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Policy Name	**Internal Audit Policy**
Policy Author	**Corporate Services Officer**
Approved by Sub Committee	**N/A**
Approved by Management Committee	**August 2026**
Latest date of Next Review	**August 2029**

West Whitlawburn Housing Co-operative will provide this policy on request at no cost, in larger print, in Braille, in audio or other non-written format, and in a variety of languages. Please contact the office.

Registered with the Scottish Housing Regulator No. 203
Registered Charity No. SCO38737, VAT Registration No. 180223636
Registered society under the Co-operative and Community Benefit Societies Act 2014

This policy should be read in conjunction with the SFHA Internal Audit Guidance For Scottish Housing Associations and Co-operatives July 2026.

1 Introduction

1.1 West Whitlawburn Housing Co-operative's (WWHC) internal audit function is a business tool designed to help the organisation achieve its objectives. It exists to provide independent assurance to the Management Committee that risks are being identified and managed effectively and that robust internal controls are in place.

1.2 It further aims to evaluate and improve the effectiveness of the governance, risk management and internal control systems of WWHC.

1.3 The internal audit function also forms part of WWHC's governance framework and supports the assessment and submission of the Annual Assurance Statement. This provides Committee Members and Senior Staff with assurance that helps them fulfil their duties to the organisation and its stakeholders.

2 Definition

2.1 The process is driven by WWHC's Management Committee to ensure that it is provided with the independent assurance it needs.

2.2 The Global Institute of Internal Auditors (2024) defines the role of Internal Audit as:

> *"Internal auditing strengthens the organization's ability to create, protect, and sustain value by providing the board and management with independent, risk-based, and objective assurance, advice, insight, and foresight"*[1].

3 Regulatory Standards

3.1 The Scottish Housing Regulator requires RSLs to have in place robust self-assessment arrangements to illustrate compliance with the Regulatory Standards of Governance and Financial Management.

3.2 Standard 1: The governing body leads and directs the RSL to achieve good outcomes for its tenants and other service users.

3.3 Guiding Standard 1.2: The RSL's governance policies and arrangements set out the respective roles, responsibilities and accountabilities of governing body members and senior officers, and the governing body exercises overall responsibility and control of the strategic leadership of the RSL.

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[1] Global Institute of Internal Auditors - About Internal Auditing

3.4 Standard 3: The RSL manages its resources to ensure its financial wellbeing, while maintaining rents at a level that tenants can afford to pay.

3.5 Guiding Standard 3.3: The RSL has a robust business planning and control framework and effective systems to monitor and accurately report delivery of its plans. Risks to the delivery of financial plans are identified and managed effectively. The RSL considers sufficiently the financial implications of risks to the delivery of plans.

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

3.7 Guiding Standard 4.6: 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.

3.8 Guiding Standard 4.7: The governing body has formal and transparent arrangements for maintaining an appropriate relationship with the RSL's external auditor and its internal auditor.

4 Assurance and Notification

WWHC recognises its obligations relating to Annual Assurance Statements:

- Prepare an Annual Assurance Statement in accordance with published guidance, submit it to the Scottish Housing Regulator (SHR) between April and the end of October each year, and make it available to tenants and other service users.

- Notify SHR during the year of any material changes to the assurance in its Assurance Statement.

- Have assurance and evidence that we are meeting all of legal obligations associated with housing and homelessness services, equality and human rights, and tenant and resident safety.

- Notify SHR of any tenant and resident safety matters which have been reported to, or are being investigated by the Health and Safety Executive, or reports from regulatory or statutory authorities, or insurance providers, relating to safety concerns.

- Make our Engagement Plan easily available and accessible to its tenants and service users, including online.

5 Annual Assurance Statements

5.1 The annual assurance statement must either confirm that the committee is assured that WWHC is complying with all relevant regulatory requirements and standards, or highlight any material areas of non-compliance and how WWHC will address these.

5.2 Internal audit is **part** of the ongoing process for gathering evidence to ensure the committee has the necessary level of assurance it needs to complete the statement as internal auditors give an independent opinion on the specific topics that they audit.

5.3 The self-assurance process is crucial to ensuring strong governance within the organisation, with regulatory compliance the side-effect of a robust process. WWHC reviews its self-assurance process regularly and progress and performance is reported quarterly to the Performance, Assurance and Risk (PAR) Sub-committee.

6 Roles and Responsibilities

6.1 Role of the Management Committee

6.1.1 The Management Committee has ultimate responsibility for overseeing the internal audit function and is responsible for ensuring that internal audits take place at WWHC.

6.1.2 As well as this, the Management Committee is responsible for ensuring that internal audit is appropriately positioned, independent and adequately resourced.

6.2 Role of the Performance, Assurance and Risk (PAR) Sub-committee

6.2.1 The Management Committee has developed Terms of Reference that specifically delegate non-executive responsibility of for the direction of internal audits to the Performance, Assurance and Risk (PAR) Sub-committee. These include:

a) Overseeing the process for selecting the internal audit service provider and recommending them for appointment by the

Management Committee.

b) Recommending the internal audit fees for Management Committee approval.
c) Reviewing the reports of management and Internal Audit on the effectiveness of systems for internal control, financial reporting and risk management, including the fraud and loss report.
d) Reviewing and keeping track of progress from internal and external audits and independent recommendations in the Audit Recommendations Action Plan. Progress reports to the Management Committee.
e) Approving the Internal Audit Strategy and programme for the Co-operative and ensuring that the scale of the Internal Audit service is appropriate.
f) Assessing the effectiveness of the Internal Audit service.
g) Ensuring that both internal and external auditors have direct access to the Chair of the PAR Sub-Committee, where necessary.

6.2.2 In addition, the PAR Sub-Committee will:

- Ensure the internal audit plan supports regulatory compliance and the Annual Assurance Statement.
- Ensure the internal auditor has unrestricted access to records, systems and staff.
- Review and report on all Registers i.e. Fraud, Bribery and Corruption, Payments and Benefits, Gifts and Hospitality and Declarations of Interest annually.
- Comply with the terms of the WWHC's Equality and Diversity Policy to prevent discrimination.
- Commission any special investigation into matters of particular concern.
- Control the appointment, reappointment and removal of the internal auditor.
- Ensure that the Internal Audit Plan is covering the areas of highest risk and/or the areas where the governing body requires assurance.
- Be honest with the internal auditor with regards to the risks WWHC faces and the concerns they have with regards to their risk management and control framework.

6.3 Internal Auditors

6.3.1 The internal auditor must clearly define the scope and objectives of each engagement, stating what has been included and excluded.

6.3.2 If there has been deviation from the initial scope agree, the internal auditor must provide an explanation and significant changes must be formally agreed with the PAR Sub-committee.

6.3.3 The internal auditor has an obligation to communicate significant

risks or serious control failures immediately to Senior Staff and the Chair of the PAR Sub-committee, where necessary. It is not acceptable to wait until the next scheduled meeting as serious concerns identified by the internal auditor may be covered under WWHC's Notifiable Events policy, which must be referred to in these circumstances.

6.4 Senior Staff

6.4.1 Senior staff must work in full collaboration with the internal auditor. They must have an open and honest discussion with them regarding the risks faced and regarding any systems, processes or procedures that are not working properly. It is only with this open and honest approach that the internal auditor can make a true assessment of the topic/area being audited.

6.4.2 Senior staff must ensure that the internal auditor is given full and free access to staff, information and systems relating to the topic/area being audited. They must ensure that the relevant staff make themselves available for the duration of the audit fieldwork.

6.4.3 On completion of the audit, Senior staff are responsible for developing appropriate action plans, allocating resources to the items identified and and implementing the agreed recommendations and reporting on progress, within the timescales agreed.

6.5 Staff

6.5.1 As with senior staff, staff must be open and honest with the internal auditor.

6.5.2 Staff must provide accurate and complete information, make it available and participate in interviews and discussions with the internal auditor. Staff must also make the auditor aware of known control weaknesses or concerns regarding the topic/area being audited.

6.6 Internal Audit Acknowledgements

6.6.1 WWHC acknowledges that internal audit relies on evidence and professional judgement however, no audit, particularly one based on sampling, can identify every issue in isolation.

6.6.2 WWHC encourages a staff culture of openness so that staff feel comfortable in raising issues or concerns.

7 The Internal Audit Process

7.1 It is important that WWHC has a robust risk identification and control system in place. In line with the Risk Management Policy and Strategy, the Management Committee defines the Co-operative's

Risk Appetite and monitors and evaluates the control and management of identified risks presented to the Management Committee by the Director. The Management Committee reviews the Risk Management Strategy to coincide with the Business Planning process, with the key risks highlighted.

7.2 Audit Needs Assessment

7.2.1 An Audit Needs Assessment (ANA) will be carried out, detailing the audit topics to be covered over a period of time. The ANA will be reviewed annually, producing the annual internal audit plan.

7.2.2 The internal auditor will review a WWHC's key governance documents such as Rules, Business Plan, Risk Register and Standing Orders in order to gain a full understanding of its strategic and operational objectives and its framework of governance and risk management.

7.3 Annual Internal Audit Plan

7.3.1 When preparing the Audit Plan, consideration must be given to:

- the outcome of previous internal audit work
- the findings and assessments of the external auditors
- new and emerging risks that have been identified
- the status/outcomes from the regulatory assurance self-assessment.
- high-risk areas identified in the risk management strategy
- processes and systems that appear to be working well, but where the Management Committee would like confirmation that they are operating as effectively and efficiently as possible.

7.3.2 The Management Committee agree WWHC's audit requirements and agree the topics to be considered a three to five year period, subject to annual review in order to ensure that they are still the most relevant audit topics/areas that require attention.

7.3.3 The internal audit function reports directly to the Management Committee, not the senior staff team.

7.3.4 Regardless of the topics chosen, the internal auditor should always be assessing, for each audit topic, evidence to confirm:

- compliance with the Regulatory Standards of Governance and Financial Management;
- compliance with the Scottish Social Housing Charter;
- relevance to the Annual Assurance Statement framework;
- counter fraud and bribery controls (where applicable);
- risk control and mitigation; and

- the achievement of value for money

7.3.5 The Annual Internal Audit Plan will state the total number of days per audit topic. Some topics/areas being audited will only be reviewed once in a three-year cycle, and some will require more frequent review depending upon the related risks/level of assurance required.

7.4 Fraud

7.4.1 Internal auditors will focus on fraud during their assessments with a view to identify control gaps and ensure they are mitigated effectively.

7.4.2 Throughout this process, internal auditors will ask the following:

- How is WWHC managing fraud and error risks?
- What processes are in place to measure fraud and error and evaluate the effectiveness of activities to prevent or detect this?

7.5 Agile auditing

7.5.1 'Agile internal audit' involves a continuously updated schedule of audits and projects, prioritised by risk. Agile audit reporting is both frequent and more informal [than traditional internal auditing], with communication through dashboards and update memos, rather than long formal audit reports.

7.5.2 The main difference between 'agile' and 'traditional' auditing is that early-stage, annual audit planning is replaced by a series of short bursts of fast, reacitve audits which are focused on emerging risk areas. The main disadvantage with this type of audit approach is that it is less planned, less scoped and may involve less in-depth assessment and testing. An agile audit approach should really only be used when unexpected risks are emerging.

7.5.3 The Management Committee can use the agile auditing tool at their discretion to amend or adjust audit topics based on the assessment of risks, significant organsiational changes, shifts in Regulatory focus or external events that materially alter the risk environment.

7.6 Internal Audit Fieldwork

7.6.1 The Annual Internal Audit Plan states the total number of days per audit topic. The total number of days allocated to an audit topic are for the entire internal audit process, which includes:

- Initial information gathering – relevant strategies, policies and procedures etc.

- On-site work – testing controls, interviewing staff, close out meeting to discuss findings and recommendations with relevant manager.
- Off-site work – further analysis of findings, drafting a report, having the report quality checked, issuing draft report for management comments, issuing a final report, presenting the findings and recommendations to the PAR.

7.7 Remote and Hybrid Auditing

7.7.1 WWHC recognise that remote auditing is now an established and accepted method of deliverying internal audit services. It further acknowledges that the method of delivery should be proportionate to the nature of the audit and the assurance required.

7.7.2 When carrying out an internal audit remotely or using a hybrid approach, WWHC will give particular attention to communication, data handling and information security.

7.7.3 When conducting remote auditing, WWHC will consider:

- The existence and maintenance of an up-to-date data sharing agreement.
- How comfortable staff are issuing information remotely?
- How the auditor will access key information?
- If the auditor have their own secure document sharing portal (or otherwise).

7.7.4 A format will be followed regarding data sharing and WWHC must ensure they are confident that the integrity of their data will not be compromised. The internal auditor will liase with WWHC's IT provider to confirm the security of the data transfer method, if required.

7.7.5 WWHC will also request that the auditor confirm what they will do with the data they have received once the internal audit has concluded.

7.8 Recommendations and Priority Ratings

7.8.1 Not every internal audit will result in recommendations being made and at times there may be suggestions for improvement.

7.8.2 The value of the internal audit, however, comes from the Management Committee receiving assurance on regulatory compliance.

7.8.3 If recommendations are made, they will have a priority rating to indicate the importance of the recommendation and the urgency with which they have to be implemented.

Grading	Classification
High	Major weakness that we consider needs to be brought to the attention of the Performance, Assurance & Risk Sub-Committee and addressed by Senior Management of the Co-operative as a matter of urgency.
Medium	Significant issue or weakness which should be addressed by the Co-operative as soon as possible.
Low	Minor issue or weakness reported where management may wish to consider our recommendation.

7.9 Levels of Assurance

7.9.1 The topic/system/process that has been audited will be given an overall assurance assessment. The assessment given will depend upon the nature of the topic being audited, the risks associated with the topic and the number and priority rating of the recommendations made.

Assurance	Classification
Strong	Controls satisfactory, no major weaknesses found, no or only minor recommendations identified.
Substantial	Controls largely satisfactory although some weaknesses identified, recommendations for improvement made.
Weak	Controls unsatisfactory and major systems weaknesses identified that require to be addressed immediately.
No	No or very limited controls in place leaving the system open to significant error or abuse, recommendations made require to be implemented immediately.

7.10 Annual Internal Audit Report

7.10.1 At the end of the financial year, the internal auditor will produce an Annual Internal Audit Report which summaries the outcomes of the audits that have been carried out over the previous year and makes an assessment (based on the audits) of WWHC's framework of governance, risk management and control.

7.10.2 This report will assist the Management Committee in making its Annual Assurance Statement to the Scottish Housing Regulator.

7.10.3 The Internal Auditor will present the report to the Management Committee in order to provide the opportunity for the Management Committee to directly ask the auditor questions.

7.11 Follow Up

7.11.1 Follow up is an audit that seeks evidence to confirm that agreed recommendations from the previous financial year's internal audits have been implemented, or are in progress.

7.11.2 At the conclusion of an audit, findings and proposed recommendations are discussed and an action plan is put in place detailing how the agreed recommendations will be implemented.

7.11.3 WWHC has an internal system for monitoring the implementation of internal audit recommendations by reviewing progress at monthly senior staff meetings and reporting to the PAR subcommittee quarterly.

8 Link with External Audit

8.1 WWHC's external audit function is covered under its own External Audit Policy.

8.2 WWHC's internal auditor and external auditor will not be the same firm to ensure clear separation between the two functions.

8.3 External audit and internal audit rely upon each other's work to provide a level of assurance that WWHC is appropriately governed and managed.

8.4 The external auditor will have full access to internal audit reports and vice versa for the internal auditor.

8.5 Internal and external auditors will be free to meet as and when required.

8.6 Should either the internal or external auditor request a meeting with the Management Committee or PAR Subcommittee with senior staff being absent, this request will be granted.

9 Procurement and Resources

9.1 WWHC will effectively resource the Internal Audit function to meet internal audit requirements and will carry out a rolling programme of reviews covering the entire control system.

9.2 When procuring an internal auditor, WWHC will comply with its own Procurement Policy and procedures as well as any other applicable

regulatory or legal requirements.

9.3 The Management Committee has responsibility for the appointment of consultants through appropriate procurement arrangements to carry out internal audit functions.

9.4 A change of internal auditor is a Notifiable Event and the Notifiable Events Policy will be implemented.

10 Equalities

10.1 We are committed to ensuring equal opportunities and fair treatment for all people in our work. In implementing this Policy, we will provide a fair and equal service to all people, irrespective of factors such as gender, race, disability, age, sexual orientation, language or social origin, or other personal attributes.

10.2 An Equalities Impact Assessment is available at appendix 1.

11 Review

11.1 This policy will be reviewed every 3 years.

Appendix 1 – Equalities Impact Assessment

Policy/Project/Service Information			
Lead Officer	Corporate Services Officer		
Policy / Project / Service	Internal Audit Policy	**New Policy / Project / Service or revision of existing?**	Revision
Is this a reassessment following amendments being required at a previous assessment?	No		
Briefly describe the aims, objectives and purpose of the policy / project / service.	To provide independent assurance to an RSL's governing body that risk is being identified and managed effectively and that robust internal controls are in place. It further aims to evaluate and improve the effectiveness of governance, risk management and control processes. This provides members of the governing body and senior management with assurance that helps them fulfil their duties to the organisation and its stakeholders.		
Who is intended to benefit from the policy / project / service? (Eg. applicants, tenants, staff, contractors)	Management Committee, staff, tenants		
What outcomes are wanted from this policy / project / service? (Eg. the measurable changes or benefits to members/ tenants / staff)	To give independent assurance to the governing body that the organisation is being managed and is operating as efficiently and effectively as possible. This helps to ensure that related risks are being managed or mitigated for the areas that have been internally audited. The internal audit function is a part of and RSL's overall assurance framework.		

Consultation
Who have you engaged and consulted with as part of your assessment? Not required.

Equalities Impact Assessment			
Which protected characteristics could be affected by the policy, practice, or service?		**Identify any positive impact/s that could result for each of the protected characteristic groups.**	**Identify any negative impact/s that could result for each of the protected characteristic groups.**
Age			
Disability			
Gender Reassignment			
Marriage & Civil Partnership			
Race			
Religion/Belief			
Pregnancy/Maternity			
Sex			
Sexual Orientation			

Action Plan To Mitigate Negative Impact		
What action/s are required to address the impacts arising from this assessment?		
Protected characteristics	**Action**	**Implementation Date**
Age		
Disability		

Gender Reassignment		
Marriage & Civil Partnership		
Race		
Religion/Belief		
Pregnancy/Maternity		
Sex		
Sexual Orientation		
Human Rights		

Final Decision	**Tick relevant box**	**Include explanation where appropriate**
Approved for implementation without change	x	
Amend or change the Policy/Project/Service		
Continue the Policy/Project/Service without change (despite impact)		
Stop the Policy/Project/Service		

Lead Officer Signature	R.Hosie
Date	24/08/2026
Date approved by Management Committee/ Sub Committee	31/08/2026