



**Drumchapel  
Housing**  
Co-operative Limited

## **Audit Policy**

**Approved by Board:** 20 January 2026

**Latest Review Date:** March 2029

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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 external 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. Legislative and Regulatory Framework**

- 2.1 The requirement to appoint an appropriately qualified external auditor is outlined in the Co-operative'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 Co-operative'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 Co-operative to "manage its resources to ensure its financial well-being". More specifically, Standards 4.4, 4.5 and 4.7 address audit (external and internal). These standards underpin this policy.
- 2.3 The Co-operative 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 Co-operative's commitment to comply with legal, regulatory and best practice requirements.

### **2.5 Notifiable Events**

- 2.5.1 The Co-operative 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 2.5 of the Regulatory Framework of Governance & Finance.
- 2.5.2 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 Co-operative

also acknowledges the duty to notify placed on the external auditor under the Regulatory Framework of Governance and Finance.

### **3. Equality and Human Rights**

- 3.1 The Co-operative's equality and human rights policy, which was approved by the Board in April 2024, 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.
- 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 human rights policy for more information).
- 3.3 Because equality and Human Rights issues are fundamental to how the Co-operative operates each policy developed or reviewed by the Co-operative will be subject to an Equalities Impact Assessment (EIA). EIAs allow the Co-operative to take proactive steps to identify and remove potential discrimination or, in some cases, the relevant action will be to adapt a policy or practice to better advance equality. It is important to recognise that providing the same service in the same way to everyone can sometimes create a disadvantage.

### **4. Risk Management**

- 4.1 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. Similarly, failure to carry out regular assessment of the Co-operative's financial controls could result in system weaknesses and errors

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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.

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.

4.2 In order to minimise this risk, the Co-operative ensures that an independent registered auditor carries out an annual external audit, with the Management 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 Management Board via the Audit, Risk and Staffing Sub-committee. The annual internal audit plan is drafted by the internal auditor in conjunction with staff and the governing body and takes account of the key risks (as highlighted in the risk matrix).

## **5. Responsibilities**

5.1 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 Annual General Meeting (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 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 Management Board as a whole receive a report on the adequacy, reliability, and effectiveness of the internal control system

5.3 The Management Board expects the Finance & Corporate Manager and Finance Agents to:

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

- c) In liaison with Director, report to the Management Board 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 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.
- 6.1.3 Where performance of the audit is satisfactory the auditor will be formally appointed at each AGM. The Director, Finance & Corporate Manager and Finance Agents will advise the Management 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.

### **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 Management 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 Management Board 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.

- 6.3.2 The auditor will discuss the audit plan with the Director a, Finance & Corporate Manager/Finance Agent prior to the start of the audit and the fees and workplan will be agreed by both parties.
- 6.3.3 The Finance & Corporate Manager and Finance Agents prepare a plan which includes the following:
  - a) A timetable for preparation of accounts by the Finance & Corporate Manager and Finance Agent
  - b) Extent of working papers and schedules prepared by the Co-operative
  - c) Any aspect of the audit requiring particular attention
- 6.3.4 Every three years (or on change of auditors) the Director will formally review the engagement letter and report any required amendments to the Management Board.

#### **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 Management Board 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 Co-operative. The Management Letter will be discussed by the Management Board and a draft response, with timetables for any action required, will be put to the Management Board for their consideration and approval.
- 6.4.3 Both audited accounts, management letter and response 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 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.
- 7.2 The Management Board are responsible for ensuring that internal controls are effective (both financial and non-financial).

- 7.3 The Co-operative will appoint a suitable firm to provide senior staff and the Management Board with an independent appraisal of the adequacy and effectiveness of the internal control systems.
- 7.4 The Management Board 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 The Audit, Risk and Staffing sub-Committee will agree any follow-up action plans following individual internal audits and the Audit, Risk and Staffing sub-Committee will track progress on agreed recommendations at its quarterly meetings.
- 7.7 An annual presentation on internal audit work will be presented to Board annually by the internal auditor.
- 7.8 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 if required.
- 7.9 The Management Board 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 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 2029.

## **9. GDPR Privacy Statement**

- 9.1 The Co-operative will gather and use certain information about individuals in accordance with UK 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.