

AUDIT POLICY

Introduction

This policy:

- outlines the duties and powers of the Audit Committee.
- ensures the robustness and compliance of the external audit function.
- establishes programmes of internal audit.

This policy should be read in conjunction with the Risk Management Policy.

The policy covers Ayrshire Housing and any subsidiaries (the Ayrshire Housing Group).

Auditing principles

Auditing aims to give confidence that an organisation operates in a controlled and consistent manner in accordance with its objectives and policies. If the full benefits of audit are to be realised, it should not be seen as an opportunity for conflict, retribution or punishment. Audit is not about blame nor is it concerned with the personal appraisal of the individual in their work role.

In carrying out the role, the Committee will take due regard of the Scottish Housing Regulator's (SHR) Regulatory Framework and Regulatory Standards of Governance and Financial Management.

Audit process

An audit is the systematic examination to determine whether or not activities and their associated results comply with planned arrangements and stated standards. It also seeks to determine if arrangements are implemented effectively and whether or not they are suitable to achieve a stated objective.

The Audit Committee

Remit

The Committee is responsible for overseeing and reporting to the main Board on:

- the financial reporting processes.
- the external audit function.
- the accounting and internal control systems of the Group.
- the internal audit function.
- compliance with Regulatory Standards.
- monitoring the risk management strategy.
- investigations with regard to the EVH Whistleblowing Policy and Procedures.
- intra-group controls and transactions.

The Committee is expected to meet at least three times a year unless explicitly agreed otherwise by the Board.

Membership

It will consist of a least three members of the Board. The Chair of the Board may be a member but not the Chair of the Committee. All the members should have or obtain some relevant financial, governance or audit experience or training.

Chair

The Committee will appoint a Chair on an annual basis.

The Chair's remit is to:

- agree the agenda of each meeting with the Director and Head of Finance.
- reflect the advice of the Board and its Chair with regard to any items to be included in an agenda.
- chair each meeting having due regard to the Code of Conduct and any guidance the Board may issue from time to time.
- Report as necessary to the Board on the progress of the audit function.
- Recommend to the Board any actions with regard to the Committee's remit.

External Audit

The appointment of external auditors shall take place annually at the AGM and it is the responsibility of the Board to make recommendations following advice received from the Audit Committee.

The primary role of external audit is to report on the financial statements and to carry out such examination of the statements and underlying records and control systems as are necessary to reach their opinion on the statements and to report on the appropriate use of funds. Their duties shall be in accordance with advice set out in the Audit Code of Practice and the Auditing Practices Board's auditing standards.

Each year the Audit Committee shall review the performance of the External Auditors and, provided their work is of a sufficiently high standard and reasonably priced, shall recommend that the Board reappoint them. In addition, the Audit Committee shall carry out a comprehensive review of the service provided every five years and arrange for a competitive tendering exercise, or confirm the extension of the External Auditor's appointment, as appropriate.

Internal Audit

Internal audit complements the external audit by allowing a more in-depth monitoring of internal control systems than would otherwise be possible. In addition to looking at issues of financial control, it considers the economy and efficiency of the various functions, and more generally their compliance with the association's objectives, policies and recognised good practice.

In determining the annual programme of internal audit, the Committee will have regard to:

- The key risk areas identified by the Board's business planning process.
- The findings of previous external and internal audits, and any SHR inspection exercises.
- The introduction of new statutory requirements or good practice guidance.
- An analysis of emerging factors in the wider policy environment which may impinge on the association's good governance and reputation.

The association will use its own Performance and Quality team to carry out internal audit tasks which can be appropriately done in-house. The Committee will though appoint external consultants where appropriate to the topic or where the required expertise is lacking. The

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Performance and Quality team and external consultants will carry out their work based on specific remits from the Audit Committee.

In the event of an external consultant being required competitive bids will be sought from individuals and practices who have the capacity to work to accepted internal audit good practice standards and have specific expertise in the subject of the audit.

Policy Review

This policy will be subject to revision at least every five years. Notwithstanding the Audit Committee will advise the Board of any need for early revision.