



**Drumchapel  
Housing**

Co-operative Limited

## **Audit policy**

**Approved by Board:**  
**Latest review date:**

3 March 2020  
March 2023

## Regulatory Standards:

**Standard 2** - The RSL is open and accountable for what it does. It understands and takes account of the needs and priorities of its tenants, service users and stakeholders. And its primary focus is the sustainable achievement of these priorities.

**Standard 4** - The governing body bases its decisions on good quality information and advice and identifies and mitigates risks to the organisation's purpose.

**Guidance 4.5** – The RSL has an internal audit function. The governing body ensures the effective oversight of the internal audit programme by an audit committee or otherwise. It has arrangements in place to monitor and review the quality and effectiveness of internal audit activity, to ensure that it meets its assurance needs in relation to regulatory requirements and the Standards of Governance and Financial Management. Where the RSL does not have an audit committee, it has alternative arrangements in place to ensure that the functions normally provided by a committee are discharged.

**Guidance 4.6** – The governing body has formal and transparent arrangements for maintaining an appropriate relationship with the RSL's external auditor and its internal auditor.

**Standard 5** - The RSL conducts its affairs with honesty and integrity.

**Notifiable events** - The Co-operative also recognises the relationship between the audit policy and the policy on notifiable events. In the context of the audit policy, the Co-operative 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 policy statement confirms the Co-operative's commitment to comply with legal, regulatory and best practice requirements.

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## 1. Introduction

- 1.1 In order to ensure the Co-operative'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 Co-operative shall have in place an appropriate system of internal audit, which shall assist the Co-operative in confirming that appropriate internal financial controls are in place.

## 2. Equality and diversity

- 2.1 The Co-operative's equality and diversity policy, which was approved by the Board in April 2017, 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 Co-operative 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.
- 2.2 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).
- 2.3 In line with section 5.3 of the equality and diversity policy, the Co-operative applies a screening process based on that recommended by the Equality and Human Rights Commission to ascertain whether each policy requires an impact assessment to be carried out. The screening process was applied to this policy and it was decided that an impact assessment is not required.

## 3. Risk management

- 3.1 The Co-operative has considered the potential risks facing the Co-operative 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 Co-operative and provides an opinion on whether the Co-operative's books and records have been properly maintained. Failure to carry out regular assessment of the Co-operative's financial controls could result in system weaknesses and errors going unnoticed. This may have a detrimental effect on the Co-operative'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 Co-operative could be viewed as failing to adhere to the culture of continuous improvement.

- 3.2 In order to minimise this risk, the Co-operative ensures that an independent registered auditor carries out an annual external audit, with the Board 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 Board. The annual internal audit plan is drafted by the internal auditor and takes account of the key risks (as highlighted in the risk matrix).

## 4. Responsibilities

- 4.1 The Board is responsible for:

- a) Agreeing the Co-operative's 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.

- 4.2 The Director is responsible for:

- a) Ensuring that the Co-operative's accounting systems and finance procedures comply with best accounting practice
- b) Ensuring effectiveness of internal controls for the Co-operative 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 Board as a whole receive a report on the adequacy, reliability and effectiveness of the internal control system

- 4.3 The Board expects the Senior Finance Officer and Finance Agents to:

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

<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.

## 5. External audit

### 5.1 Appointment of external auditor

- 5.1.1 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.
- 5.1.2 If, at any time, the board 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 Board meeting.
- 5.1.3 Where performance of the audit is satisfactory the auditor will be formally appointed at each AGM. The Director, Senior Finance Officer and Finance Agents will advise the Board 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.

### 5.2 Remuneration of auditor

- 5.2.1 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 Board; if this is not practical because of the timing of Board meetings and/or the urgency of any particular situation, the Director may authorise additional work, subject to this being reported to the Board at the next meeting

### 5.3 Scope of audit and audit plan

- 5.3.1 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 Depute Director, prior to the start of the audit and the fees and workplan will be agreed by both parties.
- 5.3.2 The Senior Finance Officer and Finance Agents prepare a plan which includes the following:
- a) A timetable for preparation of accounts by the Senior Finance Officer and Finance Agent

- b) Extent of working papers and schedules prepared by the Co-operative
- c) Any aspect of the audit requiring particular attention

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

## 5.4 Report on external audit

5.4.1 The audit partner will report on the audit findings initially to the Director, then formally to the Board and finally at the Annual General Meeting. The Director may involve other staff as required, particularly those with responsibility for finance.

5.4.2 The auditor will produce a Management Letter detailing any matters to be addressed by the Co-operative. The Management Letter will be discussed by the Board and a draft response, with timetables for any action required, will be put to the Board for their consideration and approval.

5.4.3 Both audited accounts, management letter and response must be sent to the Scottish Housing Regulator within six months of the year-end.

## 6. Internal audit

6.1 It is the responsibility of the Board 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.

6.2 The Board are responsible for ensuring that internal controls are effective (both financial and non-financial).

6.3 The Co-operative will appoint a suitable firm to provide senior staff and the Board with an independent appraisal of the adequacy and effectiveness of the internal control systems.

6.4 The Board is required to include a statement in its annual accounts advising on the system of internal financial controls in place.

6.5 The auditor shall review this statement as part of the external audit.

6.6 An annual report on internal audit work for the year will be discussed by the Board each year; the board will agree any follow-up action plans agreed following individual internal audits and the Audit, Risk and Staffing sub-

Committee will track progress on agreed recommendations at its quarterly meetings.

- 6.7 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.
- 6.8 The Board will determine the resources required to undertake internal control audit and make the required funding available in the annual budget

## **7. Policy review**

- 7.1 The policy will be reviewed every three years or earlier in line with legal, regulatory or best practice requirements. The next review will take place no later than March 2023.

## **8. GDPR Privacy Statement**

- 8.1 The Co-operative will gather and use certain information about individuals in accordance with GDPR. Staff members have a responsibility to ensure compliance with the terms of the privacy policy and to collect, handle and store personal information in accordance with relevant legislation. The Fair Processing Notice (FPN) details how personal data is held and processed.