



BHT SUSSEX

Annual internal audit report for the year ending 31 March 2026

20 May 2026

This report is solely for the use of the persons to whom it is addressed.

To the fullest extent permitted by law, RSM UK Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party.

CONTENTS

The Annual Internal Audit Opinion 3

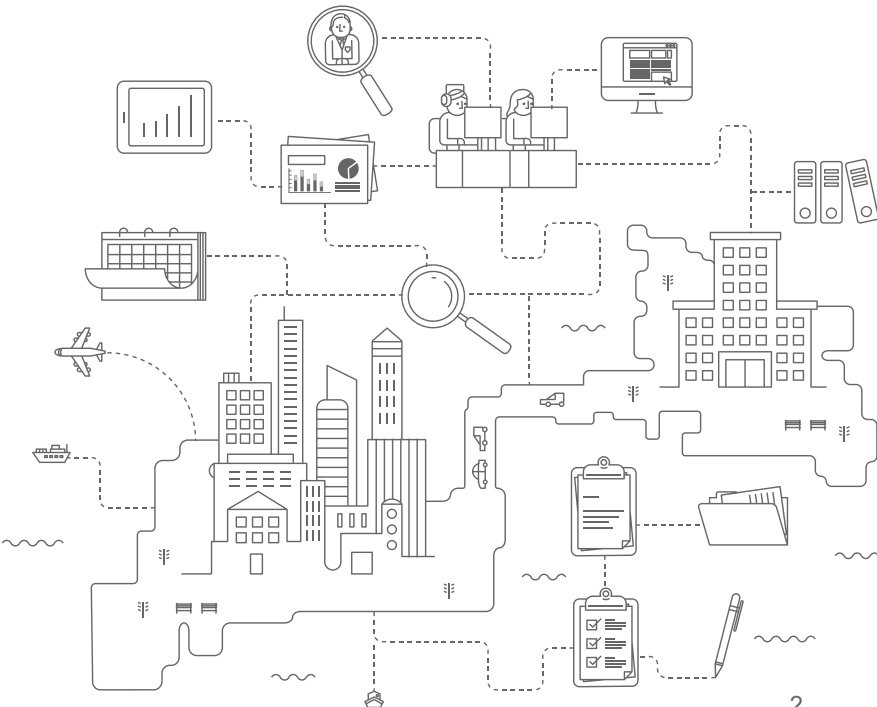
1 Scope and limitations of our work 5

2 Factors and findings which have informed our opinion 7

Appendix A: Summary of internal audit work completed 15

Appendix B: Opinion classification 16

For further information contact 17



THE ANNUAL INTERNAL AUDIT OPINION

The annual internal audit opinion is based upon, and limited to, the work performed on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes. For the 12 months ended 31 March 2026 the head of internal audit opinion for BHT Sussex is:

Annual opinion

Factors influencing our opinion



The organisation does not have an adequate framework of governance, risk management or internal control.



There are weaknesses in the framework of governance, risk management and internal control such that it could become inadequate and ineffective.



The organisation has an adequate and effective framework for risk management, governance and internal control.

However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective.



The organisation has an adequate and effective framework for risk management, governance and internal control.

The factors which are considered when influencing our opinion are:

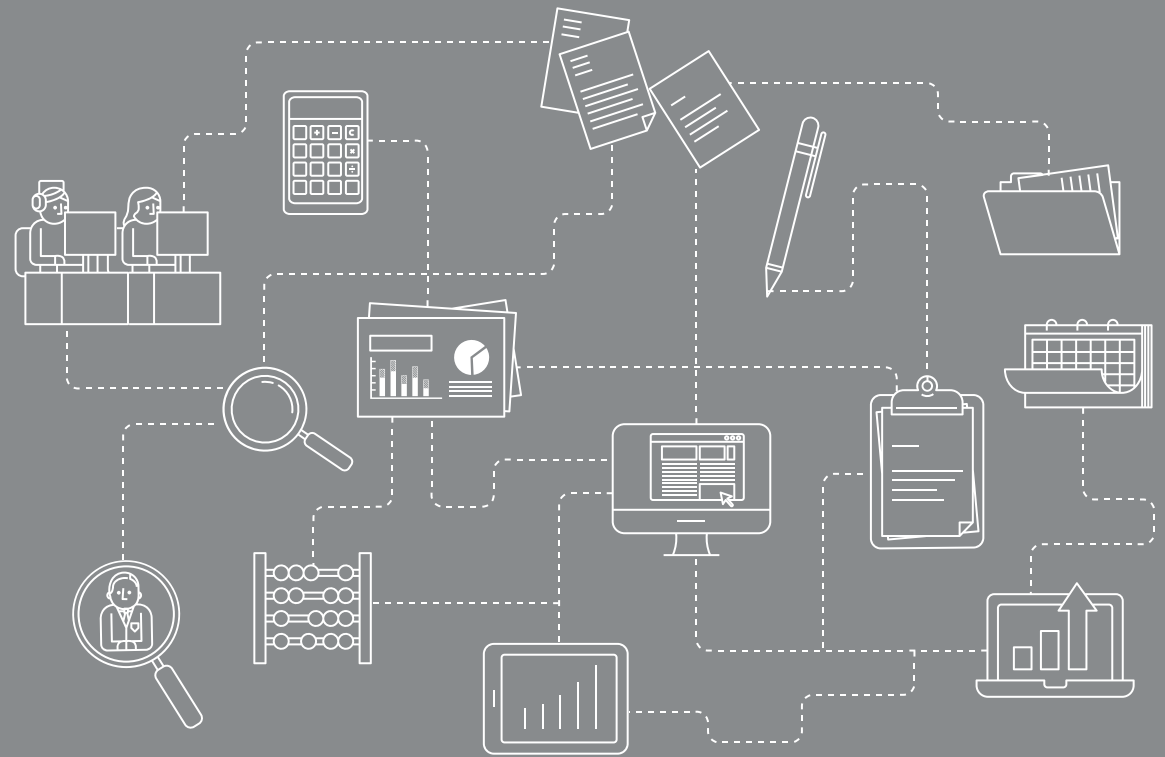
- inherent risk in the area being audited;
- limitations in the individual audit assignments;
- the adequacy and effectiveness of the risk management and / or governance control framework;
- the impact of weaknesses identified;
- the level of risk exposure; and
- the response to management actions and timeliness of actions taken.



It remains management's responsibility to develop and maintain a sound system of risk management, internal control, governance, and for the prevention and detection of errors, loss or fraud. The work of internal audit is not and should not be seen as a substitute for management responsibility around the design and effective operation of these systems.

Scope and Limitations

01



1 SCOPE AND LIMITATIONS OF OUR WORK

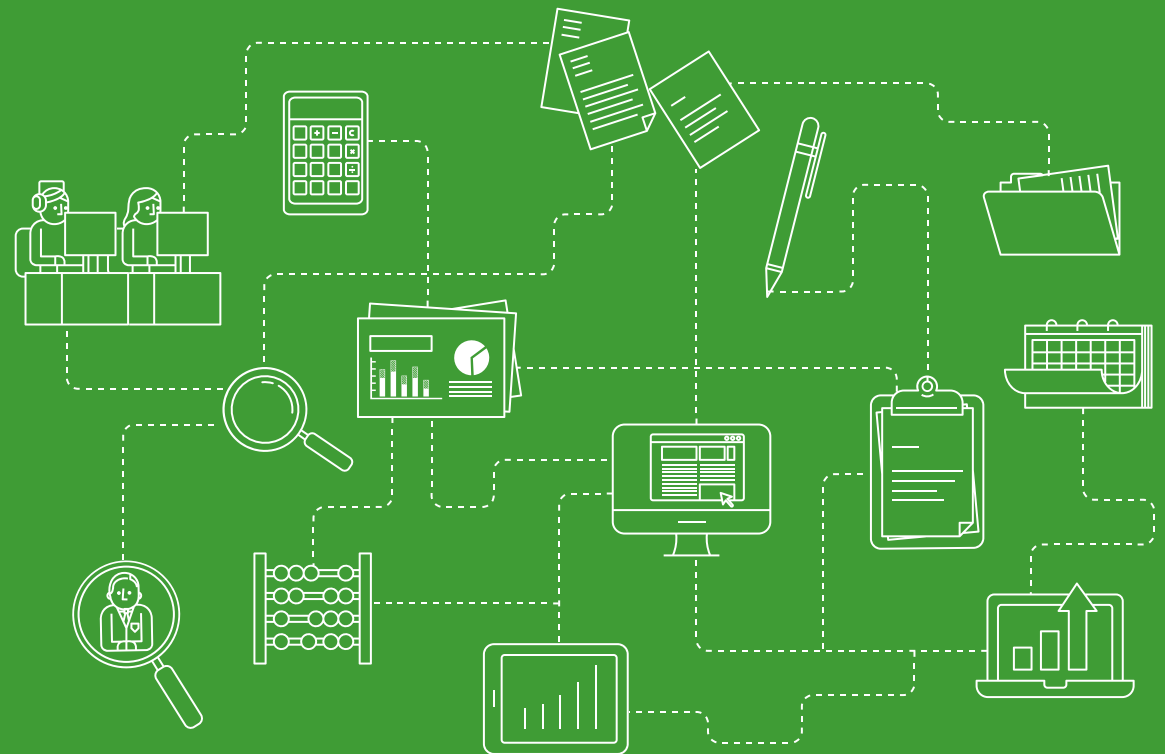
The formation of our opinion is achieved through a risk-based plan of work, agreed with management and approved by the Finance, Audit and Risk Committee, our opinion is subject to inherent limitations, as detailed below.



- Internal audit has not reviewed all risks and assurances relating to the organisation.
- The opinion is substantially derived from the conduct of risk-based plans generated from a robust and organisation-led assurance framework. The assurance framework is one component that the board takes into account in making its annual governance statement.
- The opinion is based on the findings and conclusions of the agreed work which was limited to the area under review and agreed with management.
- Where strong levels of control have been identified, there are still instances where these may not always be effective. This may be due to human error, incorrect management judgement, management override, controls being by-passed or a reduction in compliance.
- Due to the limited scope of our audits, there may be weaknesses in the control system which we are not aware of, or which were not brought to our attention.
- The matters highlighted in this report represent only the issues we encountered during our work. It is not an exhaustive list of all weaknesses or potential improvements. Management remains responsible for maintaining a robust system of internal controls, and our work should not be the sole basis for identifying all strengths and weaknesses.
- This report is prepared solely for the use of the Finance, Audit and Risk Committee and senior management of BHT Sussex.

Informing Our Opinion

02



2 FACTORS AND FINDINGS WHICH HAVE INFORMED OUR OPINION

A summary of internal audit work undertaken, and the resulting conclusions, is provided at appendix B.

Governance	Risk	Internal Control
Our governance opinion has been informed specifically through our work in relation to our Risk Assessments, Procurement and Service Charges audits which included consideration of BHT Sussex's governance arrangements, reporting arrangements and escalation measures. In the Procurement audit, we found that there was no overarching procurement policy, although this is partially mitigated by the fact that major and cyclical works procurement activity was supported by a suite of policies including a tender policy and procedure and financial levels of delegated authority.	Our risk management opinion has been informed by our assessment of the risk mitigation procedures undertaken in the areas covered by the risk-based reviews completed as part of the 2025/26 internal audit plan. With the exception of our Follow Up and Fraud Risk Assessments reviews, the remainder of reviews included in the 2025/26 internal audit plan were risk-based, including the Risk Assessments, Procurement and Business Continuity reviews. In the Business Continuity audit, we found that there was no business continuity plan in place and therefore also no testing of any plan. However, this is partially mitigated by the fact that there are preparatory controls in place, and as a small organisation the senior team works closely in any incident, as demonstrated by the effective management of the most recent serious incident which was a block fire in 2023. In addition, our risk management opinion is also informed by attendance at the Finance, Audit and Risk Committee, where risk management and the strategic risk register is considered and challenged by members.	We have issued four assurance reports, from two of which the Board could take partial assurance, and from two of which they could take reasonable assurance. In the Procurement audit, we found that there was no overall contracts register, although this is partially mitigated by the fact that most contracts in place are for major works and these are stored on the Electronic Document Management System. In addition, our follow up of previously agreed management actions resulted in a little progress opinion due to a high priority action around the completion of stock condition surveys being only partly implemented and remaining high priority. Although the balance of positive and negative assurance opinions is even, the issues raised, together with the actions that remain outstanding from previous years, particularly in relation to Asset Management, have led us to provide a "weaknesses identified" annual opinion.

As well as the headline findings discussed above, the following areas have helped to inform our opinion. A summary of internal audit work undertaken, and the resulting conclusions, is provided at appendix A.



Culture, including engagement with Internal Audit

During the year there has been a positive level of engagement by management and staff. Prior to and during our reviews, management have been engaged and proactive and we have held regular catch ups. Responses to our audit queries, along with documentation, have mostly been provided in a timely manner. Management have demonstrated a strong culture in relation to engaging with us to agree pragmatic management actions to improve the control framework, and there is a strong tone from the top supporting continuous improvement, although these improvements can sometimes take longer to implement than expected.. Outside of internal audit management demonstrate a commitment a positive and ethical culture, for example through their positive engagement with the Regulator and engagement of a third-party specialist on the rents issue.



Acceptance of internal audit management actions

Management have agreed actions to address all of the findings reported by the internal audit service during 2025/26.



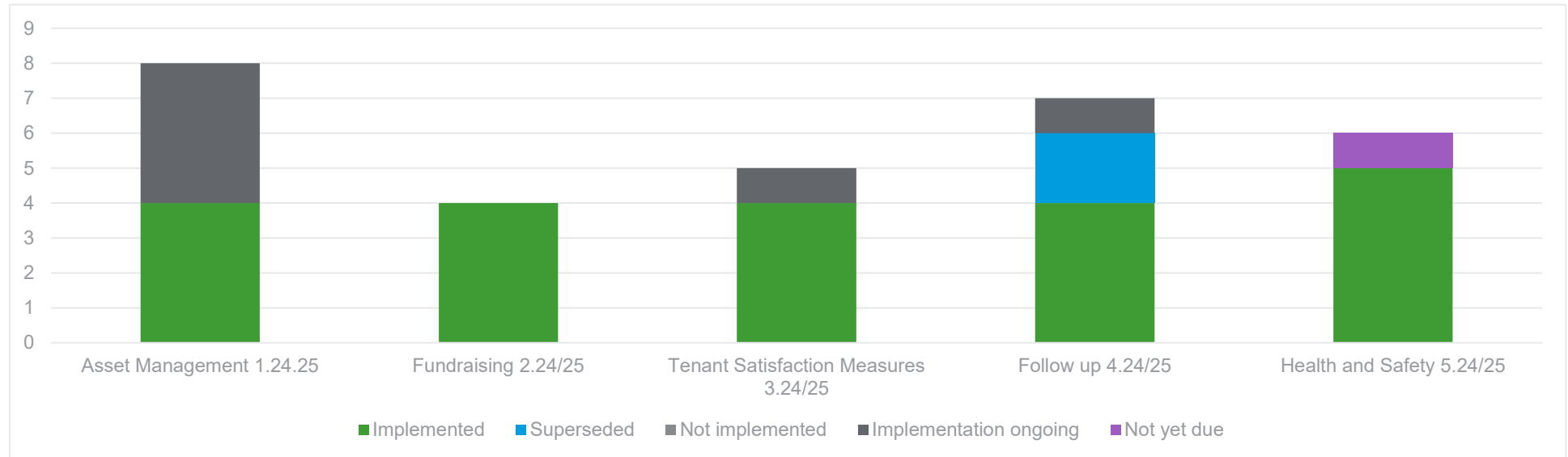
Implementation of internal audit management actions

Where actions have been agreed by management, these have been monitored by management through the action tracking process in. During the year progress has been reported to the Finance, Audit and Risk Committee, with the validation of the action status confirmed by internal audit through our annual follow up audit.

Our follow up of the actions agreed to address previous years' internal audit findings shows that the organisation had made little progress in implementing the agreed actions. 30 management actions were included in our review, with 21 management actions (six high, 10 medium, and five low priority) having been fully implemented, and two actions (one medium and one low priority) having been superseded.

Six management actions (two high and four medium) had been partially implemented. The remaining part of one high priority action was reduced to medium priority, and one of the four medium priority actions was reduced to low priority. Although we provided a little assurance opinion due to a high priority action being only partly implemented and remaining high priority, 70% of actions had been fully implemented.

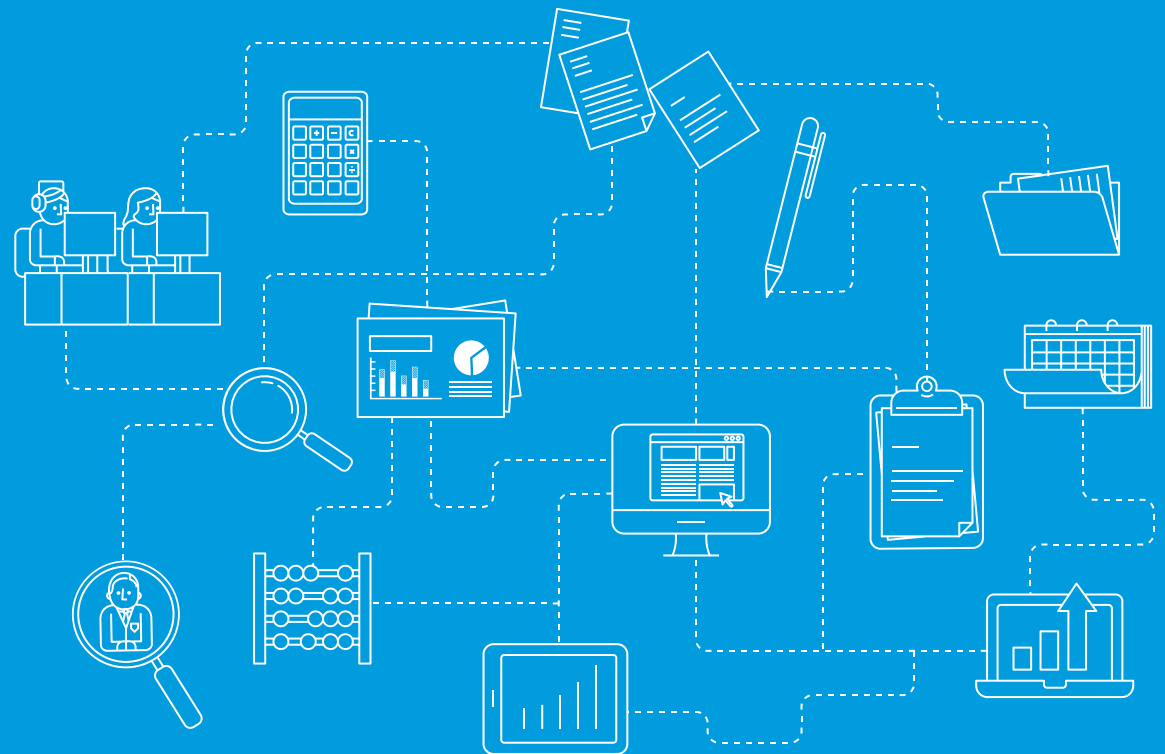
The following chart provides a summary of actions reviewed and the implementation status reported:



Working with other assurance providers

In forming our opinion, we have not placed any direct reliance on other assurance providers.

03



3.1 Wider value adding delivery

Area of work	How has this added value?
Sector Briefings and Articles	We have issued a number of sector briefings throughout the year to provide information on key developments, publications, and guidance.
Webinar and Event Invitations	We have issued invitations to a number of RSM webinars and events throughout the year, including RSM's Social Housing Audit Committee Forum (December 2025 and March 2026).
Best Practice	We have shared best practice across the sector through our work. This enables senior management and the Finance, Audit and Risk Committee to compare current practices against other client practices and establish whether change may be beneficial and could be rolled out across BHT Sussex's control framework.
RSM's Emerging Risk Radar	Throughout the year we provided BHT Sussex with our latest Emerging Risk Radar publication, which analyses the responses from board members and professional advisors in relation to emerging events or threats that could impact a business either negatively or positively.
Social Housing – benchmarking of internal audit findings 2024/25	We provided BHT Sussex with our annual Social Housing – benchmarking of internal audit findings 2024/25 report, which compared the numbers of actions agreed, and the assurance opinions provided, in similar audits performed across the sector in our client base. We also provided BHT Sussex with an analysis of high priority management actions that arose in 2024/25 across our social housing portfolio, which highlighted the key themes and pressing matters arising across the sector. We also shared with BHT Sussex our analysis of lessons learnt from damp and mould reviews in social housing completed over the past three years across our client base.
Committee attendance	We maintained regular attendance at the Finance, Audit and Risk Committee, and contributed towards agenda items.

3.2 Conflicts of interest

RSM has not undertaken any work or activity during 2025/26 that would lead us to declare any conflict of interest. Internal audit remains independent, and there have been no threats to our independence when delivering the audit plan during 2025/26.

3.3 Conformance with internal auditing standards

RSM affirms that our internal audit services are designed to conform to the Global Internal Audit Standards, the wider International Professional Practices Framework (IPPF), and the Internal Audit Code of Practice as published by the Global Institute of Internal Auditors (IIA) and the Chartered IIA. Our next external quality assessment (EQA) will take place in 2026.

Under the Standards, internal audit services are required to have an EQA every five years. The RSM UK Risk Assurance service line commissioned an external independent review of our internal audit services in 2021, to provide assurance as to whether our approach continues to meet the requirements.

The external review concluded that RSM 'generally conforms*' to the requirements of the IIA Standards' and that 'RSM IA also generally conforms with the other Professional Standards and the IIA Code of Ethics. There were no instances of non-conformance with any of the Professional Standards'.

*The rating of 'generally conforms' is the highest rating that can be achieved, in line with the IIA's EQA assessment model.

3.5 Quality assurance and continual improvement

To ensure that RSM remains compliant with the Internal Audit Standards we have a dedicated internal Quality Assurance Team who undertake a programme of reviews to ensure the quality of our audit assignments. This is applicable to all Heads of Internal Audit, where a sample of their clients will be reviewed. Any findings from these reviews are used to inform the training needs of our audit teams

As part of the Quality Assessment and Improvement Programme, none of your files were selected for Internal Quality Monitoring programme during 2025/26. From the results of the reviews undertaken across our client base, there are no areas which we believe warrant flagging to your attention as impacting on the quality of the service we provide to you.

In addition to this, any feedback we receive from our post assignment surveys, client feedback, appraisal processes and training needs assessments is also taken into consideration to continually improve the service we provide and inform any training requirements.

3.6 Performance indicators

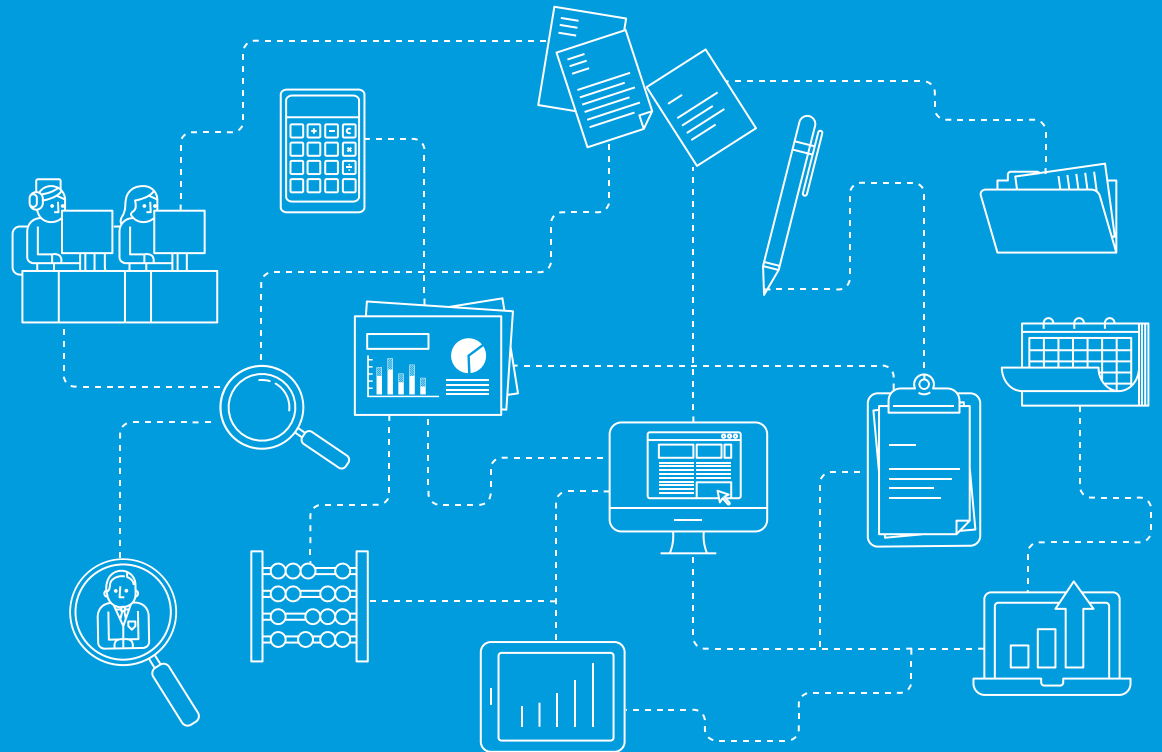
	Delivery			Quality			
	Target	Actual	Notes		Target	Actual	Notes
Audits commenced in line with original timescales*	Yes	Yes		Conformance with IIA Standards	Yes	Yes	
Draft reports issued within 10 days of debrief meeting	10 days	3 / 6 (50%)	Delays to the Procurement, Fraud Risk Assessments and Business Continuity reports due to annual leave and additional evidence requirements.	Liaison with external audit to allow, where appropriate and required, the external auditor to place reliance on the work of internal audit	Yes	Yes	
Management responses received within 10 days of draft report	10 days	5 / 5 (100%)		Response time for all general enquiries for assistance	2 working days	2 days	
Final report issued within 3 days of management response	3 days	5 / 5 (100%)		Response for emergencies and potential fraud	1 working day	N/A	

Notes

* This takes into account changes agreed by management and Finance, Audit and Risk Committee during the year. Through employing an agile or a flexible approach to our service delivery we are able to respond to your assurance needs.

Appendices

04



APPENDIX A: SUMMARY OF INTERNAL AUDIT WORK COMPLETED

All of the assurance levels and outcomes provided below should be considered in the context of the scope, and the limitation of scope, set out in the individual assignment report.

Assignment	Executive lead	Opinion issued	Actions agreed		
			L	M	H
Risk assessments	Rachael Kenny	Reasonable Assurance	0	4	0
Procurement	Sunil Desai	Partial Assurance	2	2	2
Business continuity	Sunil Desai	Partial Assurance	3	2	2
Review to mitigate fraud and bribery risks	David Chaffey	No opinion / Advisory	2	2	0
Follow up	Sunil Desai	Little Progress	1	4	1
Service Charges	Sunil Desai	Reasonable Assurance	1	3	0

APPENDIX B: OPINION CLASSIFICATION

We use the following levels of opinion classification within our internal audit reports, reflecting the level of assurance the board can take:



Minimal Assurance

Taking account of the issues identified, the board cannot take assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective.

Urgent action is needed to strengthen the control framework to manage the identified risk(s).



Partial Assurance

Taking account of the issues identified, the board can take partial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied or effective.

Action is needed to strengthen the control framework to manage the identified risk(s).



Reasonable Assurance

Taking account of the issues identified, the board can take reasonable assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.

However, we have identified issues that need to be addressed in order to ensure that the control framework is effective in managing the identified risk(s).



Substantial Assurance

Taking account of the issues identified, the board can take substantial assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective.

- | +

FOR FURTHER INFORMATION CONTACT



Anna O'Keeffe, Head of Internal Audit

Email: Anna.O'Keeffe@rsmuk.com

Telephone: 07917 462007



Mohammed Naeem, Managing Consultant

Email: Mohammed.Naeem@rsmuk.com

Telephone: 020 3201 8875

rsmuk.com

The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Actions for improvements should be assessed by you for their full impact. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

Our report is prepared solely for the confidential use of BHT Sussex, and solely for the purposes set out herein. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM UK Risk Assurance Services LLP for any purpose or in any context. Any third party which obtains access to this report or a copy and chooses to rely on it (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM UK Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

This report is released to you on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

RSM UK Risk Assurance Services LLP is a limited liability partnership registered in England and Wales no. OC389499 at 6th floor, 25 Farringdon Street, London EC4A 4AB.