



Craigowen Housing Association

Internal Audit Strategy

12 August 2026

Draft for Finance, Audit and Risk Committee consideration



Ref: CH/bc

Private and Confidential

Billy McCreight Esq
General Manager
Craigowen Housing Association
150 Hollywood Road
Belfast
BT4 1NY

T: 028 9024 9222
www.sumerni.co.uk

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Dear Sir

Re: Internal Audit Strategy – Craigowen Housing Association – draft for Finance, Audit and Risk Committee (“FARC”) consideration

Introduction

1. Following a competitive tendering exercise, Sumer Northern Ireland (“Sumer NI”) was reappointed as Internal Auditors to Craigowen Housing Association (“the Association”) for an initial period of three years, with the Association having the option to extend the contract for a further two, one-year periods.
2. In line with the Global Internal Audit Standards (“GIAS”) we have prepared an Internal Audit Strategy (“the Strategy”) that supports the corporate objectives and success of the Association and aligns with the expectations of yourself as General Manager, the FARC, and other key stakeholders.
3. The Internal Audit Strategy considers your corporate objectives, stakeholder expectations and key risks. It also details Internal Audit’s vision and considers development and improvement opportunities for the Internal Audit function including the application of technology and tools to enhance audit efficiency and effectiveness.
4. In preparing this Internal Audit Strategy for the 2026/27 to 2028/29 period we have undertaken the following steps:
 - a) considered your key risks, as detailed in your May 2026 Corporate Risk Register;
 - b) considered our previous internal audit strategies, annual plans and reports;
 - c) reviewed your 2027/26 Business Plan;
 - d) reviewed your Strategic Plan 2025 – 2030;
 - e) reviewed your Financial Statements and Annual Report for the year ended 31 March 2025;
 - f) considered those areas identified as being of higher risk and requiring Internal Audit attention during recent meetings with the following individuals:
 - i. yourself, as General Manager;
 - ii. Mr Chris Thompson, Chair of the Board;
 - iii. Mr Shane Clements, Chair of the FARC; and
 - g) ensured that the “essential conditions” outlined in the GIAS were discussed and communicated as part of our meetings noted above.

5. Having been your internal auditors since 2017, we have developed a detailed understanding and appreciation of your key systems and processes, your appetite for risk and the risks and issues which you are currently facing. The knowledge base of our staff who have worked with you over the past 9 years remains in the firm, including your nominated Head of Internal Audit, Christine Hagan. We expect we will use this knowledge to ensure that your Internal Audit process continues to be closely aligned to your risks and objectives.

6. This Internal Audit Strategy will provide a platform to enable the preparation of an operational plan which will incorporate the detailed arrangements for the internal audit work to be conducted each year. At the beginning of each financial year, we will meet with you as General Manager to review the Internal Audit Strategy, to discuss key risks and issues impacting at that time and to agree a proposed annual internal audit plan. We will undertake a risk based review of the Internal Audit Strategy including a “risk mapping” exercise to ensure that the proposed areas for review in each year continue to adequately and effectively address the key risks facing the Association. The proposed areas for review will also be considered in light of your corporate aims and objectives, to ensure there is clear alignment in this respect. We will present the annual internal audit plan to the FARC for formal consideration and approval.

7. Factors that may prompt a more frequent review of this Strategy include but are not limited to:

- a) changes in the Association’s strategy or the maturity of its governance, risk management, and control processes;
- b) changes in the Association’s policies and procedures or the laws and/or regulations to which the organisation is subject;
- c) changes in members of the Board or Senior Management; and
- d) results of internal and external assessments of the internal audit function.

8. This Internal Audit Strategy was issued on 11 August 2026 for management consideration and will be presented to the FARC for consideration at its meeting on 19 August 2026.

Background

9. Craigowen Housing Association was established in 1977 to provide and maintain housing, accommodation and assistance to help house adults with learning difficulties and for those who care for them, along with their families, under joint management agreements with the Camphill Community.

10. The Association owns 25 properties, of which 23 are located within the Camphill Communities in Northern Ireland, and another two located in Holywood. The Association also manages 13 properties which are leased from Camphill Community Trust (NI).

11. The Association is an Industrial and Provident Society, and a Registered Housing Association, regulated by the Department for Communities. It is registered as a charity with the Charity Commission for Northern Ireland.

Vision

12. The vision of the internal audit function is to strengthen the Association’s ability to create, protect, and sustain value by providing the FARC and management with independent, risk-based, and objective assurance, advice, insight, and foresight. Our vision is supported by the Internal Audit Mandate, which is set out within our Internal Audit Charter. A copy of the Charter is attached at **Appendix A**.

Engagement with key stakeholders

13. Key stakeholders including the Chair of the Board, the Chair of the FARC and the General Manager have provided input to this strategy through our planning discussions. Other members of the Board and FARC are invited to provide any further input in this respect. External assurance bodies such as the Department for Communities are also invited to provide input into this Internal Audit Strategy to help ensure that the relevant areas are targeted for review.

Digital Transformation

14. Principle 9 of the GIAS requires us as your internal auditors to consider the application of technology and tools to enhance internal audit efficiency and effectiveness. We currently use Galileo, cloud-based internal audit software, to prepare our internal audit files and working papers. The "Datsnipper" data analytics tool is also used to identify trends in data that we receive during internal audit reviews, when appropriate.

15. We are currently considering the use of Generative Artificial Intelligence ("AI") tools while also taking into account the associated risks with utilising these tools. We are also working with the wider Sumer Group to explore additional technologies that could be used to enhance the delivery of our services.

Managing Internal Audit resources

16. Principle 10 of the GIAS requires us to effectively manage our resources. Our Internal Audit Department currently comprises 28 members of staff, demonstrating our ability to deliver internal audit services to the Association. The Department is led by three Partners who are supported by a team of either qualified staff or those who are training to attain either a Chartered Internal Auditor or Chartered Accountancy qualification.

17. Members of staff within our Internal Audit Department are also provided with opportunities to develop their experience and competencies. Qualified staff must meet Continuing Professional Development ("CPD") requirements on an annual basis and we have also developed an annual training plan that is rolled out to all members of the Department.

Continuous Improvement

18. Principle 12 of the GIAS sets out clear requirements for the internal audit function to enhance the quality of its services and ensure conformance with the standards through continuous performance improvement. This will be supported through our Quality Assurance and Improvement Programme ("QAIP"), which is detailed further in our Internal Audit Charter.

Other providers of assurance and advisory services

19. Principle 9 of the GIAS require internal auditors to consider internal audit function's ability to rely on the work of other assurance providers in developing the internal audit plan and plan to re-evaluate reliance periodically. The scope of the internal audit activity was clearly defined in the Request for tender documentation. We will continue to engage with the General Manager, the Finance, Audit and Risk Committee, and the Board. As part of external audit's year end processes, we also expect to form part of their inquiries. The Department may also request copies of any assurance reports we issue. However, in delivering internal audit services to the Association we do not expect to engage directly with, or rely on, your other assurance providers but will keep this under review.

Key risks and control environment

20. In order to assist management in ensuring that the Association's functions are delivered effectively, the Association has established an embedded system of risk management incorporating a Corporate Risk Register which is subject to regular review by the FARC and the Board.

21. The Association utilises a Red, Amber, Green ("RAG") scoring mechanism to determine the status of each risk with "red" being used to highlight high risk areas. In line with good governance practices and the Global Internal Audit Standards, stakeholders should be made aware of any significant risks that fall outside the scope of the Internal Audit Strategy to ensure that any gaps in independent assurance are clearly understood.

22. There are no risks with a "red" rating identified in the May 2026 Corporate Risk Register. There is one "amber" risk area facing the Association at this time, as noted below:

- a) failure to achieve necessary standards of governance and failure to comply with the Association's rules (CR 5).

23. During the course of our previous appointment, we undertook internal audit reviews in relation to a range of areas within the Association. Our work identified that the Association has a history of maintaining a strong internal control environment and that the FARC has had appropriate regard to the importance of maintaining effective control systems and procedures.

Internal Audit Plan

24. Based on our preliminary assessment, including our discussions with the General Manager, the Chair of the Board and the Chair of the FARC, we have identified the following areas which may benefit from an internal audit review over the course of the three-year period to 31 March 2029:

- a) IT systems and cybersecurity;
- b) Statutory maintenance (focusing on legionella, asbestos and fire safety compliance checks);
- c) Compliance with the General Data Protection Regulations ("GDPR");
- d) Corporate governance;
- e) Financial controls; and
- f) Asset management.

Risk assessment

25. Principle 9 of the GIAS requires us to ensure that the Internal Audit Strategy adequately considers the Association's key risks and to conduct a risk assessment as part of developing the Internal Audit Strategy.

26. We have utilised our standard approach for the assessment of risk likelihood and impact, which is summarised as follows:

Scale	Impact	Likelihood
8-9 (Very high)	Very significant impact on the achievement of business objectives	Risk occurs, or could occur, regularly
6-7 (High)	Significant impact on the achievement of business objectives	Risk may occur often
4-5 (Medium)	Limited impact on the achievement of business objectives	Risk is likely to occur
2-3 (Low)	Small impact on the achievement of business objectives	Risk may occasionally occur
0-1 (Very low)	Insignificant impact on the achievement of business objectives	Risk is unlikely to occur

27. We quantified our assessment of risk by multiplying the likelihood and impact scale assessments for each risk to provide an overall risk score. The risk scores were then stratified and each risk was assigned an overall risk category based on the following scoring system:

Overall risk score (Likelihood x Impact)	Risk category
≥ 35	High
16 – 34	Medium
≤ 15	Low

System	Impact (0-9)	Likelihood (0-9)	Total	Risk category		
				High (≥ 35)	Medium (16 - 34)	Low (≤15)
High						
IT systems and cybersecurity	8	5	40	✓		
Medium						
Statutory maintenance (focusing on legionella, asbestos and fire safety compliance checks)	8	4	32		✓	
Compliance with GDPR	7	4	28		✓	
Corporate governance	6	4	24		✓	
Financial controls	6	5	30		✓	
Asset management	6	4	24		✓	

28. We have undertaken a broad-based risk assessment of each of those areas which may be subject to review over the course of our appointment. This risk assessment is set out, in descending order, in the table below.

Alignment to Craigowen Housing Association's Strategic Priorities

29. Principle 9 of the GIAS requires us to ensure that our Internal Audit Strategy helps support the achievement of the Association's strategic objectives. The Association's Strategic Plan 2025 to 2030 sets out the following strategic priorities:

- a) strategic aim 1 - to provide good quality homes;
- b) strategic aim 2 - to provide high quality services;
- c) strategic aim 3 - to foster the partnership with the Camphill Community; and
- d) strategic aim 4 - to continue to build an effective and sustainable organisation.

30. As well as aligning the planned internal audit reviews to specific risks on the Association's Corporate Risk Register, we have also aligned each internal audit review to one of the strategic priorities set out above.

Audit techniques

31. We have undertaken an assessment of the range of audit techniques which we consider will be the most effective to ensure that the internal audit service meets its objectives.

32. We will complete each audit in accordance with the terms of reference with a view to reporting on the accuracy of transactions, compliance and internal controls and advising on necessary improvements, as necessary.

33. We will undertake a range of audit tests to test the operation of the key financial, administrative and operational controls based on our assessment of risk and materiality. We will identify the key controls in each system and consider the following:

- a) the susceptibility of the control to change;
- b) the frequency and extent of the control;
- c) our initial view of the likelihood of control weakness; and
- d) the significance of the control to the control environment and how much reliance is being placed on it.

34. On the basis of those considerations, we will determine an appropriate strategy to test the appropriateness, effectiveness and adequacy of key risk management, governance and internal controls which may comprise the following audit techniques:

- a) inquiry;
- b) re-performance;
- c) inspection / examination; and
- d) observation.

35. Sampling will be representative of the population being tested unless in our professional judgement focussed or stratified sampling would be more appropriate and will be calculated using our risk-based sample size calculator.

Audit day allocation

36. All proposed audit areas will each be subject to one review during the initial three-year period.

37. In order to provide assurance that internal audit recommendations are being implemented, we have allocated four days in the second year of our plan to undertake a follow up review of previously accepted internal audit recommendations.

38. In accordance with good practice, we have also allocated audit days each year for the preparation of the annual internal audit plan, preparation and attendance at each FARC meeting and for year-end reporting.

39. The total number of audit days assigned, amounts to 60, which is an average of 20 days per annum over the 3-year strategy period.

40. This Strategy will remain flexible to the ongoing changes in the Association. On an annual basis we will review the Internal Audit Strategy and will formally present a proposed Annual Internal Audit Plan to management and the Audit and Risk Committee at the beginning of each financial year for discussion and agreement. We will agree with management a schedule for the delivery of the Annual Internal Audit Plan in advance of commencing each year's fieldwork. Terms of reference will be agreed with management for each internal audit assignment.

41. On the basis of our risk assessment, we propose to allocate our man day input over the three years ending 31 March 2029 as follows:

Activity	Risk Register Linkage (May 2026)	Strategic Plan Linkage	2026/27 Days	2027/28 Days	2028/29 Days
High					
IT systems and cybersecurity	CR4	Strategic Priority 4	-	-	6
Medium					
Statutory maintenance (focusing on legionella, asbestos and fire safety compliance checks)	CR2	Strategic Priorities 1 & 2	-	6	-
Compliance with GDPR	CR5	Strategic Priority 4	-	6	-
Corporate governance	CR5	Strategic Priority 4	6	-	-
Financial controls	CR1 & CR4	Strategic Priority 4	6	-	-
Asset management	CR2 & CR3	Strategic Priorities 1 & 2	-	-	6
Follow up review	-	-	-	4	-
Contract management					
Attendance at FARC meetings	-	-	4	4	4
Annual planning (including preparation of Internal Audit Strategy in Year 1) and year end reporting	-	-	4	2	2
Total			20	22	18

42. If you wish to discuss any aspect of this correspondence, please do not hesitate to contact either Christine Hagan or Barney Conway.

Yours sincerely

Christine Hagan
Partner

e-mail: christine.hagan@sumerni.co.uk
barney.conway@sumerni.co.uk