

AUDIT • TAX • ADVISORY

Audit Findings Report

Castle Rock Edinvar Housing Association
Places for People Scotland Limited

Audit for the year ended 31 March 2026

For circulation to the Audit and Risk Committee

Places for People Scotland

Castle Rock Edinvar Housing Association

Part of Places for People

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Liz Newell, 2026-07-16T12:19:20.877

Executive summary

A summary of the key points from this Audit Findings Report has been provided below in order to provide those charged with governance a snapshot of some of the key aspects of the audit.

Audit status
The audit testing is substantially complete with the final points of testing outstanding see section 2.2.

Key audit risks – updated assessment see section 2.1 below

Significant risks
1. Risk of fraud in revenue recognition
2. Measurement of development programme schemes and association land (PFPS only)
3. Measurement of net defined benefit pension scheme obligations and surpluses
4. Incorrect capitalisation of revenue costs
5. Investment property valuations

Other audit risk
6. Fraud due to management override of controls
7. Going concern

Internal control recommendations and findings

	Identified this year		Identified in previous years and re-raised	
	PFPS	CRE	PFPS	CRE
	3	4	2	1
Grade A	1	-	-	-
Grade B	2	3	-	-
Grade C	-	1	2	1

Updated materiality

The updated materiality values below differ from those presented in the Audit Planning Memorandum, which had been determined using [source], but have not changed since we completed our planning procedures.

Places for People Scotland Limited	Benchmark	Updated level
Materiality	2% of revenue	£1,294,000
Performance Materiality	85% of overall	£1,099,000
Reporting threshold - triviality	5% of overall	£8,600

Castle Rock Edinvar Housing Association	Benchmark	Updated level
Materiality - Base line	1.5% of gross assets	£13,056,000
Performance Materiality	85% of overall	£11,097,000
Reporting threshold - triviality	5% of overall	£652,000

Castle Rock Edinvar Housing Association	Benchmark	Updated level
Materiality - Specific	10% EBITDA	£4,291,000
Performance Materiality	85% of overall	£3,647,000
Reporting threshold - triviality	5% of overall	£214,550

Uncorrected misstatements

We have an identified adjusting reclassification misstatement during the course of our audit, see section 3.1. There are also unadjusted reclassifying misstatements in relation to the presentation of the accounts (section 3.2).

01

Introduction



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Introduction

24 July 2026

Audit Findings Report

We have pleasure in setting out in this Report our comments and recommendations on various matters which came to our attention during the course of the audit of Places for People Scotland Limited (PFPS) and Castle Rock Edinvar Housing Association (CRE) for the year ended 31 March 2026.

In order to comply with the provisions of International Standards on Auditing we are required to report to you our audit findings and in particular:

- the nature and the scope of audit work we have undertaken;
- views about the qualitative aspects of your accounting practices and financial reporting;
- adjusting and non-adjusting misstatements;
- matters specifically required by Auditing Standards to be communicated to those charged with governance (such as fraud and error);
- expected modifications to our Auditor's report(s);
- material weaknesses in the accounting and internal control systems;
- any other relevant and material matters relating to the audit.

This Report has been prepared for the sole use of PFPS and CRE management, on behalf of the Members (hereafter referred to as 'Governance), and must not be shown to third parties without our prior consent. No responsibilities are accepted by MHA towards any party acting or refraining from action as a result of this Report.

We would be grateful if you will in due course advise us what action you propose to take on the recommendations in the report and also if you would like our further assistance on these or any other matters.

Finally, we would like to express our thanks to all the PFPS and CRE officers and staff who assisted us in carrying out our work.

We look forward to receiving comments from the meeting on 5 August 2026 in relation this Report, reviewing the Financial Statements, and agree the Letters of Representation.



Liz Newell

Partner
For and on behalf of MHA
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02

Matters arising from the audit

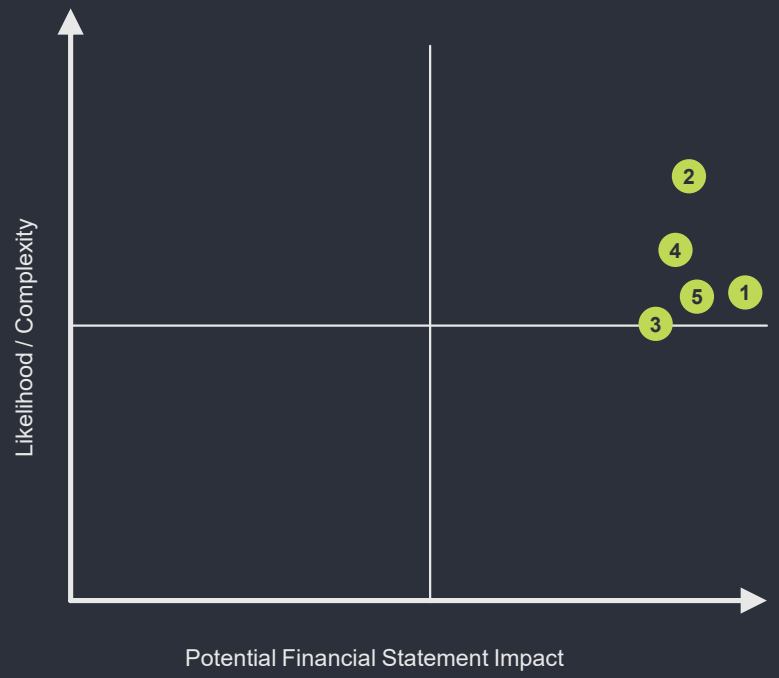


Matters arising from the audit

2.1 Audit Approach

Detailed below are the key audit risks that we identified at the planning stage of the audit. We considered the combination of the likelihood of a misstatement occurring and the magnitude of the potential misstatement should that misstatement occur, and with the audit now substantially complete, we note that our assessment has not materially changed.

	Risk factors identified for both entities
1	Risk of fraud in revenue recognition
P	Fraud due to management override of controls
2	Measurement of development programme schemes and association land (PFPS only)
3	Measurement of net defined benefit pension scheme obligations and surpluses
4	Incorrect capitalisation of revenue costs
5	Investment property valuations
P	Going concern



Matters arising from the audit

2.2 Audit Status

The audit work on the financial statements is now substantially complete, and we anticipate issuing an unqualified audit opinion for the year ended 31 March 2026 for both the the Association and Company, further to the completion works as follows (as at Tuesday 28 July):

Final information from PFP:

- CRE – Bank payment sample information
- PFPS - Rental income completeness and cut off – some samples outstanding (majority returned)
- PFPS – Final repairs review queries

Responsibility with MHA:

- Finalisation procedures to be completed on both files as work is completed

Responsibility with PFP and MHA:

- Going Concern assessment; and
- Post Balance Sheet Events work.

All areas will be primarily concluded ahead of the meeting, and we will be finalising the joint responsibility matters just ahead of signing the audit report.

Matters arising from the audit

2.3 Letter of Representations

We have forwarded a Letter of Representations for your review and approval, as part of your overall review of the Financial Statements. It is important that this is reviewed and approved by "those charged with governance". Additional representations related to:

INTERNAL CONTROL – PFPS & CRE
1. We confirm that we have communicated all deficiencies in internal control of which we are aware [ISA 580.A11]

ASSETS AND LIABILITIES – PFPS & CRE

2. We confirm that stock is not stated at an amount in excess of net realisable value.
3. We confirm that the Company has satisfactory title to all assets, and there are no liens or encumbrances on the Company's assets, except for those that are disclosed in the notes to the financial statements nor has any asset been pledged as collateral.
4. We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent, and have disclosed in the notes to the financial statements all guarantees that we have given to third parties.
5. We have no plans or intentions that may materially alter the carrying value and, where relevant, the fair value measurements or classification of assets or liabilities reflected in the financial statements.
6. We confirm we have no plans to abandon product lines or other plans that will result in any excess or obsolete stock.

LOANS AND ARRANGEMENTS – PFPS & CRE

7. We confirm that the Company has not granted any advances or credits to or made guarantees on behalf of directors.

CAPITAL COMMITMENTS – PFPS & CRE

8. As per note 18, it has been reported that the Board has authorised and contracted to capital expenditure of £37m, with a further commitment of £100m for PFPS and capital expenditure of £45m, with a further commitment of £145m for CRE.

We confirm that capital commitments are not contracted to at the year end, but we are committed to this expenditure. We also confirm that the board approved commitments agree to the business plan.

Matters arising from the audit

2.3 Letter of Representations

PUBLICATION OF FINANCIAL STATEMENTS – PFPS & CRE

9. We intend to distribute the financial statements to shareholders and other interested parties by electronic means and/or to publish them on a website.

CONTROLLING PARTY – PFPS & CRE

10. We confirm that the company's ultimate controlling party is Places for People Group Limited as disclosed in the financial statements.

ANNUAL REPORT – PFPS & CRE

11. We confirm that, where some or all of the document(s) comprising the annual report will not be available until after the date of your auditor's report, the final version of these documents will be provided to you as soon as they become available, and prior to their issuance, such that you can complete the audit procedures required by ISA 720.] [ISA (UK) 720|.13(c); ISA (Ireland) 720.13(c)]

TENANT ARREARS PROVISION – PFPS & CRE

12. We confirm that the provision for tenant arrears has been determined based on a consistent and appropriate methodology. Specifically, a provision of 12.5% has been applied to outstanding balances of current tenants, reflecting the estimated irrecoverable amounts based on historical data and management's judgment. For former tenants, a full provision of 100% has been made on outstanding balances, in line with the higher risk of non-recovery.

Matters arising from the audit

2.3 Letter of Representations

FIXED ASSET VERIFICATION – PFPS & CRE

13. We acknowledge that during the audit, you were unable to physically verify the fixed assets due to their ongoing development. However, we can confirm that all fixed assets were in existence at the year-end. We also recognize that verifying these properties against Land Registry documents was not feasible, as SCOTLIS updates its records only upon the completion of property developments.

The ID of these specific properties in relation to PFPS are as follows:
RESPR1070126 - 1F2, 6 Lorne Street, Edinburgh EH6 8QU
RESPR1068910 - Flat 3 3 Moffat Way, Edinburgh, EH16 4PY
RESPR1014857 - Flat 1, 2 Hardgate Court, Haddington, East Lothian, EH41 3JT

The ID of these specific properties in relation to CRE are as follows:
Abernethyn Road - Newmains - Social Rent – Partial
C065 - Stratton, Inverness - Mid Market Rent – Partial
Chapelton Phase 4 Mid Market Rent – Partial
Longniddry Phase 2 - MMR – Partial
Raploch Stirling - Mid Market Rent – Partial
Stratton, Inverness - Social Rent – Partial

GRANTS – CRE Only

14. We confirm that the Company has no obligation to repay or use the full amount of the Scottish Recycled grants totalling £4,516,000 in a specific time frame. Additionally, the Company will engage with the Scottish Government to discuss the future utilization of the grant funds for capital development projects.

We confirm that the value of grants held by The Company are as follows:

Social Housing Grants - £371,088,000
Recycled Capital Grants - £4,516,000

We draw your attention to the representation, and corresponding declaration in the Members' Report, regarding provision of all information to auditors.

03 Misstatements



Misstatements

Places for People Scotland Limited

Misstatements

In accordance with International Standards on Auditing, and to assist those charged with governance fulfil their governance responsibilities, we are required to report any material misstatements arising from our work. We are also required to report any non-adjusting audit misstatements and why they are not adjusted for, other than those that are “clearly trivial” (as defined in our audit plan). The following misstatement have been identified during our audit.

The left columns are actual errors and on the right side are our projected or judgemental misstatements arising from our work.

	3.1 CORRECTED RECLASSIFICATION ERRORS	ACTUAL FINDINGS				PROJECTED AND JUDGEMENTAL FINDINGS			
		INCOME AND EXPENDITURE		BALANCE SHEET		INCOME AND EXPENDITURE		BALANCE SHEET	
		DEBIT £	CREDIT £	DEBIT £	CREDIT £	DEBIT £	CREDIT £	DEBIT £	CREDIT £
	Deficit per draft statutory accounts		4,509,395						
1	Being the reclassification between WIP stock and completed stock - Client agreed to adjust			9,561,157	9,561,157				
	Error corrected			**9,561,157**	**9,561,157**				
	Adjusted deficit in statutory accounts		**4,509,395**						

The above totals in the balance sheet columns reflect the reclassification movement that has been processed, but there is no impact on the income and expenditure statement

Misstatements

Places for People Scotland Limited

	3.2 UNCORRECTED RECLASSIFICATION ERRORS	ACTUAL FINDINGS				PROJECTED AND JUDGEMENTAL FINDINGS			
		INCOME AND EXPENDITURE		BALANCE SHEET		INCOME AND EXPENDITURE		BALANCE SHEET	
		DEBIT £	CREDIT £	DEBIT £	CREDIT £	DEBIT £	CREDIT £	DEBIT £	CREDIT £
	Deficit per draft statutory accounts		4,509,395						
1	Being the agreed adjustment to show overall debtor between cap external debtors and cap external creditors			169,300	169,300				
2	Being the judgemental error on land cost attributable to the remaining units in the scheme 68CHAPELT4SE							119,636	119,636
3	Being reclassification of cash received from accruals to debtors (to offset debtors outstanding where cash has not been allocated).			805,243	805,243				
	Potential error			**974,543**	**974,543**			**119,636**	**119,636**
	Potential adjusted deficit in statutory accounts		**4,509,395**						

The above totals in the balance sheets column reflect the reclassification movement that has been identified but unadjusted. Had it been adjusted it would have no impact on the income and expenditure statement

Misstatements

Castle Rock Edinvar Housing Association

UNCORRECTED ERRORS	ACTUAL FINDINGS				PROJECTED AND JUDGEMENTAL FINDINGS			
	INCOME AND EXPENDITURE		BALANCE SHEET		INCOME AND EXPENDITURE		BALANCE SHEET	
	DEBIT £	CREDIT £	DEBIT £	CREDIT £	DEBIT £	CREDIT £	DEBIT £	CREDIT £
Surplus per draft statutory accounts		28,679,321						
NONE TO REPORT ABOVE TRIVIALITY LEVELS								
Potential error								
Potential adjusted surplus in statutory accounts		28,679,321						

NONE TO REPORT ABOVE TRIVIALITY LEVELS

04 Audit findings



Audit findings

4.1 Significant deficiencies in internal control

We have set out below significant deficiencies in internal control which came to our attention during the course of our audit work, as defined by ISAs. This does not constitute a comprehensive statement of all deficiencies that may exist in internal controls or of all improvements which may be made and has addressed only those matters which have come to our attention as a result of the audit procedures performed. An audit is not designed to identify all matters that may be relevant to you and accordingly the audit does not ordinarily identify all such matters.

We have prioritised our recommendations into the following categories:

- Grade A – matters that we consider fundamental, against which management should take action as soon as possible;
- Grade B – matters that we consider significant, that should be addressed within a reasonable/ defined timeframe; and
- Grade C – observations and matters that merit attention to assist in improving overall control or are options to promote better or more efficient practice.

	Observation and risk	Recommendation	Management response
	Allocation of Stock – PFPS - Grade A During our testing, we identified a number of completed properties that remained classified as work in progress (WIP) within the stock records. As a result, there is a risk that stock is incorrectly classified in the financial statements, leading to a material overstatement of WIP and an understatement of completed housing stock which had to be corrected.	We recommend that management implements a regular review of WIP balances against practical completion records to ensure that completed properties are identified promptly and transferred to the appropriate stock category in a timely manner. This will help ensure the accuracy of stock classifications and reduce the risk of material misstatement in the financial statements.	TBC

Audit findings

	Observation and risk	Recommendation	Management response
	Purchase Invoices – CRE - Grade B During our testing of purchases and fixed asset additions, we noted that a number of supplier invoices were addressed to different PfP entities rather than the entity to which the expenditure related. Management advised that this occurs regularly and is dependent on the supplier issuing the invoice to the correct entity. This increases the risk that liabilities and expenditure may be recorded in the incorrect legal entity, resulting in inaccurate financial reporting and potential disputes regarding the legal obligation to settle the invoice. Although there is a group VAT registration, there may also be a VAT impact if the entities have different treatments within the group.	We recommend that management ensures suppliers issue invoices in the correct legal entity name. Where invoices are received in the name of an incorrect entity, they should be returned to the supplier for reissue before being processed and paid.	TBC
	VAT Reconciliation – PFPS & CRE - Grade B During our review, we noted that no reconciliation was performed between the VAT returns submitted and the entity's trial balance. As a result, discrepancies between the VAT returns and the underlying accounting records may not be identified or investigated on a timely basis, increasing the risk of errors or omissions in VAT reporting.	We recommend that management prepare and retain a reconciliation between each VAT return and the trial balance prior to submission. This reconciliation should be reviewed and approved by an appropriate individual to ensure that any differences are identified, investigated, and resolved promptly, thereby strengthening the accuracy and completeness of VAT reporting.	TBC
	Fixed asset & investment property verification - PFPS & CRE - Grade B During our review, we noted that a number of properties sampled from the fixed asset register were recorded in the Land Registry as being registered to companies other than Places for People Scotland or Castle Rock Edinvar. Where legal ownership recorded at the Land Registry does not align with the entity that recognises the asset in its accounting records, this may create uncertainty over legal title and ownership rights. This could result in legal or operational issues, including challenges in demonstrating ownership or enforcing rights over the properties.	We recommend that management instruct the legal team to investigate these discrepancies as a matter of priority and, where appropriate, take the necessary steps to transfer or update the Land Registry records so that the registered legal owner agrees with the entity holding the asset. Ensuring that all properties are correctly registered will reduce the risk of future legal disputes and strengthen evidence supporting ownership.	TBC

Audit findings

	Observation and risk	Recommendation	Management response
	Unallocated Cash – PFPS - Grade C During our audit, we noted that customer cash receipts had not been allocated to the relevant individual invoices, resulting in amounts being reclassified from trade receivables to accruals. The failure to allocate receipts promptly increases the risk of misstatements within trade receivables and accrued income and may reduce the accuracy of the sales ledger. This may lead to the wrong customers being chased for payment, when in fact the payment is not outstanding.	Whilst we appreciate that some of this information is held by Touchstone, we recommend that management implement a process to ensure customer receipts are allocated to the corresponding invoices on a timely basis. Unallocated cash balances should also be reviewed regularly and investigated promptly to ensure the accuracy and completeness of the accounting records.	TBC

Audit findings

Brought forward from 2025 and still applicable

	Observation and risk	Recommendation	Management response
	VAT & PAYE balances - PFPS & CRE - Grade C It was noted during out work that after summarise the VAT and PAYE balances at a group level, they could not be tied directly back into the trial balances with both accounts having differences. These differences are increasing and although not yet material, could become material in the future.	We recommend that a full reconciliation is completed of both liabilities prior to next year's audit the, going forward perform full reconciliation of both VAT and PAYE on a quarterly basis to ensure that the balances across the group agree back to the actual liabilities.	TBC
	Rental Income – PFPS - Grade C During our testing, we noted that signed rental agreements were not available for all tenanted properties. This increases the risk that rental income may not be charged or accounted for in accordance with the agreed terms and could lead to disputes with tenants over rent amounts and tenancy obligations.	We recommend that management ensures valid, signed tenancy agreements are obtained and retained for all occupied properties and that these are reviewed periodically to confirm they remain current and complete.	TBC

Audit findings

Brought forward from 2025 and resolved

	Observation and risk	Recommendation	Management response
	Cashbook review - PFPS - Grade A It was noted during our work on testing bank transactions that there 3 social housing grants received into Scotland however this money was actually due to CRE. When reviewing the transfer of these funds across to CRE, it was noted that there was a significant delay in some cases up to a month, before this occurred. This could cause cashflow issues within CRE if they become reliant on receiving these funds to complete property transactions.	It is strongly recommended that any funds received into Scotland's bank account relating to another company, even if it is internal, should be done upon discovery and not left.	RESOLVED
	Property Sales Turnover – PFPS - Grade B During our work on Property Sales income the following points were noted: 1. Cash back incentives are instantly deducted from a sale prior to posting therefore the net sales price after incentive is shown in turnover. 2. There is no set percentage for the cashback inventive, it is judgementally set at 3-5%. 3. As a result of the above we have been unable to determine the total cash bank incentive given during the year, although this is unlikely to be material in nature.	It is recommended that a formal policy is put in place for the cashback incentive, confirming the process of establishing the percentage given and how this is authorised. In addition, the cash back incentive should be posted to a separate nominal within the accounts going forward to enable suitable transparency.	RESOLVED
	Cost of sales transaction testing - PFPS - Grade C During our work, it was identified that one of samples selected from the stock listing has been processed with the incorrect address, this is an internal processing error that occurred when the stock assets were originally set up. This could lead to issues in managing the properties within the stock listings if they are incorrectly described.	It is recommended that following once stock assets have been set up, that a fellow colleague double checks the postings and agrees that everything has been set up correctly.	RESOLVED
	Property Sales Cut Off Testing - PFPS - Grade C It was identified during our work on property sales that following a review of grants by the client that a grant relating to a property sale back in 2015 had not been written back, this was corrected this year in 2025. This has resulted in 2025 revenue being overstated, although not material in nature.	It is recommended that during monthly management account preparations that a review of grants is performed to ensure that they are being correctly and timely written off, repaid or recycled.	RESOLVED

Audit findings

Brought forward from 2025 and resolved

	Observation and risk	Recommendation	Management response
	Admin expenses substantive – CRE - Grade C During our testing of Admin expenses within CRE, it was noted that refunds were sometimes posted to the wrong client code until the details are confirmed. This could cause issues on an individual client code being reported incorrectly, resulting in disputes and some refund adjustments could be missed.	As such we recommend that each refund is reviewed and properly processed more often and thoroughly to avoid delays in receiving correct information.	RESOLVED
	Admin expenses cut off – CRE - Grade C During our testing of the admin cut-off procedures, it was noted that some invoices contained incorrect periods of activity (labelled 01/03/2025 – 31/03/2025, it was confirmed they should have been labelled as 01/04/2025 – 31/03/2026).	We would therefore recommend that checks are completed to guarantee the invoices are provided with the correct details, and the appropriate steps to fixing this issue are taken.	RESOLVED
	Voids Testing – PFPS - Grade C We have noted during out testing that a large proportion of the postings going through 119990 have been posted incorrectly. This is due to the wrong void amount being posted initially, or the property having a current tenant – hence no void should be posted. Due to lots of reversing entries, the nominal breakdown appears messy. This is an issue as it misleads the true value of voids and raises a question around the control of postings.	We recommend that you increase controls, and checks, prior to postings – ensuring they are posted correctly in the first instance.	RESOLVED
	General ledger postings - PFPS & CRE - Grade B It was observed during our work that general ledger postings did not include purchase invoice numbers, this can make it inefficient to agree the invoices without asking you to go into your systems further to prove that the invoices match the cost on the general ledger.	We recommend that the purchase invoice number is input on the system, maybe in the description, when the purchase invoice is input into the system.	RESOLVED

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Now, for tomorrow

