



## **Audit policy**

Approved by the Assurance sub-Committee  
Latest review date

March 2024  
March 2028

## **1. Introduction**

- 1.1 In order to ensure the Association's financial affairs are independently assessed, we are obliged by law to appoint a firm of registered auditors to undertake the annual audit of our financial statements.
- 1.2 In addition, it is expected that the Association shall have in place an appropriate system of internal audit, which shall assist the Association in confirming that appropriate internal financial controls are in place.

## **2. Legislative and regulatory framework**

- 2.1 The requirement to appoint an appropriately qualified external auditor is outlined in the Association's Rules (or Constitution). The Rules also summarise the auditor's duty to carry out an annual audit of the financial statements and to report on their findings to the Association's members each year at the Annual General Meeting.
- 2.2 Section 3 of the Regulatory Framework outlines the Standards of Governance and Financial Management, with Standard #3 requiring the Association to "manage its resources to ensure its financial well-being". More specifically, Standards 4.3, 4.5 and 4.6 address audit (external and internal). These standards underpin this policy.
- 2.3 The Association achieves the above via robust policies, procedures and reporting mechanisms and audit has a clear part to play in ensuring these duties are discharged appropriately.
- 2.4 The policy statement confirms the Association's commitment to comply with legal, regulatory and best practice requirements.
- 2.5 **Notifiable events**
  - 2.5.1 The Association also recognises the relationship between the audit policy and the policy on notifiable events and takes account of the statutory guidance on notifiable events signposted at section 6.5 of the Regulatory Framework.
  - 2.5.2 In the context of the audit policy, the Association is clear on the requirement to notify the Regulator of any serious concerns raised by our auditors as soon as we become aware of the concern. The Association also acknowledges the duty to notify placed on the external auditor under paragraphs 6.16 and 6.17 of the Regulatory Framework.

### **3. Equality and human rights**

- 3.1 The Association's equality and human rights policy, which was approved by the Committee in April 2021, outlines our commitment to promote a zero tolerance to unfair treatment or discrimination to any person or group of persons, particularly on the basis of any of the protected characteristics<sup>1</sup>. This includes ensuring that everyone has equal access to information and services and, to this end, the Association will make available a copy of this document in a range of alternative formats including large print, translated into another language or by data transferred to voice.
- 3.2 We are also aware of the potential for policies to inadvertently discriminate against an individual or group of individuals. To help tackle this and ensure that it does not occur, best practice suggests that organisations carry out equality impact assessments to help identify any part of a policy that may be discriminatory so that this can be addressed (please see section 5 of the equality and diversity policy for more information). A copy of the equality impact assessment is attached at Appendix 1.

### **4. Risk management**

- 4.1 The Association has considered the potential risks facing the Association should the audit policy be breached. The external audit, which is a statutory requirement, assists in providing an independent assessment on the current financial position of the Association and provides an opinion on whether the Association's books and records have been properly maintained. Failure to carry out regular assessment of the Association's financial controls could result in system weaknesses and errors going unnoticed. This may have a detrimental effect on the Association's viability and reputation. Similarly, failure to implement a programme of internal audit, inspecting all functions, could result in poor performance and with no action plan for improvement the Association could be viewed as failing to adhere to the culture of continuous improvement.
- 4.2 In order to minimise this risk, the Association ensures that an independent registered auditor carries out an annual external audit, with the Committee considering the Management Letter issued thereafter and acting upon any recommendations provided. Independent internal audit is considered on a three-year rolling programme, with regular monitoring of the improvement plans being undertaken by the Committee. The annual internal audit plan is

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<sup>1</sup> The Equality Act 2010 identifies the "protected characteristics" as age, disability, marriage and civil partnership, race, religion or belief, gender, gender reassignment and sexual orientation.

drafted by the internal auditor and takes account of the key risks (as highlighted in the risk matrix).

## **5. Responsibilities**

5.1 The Committee is responsible for:

- a) Agreeing the Association's audit policy – under the terms of section 8.3.3g) of the June 2022 standing orders, the Assurance sub-Committee can approve reviews of policies where changes are minor, and this includes the audit policy
- b) Monitoring the audit function
- c) Making recommendations to members at the AGM with regards to re-appointment or change of auditors
- d) Ensuring that appropriate external and internal auditors are appointed, and that their findings and recommendations (once agreed) are implemented
- e) Discussing the auditor's annual management letter and agree a formal response to be made to the external auditors.

5.2 The Director is responsible for:

- a) Ensuring that the Association's accounting systems and finance procedures comply with best accounting practice
- b) Ensuring effectiveness of internal controls for the Association and, where weaknesses are found, to lead the staff team in ensuring that these are addressed
- c) Ensuring that an annual review is undertaken of the internal control system and that the Committee as a whole receive a report on the adequacy, reliability and effectiveness of the internal control system

5.3 The Committee expects the Finance Agents to:

- a) In liaison with the Director, implement the policy and procedures on audit and internal financial controls
- b) Advise the Committee on any updates to appropriate guidance
- c) In liaison with Director, report to Committee on the audit process

## **6. External audit**

6.1 **Appointment of external auditor**

6.1.1 In order to ensure continuing value for money, the Auditor's appointment will be formally tendered every seven years in accordance with best practice requirements.

6.1.2 If, at any time, the Committee is dissatisfied with the performance or service of the auditor, the re-tender may be carried out earlier than planned, so long as this has been agreed at a Committee meeting.

6.1.3 Where performance of the audit is satisfactory the auditor will be formally appointed at each AGM. The Director and Finance Agents will advise the Committee of any concerns they have over the auditor's performance following the conclusion of the annual audit and will liaise with the auditors in this regard.

## **6.2 Remuneration of auditor**

6.2.1 The following will be observed:

- a) The fee to be charged will be agreed with the auditors, prior to the audit commencing and will normally reflect the amount specified when the service was tendered, subject to any agreed inflationary updates
- b) The audit fee will be shown separately to any other financial consultancy work in the Annual Accounts.
- c) The final audit fee will correspond to the budgeted figure, unless additional work is necessary. If this occurs the Director will seek prior approval of the Committee; if this is not practical because of the timing of Committee meetings and/or the urgency of any particular situation, the Director may authorise additional work, subject to this being reported to the Committee at the next meeting

## **6.3 Scope of audit and audit plan**

6.3.1 The external auditor will provide an engagement letter clearly defining their role and responsibilities. The auditor will discuss the audit plan with the Director and/or Housing Services Manager prior to the start of the audit and the fees and workplan will be agreed by both parties.

6.3.2 This plan will be reported to the Committee and will give:

- a) A timetable for preparation of accounts by the Finance Officer and Finance Agent
- b) Extent of working papers and schedules prepared by the Association
- c) Any aspect of the audit requiring particular attention
- d) The extent to which the auditor will rely on internal controls

6.3.3 Every three years (or on change of auditors) the Director will formally review the engagement letter and report any required amendments to the Committee.

## **6.4 Report on external audit**

- 6.4.1 The audit partner will report on the audit findings initially to the Director, then formally to the Committee and finally at the Annual General Meeting. The Director may involve other staff as required, particularly those with responsibility for finance.
- 6.4.2 The auditor will produce a Management Letter detailing any matters to be addressed by the Association. The Management Letter will be discussed by the Committee and a draft response, with timetables for any action required, will be put to the Committee for their consideration and approval.
- 6.4.3 Audited accounts must be sent to the Scottish Housing Regulator within six months of the year-end.

## **7. Internal audit**

- 7.1 It is the responsibility of the Committee to ensure that a suitable person is designated as having specific executive responsibility for ensuring the effectiveness of internal controls as part of their job specification.
- 7.2 The senior team, led by the Director, is responsible for ensuring that internal controls are effective (both financial and non-financial).
- 7.3 The Association will appoint a suitable firm to provide senior staff and the Committee with an independent appraisal of the adequacy and effectiveness of the internal control systems.
- 7.4 The Committee is required to include a statement in its annual accounts advising on the system of internal financial controls in place.
- 7.5 The auditor shall review this statement as part of the external audit.
- 7.6 An annual presentation on internal audit work for the year will be delivered to the Committee annually, normally at the December meeting. The Committee will agree any follow-up action plans agreed following individual internal audits and the Assurance sub-Committee will track progress on agreed recommendations at its quarterly meetings. Since May 2021, the sub-Committee has invited the internal auditor to attend Assurance sub-Committee meetings – as well as the internal auditor's input being useful, this will also help foster a better relationship between sub-Committee members and the internal auditor.

- 7.7 Copies of the internal audit reports should be made available to the external auditor as part of the annual external audit. The internal auditors should also receive copies of the external auditor's Management Letters and any Inquiry reports issued by the Scottish Housing Regulator.
- 7.8 The Committee will determine the resources required to undertake internal control audit and make the required funding available in the annual budget.

## **8. Policy review**

- 8.1 This policy will be reviewed every four years, or sooner to reflect legal, regulatory or best practice requirements. The latest date for review will be March 2028.

**Cernach Housing Association  
Equality Impact Assessment Tool**



Name of the <b>policy / proposal</b> to be assessed	Audit Policy	Is this a <b>new policy / proposal</b> or a revision?	Revision
Person(s) responsible for the assessment	L Crawford		
1. Briefly describe the <b>aims, objectives and purpose</b> of the policy / proposal	The policy aims to set our approach to auditing. It is expected that the Association has an appropriate system of internal audit, which assists the Association in confirming that appropriate internal financial controls are in place.		
2. <b>Who is intended to benefit</b> from the policy / proposal? ( <i>e.g. applicants, tenants, staff, contractors</i> )	The policy is intended to benefit the Association as a whole. The policy statement confirms our commitment to comply with legal, regulatory and best practice requirements.		
3. What <b>outcomes</b> are <b>wanted</b> from this policy / proposal? ( <i>e.g. the benefits to customers</i> )	As above.		



4. Which **protected characteristics** could be **affected** by the proposal? (*tick all that apply*)

- Age       Disability       Marriage & Civil Partnership       Pregnancy/Maternity       Race  
 Religion or Belief       Gender       Gender Reassignment       Sexual Orientation

5. If the policy / proposal is not relevant to any of the **protected characteristics** listed in part 4, state why and end the process here.

After consideration, there is no known elements of this policy which could impact any protected characteristics.

	Positive impact(s)	Negative impact(s)
<p>6. Describe the <b>likely positive or negative impact(s)</b> the policy / proposal could have on the groups identified in part 4</p>		
<p>7. What <b>actions</b> are <b>required</b> to address the impacts arising from this assessment? (<i>This might include: collecting additional data, putting monitoring in place, specific actions to mitigate negative impacts</i>).</p>		

Signed: L Crawford      Title: Corporate Services Officer  
Date completed: 7/02/24