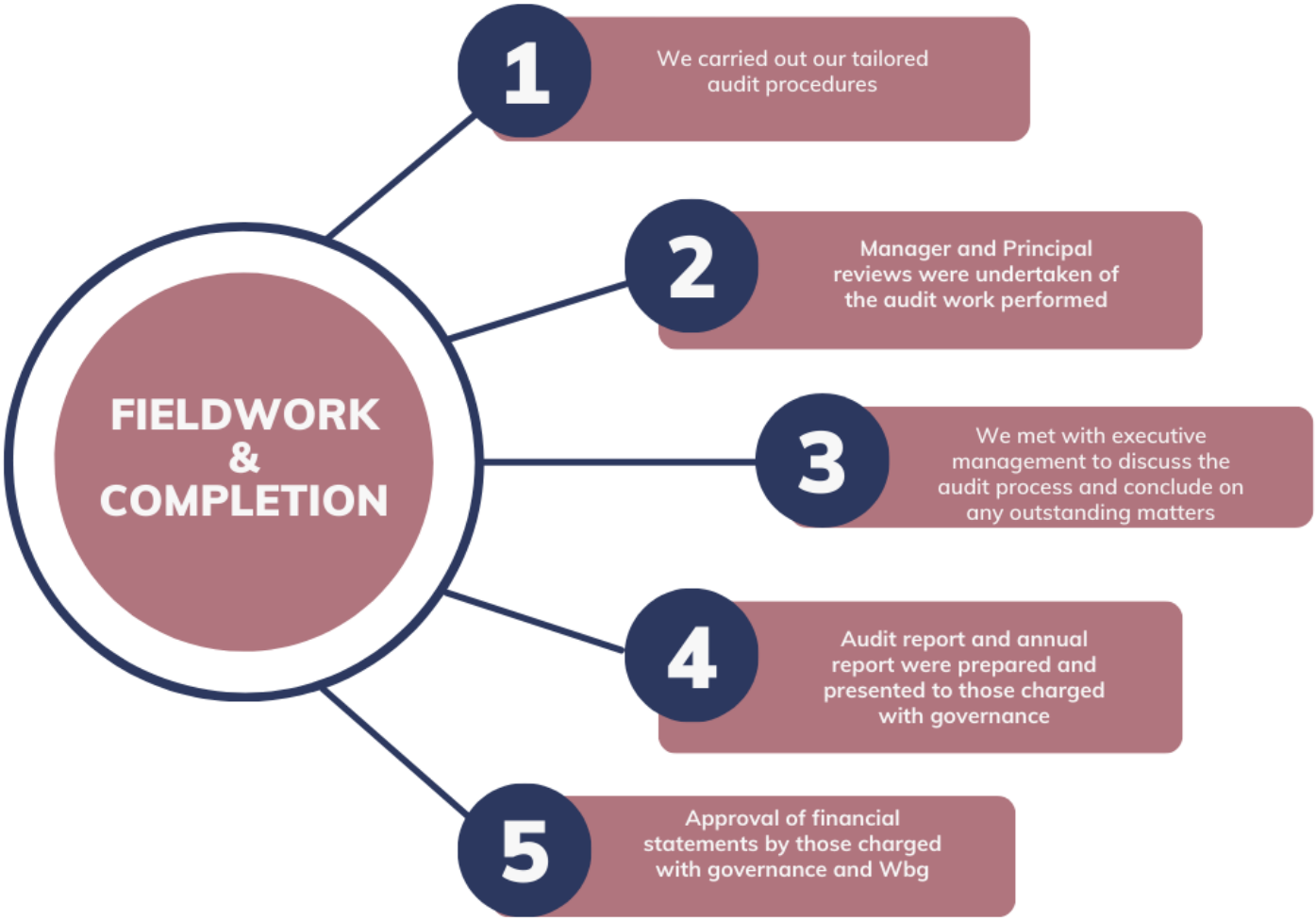
Should you have any queries on the contents of the Annual Report please do not hesitate to contact us. Details of the senior members of the audit team are included in Appendix B.

3. Our Approach

3.1 Planning Stage of Audit



3.2 Fieldwork and Completion Stage of Audit



3.3 Significant Audit and Accounting Matters

During the course of the audit a number of points of clarification arose which were resolved in discussion with, or formally reported, to the Executive Director of Finance. This practice is an established part of the audit process. A summary of the key points is as follows**:**

Area	Findings
Management Letter Points	**Prior year points** We understand there were no recommendations in relation to the 2025 audit and have not had sight of any through our formal minute review. As such there are no recommendations brought forward from the prior year audit. **Current year points** Bank reconciliations – no audit trail to show bank reconciliation review was carried out during 2026. Other tangible assets – A formal review of the fixed asset register to be carried out, given we were unable to physically verify several older assets. Former tenant debtors – Proposal for former tenant arrear's and recharge balances to be provided for in full in line with sector norms.
Audit Report	We expect to issue an unmodified audit opinion.
Letter of Representation	**Adjusting journals** • Write off abortive development costs capitalised - £127,961 • Correction to audit fee accrual - £11,660 • Disposal of fully depreciated office equipment no longer held - £218,914 • Impairment of Hannover St Property - £39,125 • Impairment of Langholm land stock - £275,000 • Reallocation of rent in advance from debtors - £234,554 • Movement in defined benefit pension - £169,000 • Reversal of HFL additions and EC04 grant received - £4,462,000 • Reversal of depreciation charged on EC04 additions - £127,898 • Recording of service charge bad debt provision - £244,797 • Correction to historical difference on HAG register - £41,229

	Unadjusted journals (balance sheet, disclosure only) • Reallocation of March 2026 invoice from accruals to trade creditors - £30,838 • Reallocation of accrued grant income - £14,584 • Reallocation of pension creditor from trade creditors - £42,736

3.4 Risk Conclusion

Risk information	Work performed and conclusions
Revenue Recognition Material misstatement due to errors in revenue recognition. Note that this is considered a specific risk for all audit engagements in accordance with the requirements of ISA (UK) 240 unless it can be specifically rebutted. Rental income – There is a risk where rental income includes material misstatements and subsequently affects the overall profits of the entity. Deferred income – There is a risk that revenue may be inappropriately deferred to support the next financial year's performance.	We have performed the following procedures as part of our final audit work: Reviewed and tested the controls operating over all material revenue streams across the entity; Carried out analytical review of reported income levels, ensuring any departures from our expectations are substantiated. Evaluated the accounting policy for income recognition to ensure that this is consistent with the requirements of the Companies Act 2006, the Housing (Scotland) Act 2014 and the Determination of Accounting Requirements 2024. Performed detailed testing of revenue transactions focussing on the areas we considered to be of greater risk. Specifically, we tested income recognised around the year end to ensure that it had been recognised in the correct accounting period and we performed specific testing to confirm the completeness of material income streams. **We found no issues to report to you in this area.**
Override of Internal Control Fraud or error arising due to management override of controls. Note that this is considered a specific risk for all audit engagements in accordance with the requirements of ISA (UK) 240. In any organisation, management may be in a position to override the financial controls. We considered the risk that management may override controls in order to manipulate the financial statements. Specifically, this risk may have been manifested through the use of manual	We have performed the following procedures as part of our final audit work: Tested journal entries, ensuring treatment is appropriate; Reviewed accounting estimates for bias and evaluated whether circumstances producing any bias, represent a risk of material misstatement due to fraud;

journals or manipulation of significant accounting judgements and estimates which could involve bias resulting in material misstatement.	Evaluated the business rationale underlying significant transactions; and Performed 'unpredictable' procedures, i.e. random sampling techniques. **The results of our journals testing and testing of accounting judgements and estimates did not identify any instances of fraud or error due to management override of controls.**
Fixed Assets Risk of material misstatement in relation to fixed assets due to issues historically when reconciling the Housing Property register to the trial balance.	We performed procedures over the completeness and accuracy of the housing property balances, including reviewing the reconciliation between the Housing Property Register and the trial balance. We noted a number of differences, for which correcting audit journals have been provided. Management have also confirmed that the Housing Property Asset Register will be updated on an ongoing basis to ensure that additions, disposals and other movements are reflected accurately and that the register can be appropriately reconciled to the general ledger going forward. **The differences identified between the Housing Property Register and the trial balance were ultimately resolved and no material misstatement remained in the fixed asset balances as a result of the work performed.**
Long Term Loans Loreburn Housing Association has a large amount of housing related loans in the balance sheet and must meet the loan repayment and covenant requirements associated. There is a risk that loan covenants and repayments are breached leading to penalties and early settlement of outstanding loans.	We reviewed the applicable loan repayment schedules and covenant requirements and considered management's monitoring of compliance with these requirements during the year. We also considered whether scheduled repayments had been made in accordance with the relevant loan agreements and whether any covenant breaches or other matters had been identified that could result in penalties, additional costs or the early repayment of outstanding borrowings. **Based on the work performed, we did not identify any breaches of loan covenants or repayment requirements that would result in penalties or the requirement for early settlement of outstanding loans.**

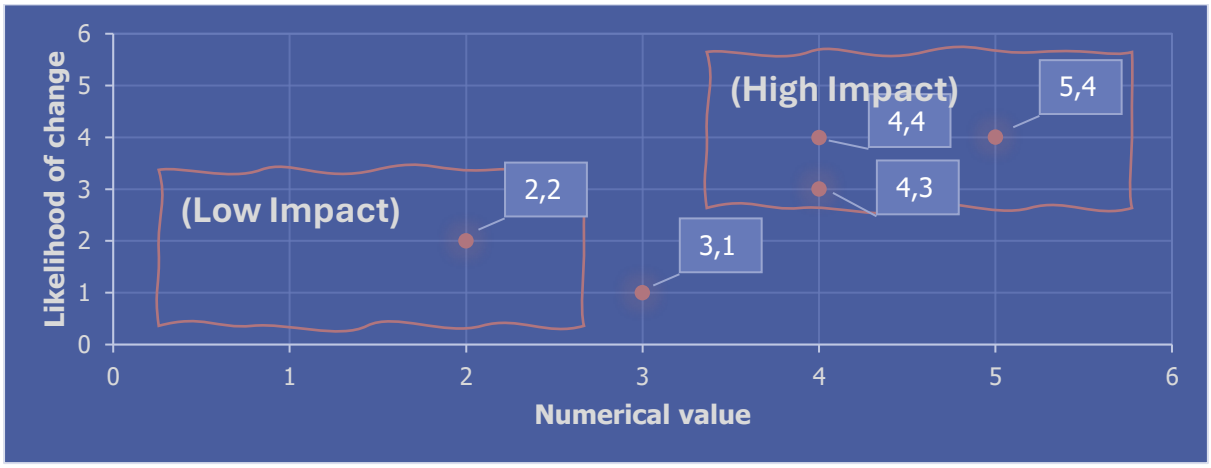
Going Concern – Pensions Loreburn Housing Association has a large defined benefit scheme liability and must meet ongoing contributions associated with this. There is a potential going concern risk should this ever become out of hand but also a risk of material misstatement associated with the accounting required for the benefit scheme, through the need for the use of assumptions in the calculation.	We performed audit procedures over the Association's defined benefit pension scheme liability, including obtaining and reviewing the year-end actuarial valuation and agreeing the relevant balances and disclosures included within the financial statements to supporting documentation. We assessed the reasonableness of assumptions used, with reference to available market and industry data, and considered the competence and independence of the scheme actuary. The audit identified a material overstatement of the pension scheme liability, given that the balance had not moved since 2025. An adjustment was proposed and accepted by management to bring the pension scheme liability in line with the actuarial valuation. The actuarial assumptions used in determining the liability were considered reasonable and the associated disclosures were found to be appropriate. **We also concluded that the Association has sufficient financial resources and appropriate plans in place to meet its ongoing pension contribution obligations. We did not identify any matters arising from the defined benefit pension scheme that would indicate a material uncertainty in relation to going concern.**
Rental Arrears and Voids Risk that rental arrears and voids are irrecoverable and not adequately provided for in the financial statements.	We performed procedures over rental income, tenant arrears and void properties to assess the completeness and recoverability of amounts recognised within the financial statements. Our work included reviewing the year-end rental arrears position, considering the age profile of outstanding balances and assessing the level of provision recognised by management for potentially irrecoverable arrears. **The audit identified a material understatement of the provision against service charge arrears, given some of the accumulated debtor balances are not expected to be recovered. An adjustment was proposed and accepted by management to increase the provision recognised in the financial statements, thereby ensuring that the receivables balance was appropriately stated.**

Fixed Asset Impairment History of fixed asset impairment - Client has historically had material impairment charges in relation to the Garrick Development project.	We performed procedures to assess whether the Association's fixed assets were appropriately stated at the year end and whether there were indicators of impairment requiring recognition in the financial statements. **As a result of our work, an impairment adjustment was identified, agreed with management and subsequently recognised in the financial statements. We did not identify any further material issues in relation to the carrying value of the Association's fixed assets in relation to impairment.**

3.5 Judgements and Key Sources of Estimation Uncertainty

The following are considered to be the judgements and sources of estimation uncertainty used in application of the accounting policies. We have also assigned an impact rating to each judgement or source of estimation based on the likelihood of changing judgement or estimate as well as the expected numerical effect of said change in the context of our materiality threshold. This rating system runs from 1 to 5 with 1 being lowest impact to 5 highest impact.

Judgement / Estimate	Likelihood of change	Numerical Value
Requirement for impairment of tangible fixed assets	**1**	**3**
Estimate useful life of fixed assets	**4**	**5**
Categorisation of operating / finance leases	**2**	**3**
General provision in relation to debtors	**4**	**4**
Pension liability	**3**	**4**



As can be seen above, estimations in assumptions used in the pension liability, depreciaion / amortisation accounting estimates and debtors provision have a high overall impact on the financial statements and are therefore a key accounting estimate for audit purposes.

Following our fieldwork, we can confirm that pension assumptions used are in line with sector trends and that the scheme asset/liability is disclosed satisfactorily in the financial statements.

3.6 SHR Annual Assurance Framework

We have considered the Association's Annual Assurance Statement submitted in October 2025 in which they assessed themselves as being compliant with the requirements of chapter 3 of the Regulatory Framework. We believe, based on our review of available evidence and through discussion with senior executive management, that the Association will be in a position to submit a similarly compliant Annual Assurance Statement during 2026. This is reflected by the position taken in the financial statements by the Management Committee.

4. Governance & Internal Controls

4.1 Governance

Governance is concerned with structures and processes for decision making, accountability, control and behaviour at the upper levels of an organisation. The respective responsibilities of the entity and Wbg (Audit) Limited are summarised in Report of the Management Committee.

Although we are not required to form an opinion on the adequacy and effectiveness of the individual components of internal control the scope of our procedures will include a review of such. We will bring to your attention any deficiencies of which we become aware.

4.2 Governance Arrangements

As part of our audit we have performed a limited review and assessment of the entity's Corporate Governance systems relating to standards of conduct, openness and integrity. In addition, we reviewed the entity's risk register and risk management arrangements along with the minutes of meetings of key entity committees issued during the year.

Based on our limited review, we are satisfied that the entity operates appropriate Governance procedures and that management has adequate arrangements in place covering standards of conduct.

We found no matters therein to impact upon our audit opinion.

4.3 Internal Controls

We have reviewed in the course of our audit the key elements of the entity's systems of internal financial controls in the main operating cycles. In reaching our audit opinion we carried out our audit work based on the audit plan with evidence obtained by:

- Discussions with senior management and staff at the entity;
- Completing appropriate audit programmes;
- Carrying out analytical review procedures;
- Carrying out substantive and compliance audit tests on a judgement basis; and,
- Review of minutes of the Management Committee and Audit and Risk Sub - Committee meetings.

Based on our review we have identified three areas where the operation of internal financial controls could be improved.

4.4 Internal Audit

Internal audit is a key element of the internal control system set up by management. A strong internal audit function is necessary to ensure the continuing effectiveness of the internal control system established. The entity, therefore, needs to have in place a properly resourced internal audit service of good quality. To maximise the reliance that may be placed on internal audit and to avoid duplication of effort, the adequacy of internal audit is assessed each year.

During the year TIAA Internal Audit continued their appointment as Internal Auditors of Loreburn Housing Association. In the course of the year ended 31 March 2026 the following areas were reviewed by the internal auditor:

- ICT review of Cyber Security
- Corporate Reporting Framework
- Operational Matters

Our findings in this area proved satisfactory, allowing us to conclude that the internal audit function is operating effectively. Wbg have not placed any formal reliance on the work performed by internal audit.

5. Fraud and Irregularities

5.1 Best Practice

Best practice requires that the entity should establish arrangements for the prevention and detection of fraud and other irregularities as part of its Governance procedures.

An assessment was made of the adequacy of the systems and controls for the prevention and detection of fraud and irregularities during our audit planning procedures.

5.2 Audit Findings

In the course of the audit, we have reviewed the following areas with regard to the prevention and detection of fraud and irregularities:

- The monitoring and compliance with financial procedures;
- The entity's strategy to prevent and detect fraud and other irregularities;
- The internal controls operated for segregation of duties, authorisation and approval processes and reconciliation procedures.

No areas of concern were found during normal audit procedures. It is also highlighted that all the recommendations made have an implicit impact on the prevention and detection of fraud and other irregularities.

We emphasise that our audit of the financial statements is planned to ensure there is a reasonable expectation of detecting misstatements arising from fraud or other irregularity that are material in relation to those financial statements but cannot be relied upon to detect all frauds and irregularities.

6. Independence

Our professional standards require that we communicate at least annually with you regarding all relationships between our firm and Loreburn Housing Association, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the audit engagement partner and the audit staff and to detail the related safeguards in place.

There is one issue arising which has been addressed by the safeguards implemented below:

Ethical Threat	Safeguard
Self-Review and Management threat As Wbg (Audit) Limited prepare the year end statutory accounts and may make audit adjustments.	Any audit adjustments will be discussed with informed management (Alex MacPhail & Tony McInnes) prior to processing.

In our professional judgement, as of the date of this report, Wbg (Audit) Limited is independent of Loreburn Housing Association within the meaning of United Kingdom regulatory and professional requirements and the objectivity of Scott Gillon and the audit staff is not impaired.

7. Audit Recommendations

We prepared an annual report in relation to the audit of Loreburn Housing Association for the year ended 31 March 2026.

We can confirm three control improvement points were identified in relation to the current year audit, and no points were brought forward from the prior year as detailed in section 1.4 & 3.3.

The points within the report have been assigned a priority level based on the urgency required in addressing the matters highlighted. An explanation of the priority is as follows:

High Priority - Recommendations addressing significant control weaknesses which should be implemented immediately.

Medium Priority - Recommendations addressing significant control weaknesses which should be addressed in the medium term.

Low Priority - Recommendations which, although not addressing significant weaknesses, would either improve efficiency or ensure that the company matches current best practice.

7.1 Current Year Recommendations

7.1.1	Bank Reconciliations
Observation	We noted that a key control over the bank reconciliation process is the independent review and sign-off of monthly bank reconciliations performed by a member of senior management. However, the bank reconciliation schedules reviewed during the year had not been physically or electronically signed off. As a result, there was no documented audit trail to evidence that the reconciliations had been independently reviewed and approved.
Implication	In the absence of documented evidence of review, there is an increased risk that errors or unusual transactions within the bank reconciliations may not be identified and corrected on a timely basis. Furthermore, without evidence of sign-off, management is unable to demonstrate that the control has operated consistently throughout the year.
Recommendation	Management should ensure that all bank reconciliations are reviewed and formally signed off by an appropriate individual on a timely basis. The sign-off should clearly evidence the date of review and the individual who performed the review.
Priority	**Medium**
Management response	

7.1.2	Bad debt provision
Observation	We noted that the Association's bad debt provision methodology does not currently provide for all former tenant balances in full. This results in a proportion of former tenant rent and service charge arrears being recognised as recoverable despite the increased difficulty generally associated with recovering balances from former tenants.
Implication	There is a risk that irrecoverable former tenant arrears are overstated and that the associated bad debt provision is insufficient, resulting in an overstatement of debtor balances. Given the generally lower recoverability of former tenant balances once a tenancy has ended, providing for such balances in full is consistent with the approach commonly applied across the sector.
Recommendation	Management should review its bad debt provision methodology for former tenant balances and consider providing for all former tenant rent and service charge arrears in full, unless there is specific and robust evidence that individual balances remain recoverable. The current former tenant arrears balance unprovided for is £80,541.
Priority	**Medium**
Management response	

7.1.3	Other Tangible Assets Register
Observation	As part of our audit procedures over other tangible fixed assets, we were unable to physically verify several items of office equipment recorded on the Fixed Asset Register (FAR). These assets were understood to no longer be held by the Association following the office move. This indicates that the FAR may not have been updated to reflect disposals or assets no longer in the Association's possession.
Implication	There is a risk that the FAR and associated fixed asset balances include assets which are no longer held or in use by the Association. This could result in tangible fixed assets being overstated and depreciation continuing to be charged on assets that have been disposed of or are no longer in use.
Recommendation	Management should undertake a full review of the FAR to identify assets which are no longer held by the Association and ensure these are appropriately disposed of. Going forward, management should ensure that the FAR is updated promptly for disposals and other movements in tangible fixed assets, with appropriate supporting documentation retained to evidence the changes.
Priority	**Medium**
Management response	

8. Emerging Issues

8.1 Housing SORP 2026 – FRS updates

Driven by the Financial Reporting Council ('FRC') releasing the updates to the overarching Financial Reporting Standard applicable in the UK and Republic of Ireland ('FRS 102'), the Housing SORP working party issued the draft Housing SORP 2026 in October 2025, which marked the start of a 12-week consultation period ended 12 January 2026.

The significant accounting updates mainly cover the following areas:

- Revenue Recognition
- Lease Accounting

We have covered these two main areas in more detail in specific sections below. There were also some proposed changes to reporting requirements for RSLs with > 1,000 units in management along with guidance seeking to provide a greater level of clarity on some sector-specific reporting challenges.

A copy of the draft SORP released for consultation can be found at:
www.housing.org.uk/globalassets/files/finance/housing-sorp-basis-of-conclusion.pdf

The finalised version of the SORP is expected to be released in Autumn 2026 and will take effect for accounting periods commencing on or after 1st January 2026. Therefore, the first relevant period of account for yourselves will be the year ended 31st March 2027.

8.2 Determination of Accounting Requirements 2026

Following release of the draft Housing SORP 2026, The Scottish Housing Regulator had noted that a specific disclosure relating to remuneration of key senior managers had not been included in the proposals, in contrast to what was expected.

Therefore, a consultation on an amendment to the Determination of Accounting Requirements 2026 took place, ending on 22 May 2026.

It should be noted that this was only affected to implement a return to the existing position, there are no changes to the related disclosure requirements vs 2025 and this should continue to be included in financial statements for the year ended 31st March 2026 and for future years.

8.3 Section 1.1 – Revenue Recognition

Section 23 Revenue from Contracts with Customers in the updated FRS 102 sets out how and when an entity should recognise income in its financial statements. The rules surrounding recognition of revenue from customer contracts can be complex and requires an entity to evidence various criteria before it could be recognised.

The revised FRS 102 has amended this approach, and there are now different criteria to be considered. Much of this is driven by the introduction of a "5 step model" which must be followed for each individual contract.

The transactions to which the revised standard applies are where income is received for the provision of goods or services and a contract is in place.

The new 5-step model requires to be applied as follows:

- step one – identify the contract with a customer
- step two – identify the performance obligations in the contract
- step three – determine the transaction price
- step four – allocate the transaction price to the performance obligations in the contract
- step five – recognise income when or as the entity satisfies a performance obligation

Specifically for RSLs, this change is likely to principally impact the following revenue streams:

- Service charge income, including sinking funds and other similar funds
- Property sales

We advise RSLs to familiarise themselves with sections 1.1.1 – 1.1.3 of the Draft Housing SORP in conjunction with section 23 of the revised FRS 102 to determine if this has any impact. **FRS 102 Factsheet 10** also provides a more detailed implementation guide to the new rules.

Please be aware for RSLs with trading subsidiaries, this may also impact any service agreements in place between the entities.

8.4 Section 1.2 - Lease accounting

A further substantial change under FRS 102 relates to Section 20 - Lease Accounting. Under previous accounting rules, there were two types of leases – operating and finance leases. There are various criteria for distinguishing between these, however most simply a finance lease is where the risks and rewards of ownership transfer to the lessee, and under an operating lease these risks and rewards remain with the lessor.

Under a finance lease, the leased asset is shown as a fixed asset on the balance sheet (as the entity is deemed to substantially own it) and the present value of future lease payments are shown as a liability on the balance sheet.

Accounting for operating leases is more straightforward and future payments over the lease term are disclosed as a note in the accounts. We don't recognise the asset in question on the balance sheet, as we don't legally own it, and we don't include the amounts we're due to pay as a creditor in any way.

FRS 102 now substantially removes this distinction in favour of an approach which will see most leases accounted for as finance leases. The present value of future lease payments will be shown as creditors, both as short- and long-term liabilities. The offset of this is that the assets held under the lease will now be shown as a fixed asset as what's called a "right of use" asset. These will be depreciated over the lease term like any other fixed asset is.

How the balance sheet may look under these new rules is shown at **section 8.5.**

There is a requirement for entities to consider what's called the "time value of money", recognising that due to interest rates and inflation, the value of payments in the future will not be the same as the value of the payments made at the start of the lease term. For example, £100 today is worth more than £100 will be 5 years in the future. As such, there will be a requirement to determine an interest rate, discount future transactions and split the payments over the lease term between capital and interest. As such, this is a potentially complex area and the FRC recognise this will be challenging for entities to comply with.

There will be some exemptions from this treatment for what's called "low value" assets or short-term leases. These are not extensive and only apply for assets which are less critical to the business-like photocopiers and office equipment, or where the entity hires the asset for 12 months or less.

RSLs are therefore highly advised to start planning ahead by identifying and documenting lease agreements in place, including terms, conditions and the nature of the leased assets to allow the new principles to be implemented. **FRS 102 Factsheet 11** should also be consulted for a detailed overview.

RSLs should also take into account the wider implications associated with an uplift in Gross Assets and Liabilities on the balance sheet as well as a change in the make up of associated depreciation / finance costs in the Statement of Comprehensive Income. This could impact:

- Key Performance Indicators
- Compliance with existing covenants on financing
- Size thresholds for statutory reporting

8.5 – Revised balance sheet under Section 20

Balance Sheet		2026	2025
		£	£
Non-current assets			
Fixed Assets		120,000	100,000
Right of use assets		20,000	30,000
		140,000	**130,000**
Current assets			
Debtors		25,000	30,000
Stock		5,000	10,000
Cash & bank		40,000	30,000
		70,000	**70,000**
Liabilities			
Current liabilities		20,000	20,000
Current lease liabilities		10,000	10,000
Non-current lease liabilities		10,000	20,000
		40,000	**50,000**
Net Assets		**170,000**	**150,000**

8.6 How should you prepare?

Whilst the above summarises the headline changes under the revised FRS 102, it is not an extensive list and you should consider consulting additional resource to ensure your Association is best prepared for the changes:

- Consult the draft Housing SORP 2026 for a more detailed overview of the changes alongside other consequential amendments.
- Review existing revenue contracts and arrangements – understand what you currently have in place, and whether the 5 step model for contract income may apply to these. Consider whether amendments may be required to existing contracts if they don't include all required clauses.
- Review lease agreements in place and consider maintaining a central log of these. You should also determine whether any lease agreements would be considered low value or short term.
- Review any loan or financing documentation and consider whether the presentational changes could impact on compliance with the terms & conditions of funding, or loan covenant compliance.
- Training sessions – look out for guidance delivered by professional and sector bodies. ICAS's implementation guide to the new rules can be found **on YouTube**.
- Seek advice – Wbg would be pleased to assist with general queries in regard to application of the revised FRS 102.

Appendices

A. Letter of Representation

We confirm to the best of our knowledge and belief, and having made appropriate enquiries of other board members and officials of the Association, the following representations given to you in connection with your audit of the Association's accounts for the year ended 31 March 2026.

General

1. We acknowledge as members our responsibility for making accurate representations to you and for the accounts which you have prepared for the Association. All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Association have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all management meetings, have been made available to you.

2. The financial statements are free of material misstatements including omissions.

3. We acknowledge our responsibility for the design and implementation of internal control systems to prevent and detect fraud. We have disclosed to you the results of our risk assessment that the financial statements may be misstated as a result of fraud. There have been no irregularities (or allegations of irregularities) involving management, employees who have a significant role in internal control or others that could have a material effect on the financial statements.

4. The Association has no liabilities or contingent liabilities other than those disclosed in the accounts.

5. All claims in connection with litigation that have been, or are expected to be, received have been properly accrued for in the financial statements.

6. There have been no events since the balance sheet date that require disclosure or which would materially affect the amounts in the accounts, other than those already disclosed or included in the accounts. Should further material events occur, which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, we will advise you accordingly.

7. The Association has had at no time during the year any arrangement, transaction or agreement to provide credit facilities (including loans, quasi-loans or credit transactions) for members nor to guarantee or provide security for such matters.

8. We confirm that we have disclosed to you all related party transactions relevant to the Association and that we are not aware of any further related party matters that require disclosure in order to comply with the requirements of the Statement of Recommended Practice for registered social housing providers or accounting standards.

9. The Association has not contracted for any capital expenditure other than as disclosed in the accounts.

10. The Association has satisfactory title to all assets and there are no liens or encumbrances on the Association's assets, except for those that are disclosed in the financial statements.

11. We are not aware of any irregularities, including fraud, involving management or employees of the Association. No allegations of such irregularities, including fraud, have come to our attention.

12. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

13. We confirm that there are no laws or regulations that are central to the Association's ability to conduct its affairs.

14. We confirm that, in our opinion, the Association is a going concern on the grounds that current and future sources of funding or support will be more than adequate for the Association's needs. We have considered a period of twelve months from the date of approval of the financial statements. We believe that no further disclosures relating to the Association's ability to continue as a going concern need to be made in the financial statements.

15. We confirm that we approve the journal adjustments detailed below which have been processed in drafting the statutory accounts.

Nature of deviation and reason for it	**Actual deviation** **£**	**Adjusted surplus effect Dr / (Cr)** **£**	**Adjusted Balance Sheet effect Dr / (Cr)** **£**
Write off of abortive costs capitalised	127,961	127,961	(127,961)
Correction to audit fee accrual	11,660	11,660	(11,660)
Disposals of fully depreciated office equipment no longer held	278	278	(218,914) 218,636
Impairment of Hannover St Property	39,125	39,125	(39,125)
Impairment of Langholm land stock	275,000	275,000	(275,000)
Reallocation of rent received in advance from debtors	-	-	234,107 447 (234,554)
Movement in defined benefit pension liability	169,000	(221,000) 52,000	169,000
Reversal of HFL additions and ECO 4 grant received	4,272,000	4,462,000 (190,000)	(4,272,000)
Reversal of depreciation charged on ECO 4 additions	127,898	(127,898)	127,898
Recording of service charge bad debt provision	244,797	244,797	(244,797)
Correction to historical difference on HAG register	41,229	41,229	(41,229)

16. The effects of uncorrected misstatements noted below are immaterial both individually and in total.

Nature of deviation and reason for it	**Actual deviation** **£**	**Adjusted surplus effect Dr / (Cr)** **£**	**Adjusted Balance Sheet effect Dr / (Cr)** **£**
Reallocation of March 2026 invoice from accruals	-	-	30,838 (30,838)
Reallocation of accrued grant income	-	-	14,584 (14,584)
Reallocation of pensions creditor from trade creditors	-	-	42,736 (42,736)

We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

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B. Contact Details

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