

<p style="text-align: center;"><u>HALTON HOUSING TRUST</u></p> <p style="text-align: center;"><u>INTERNAL AND EXTERNAL AUDIT POLICY</u></p> <p style="text-align: center;"><i><u>Date due for Review :</u></i></p>
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Introduction

This policy sets out the arrangements for both Internal and External Audit within Halton Housing Trust (the Trust).

It is recognised that a number of other Trust policies and areas of activity, e.g. Standing Orders, Financial Regulations, Risk Management Policy and IT security, are closely linked to this policy and help to establish the financial and management controls required within the Trust.

Policy Statement

The Board of Management will adopt the principles detailed in the Housing Corporation's Code of Audit Practice. In the event of the Trust choosing to deviate from any part of this code, this must be specifically approved by the Board.

Auditors will be appointed in accordance with the Housing Corporation's Code of Audit Practice and the current advisory circular.

The Chair of the Audit, Performance and Quality Committee together with the Chief Executive will be responsible for recommending the appointment of Internal and External Auditors to the Trust in accordance with the Trust's Standing Orders and Financial Regulations and Sections 25 and 26 of the Housing Associations Act 1985.

The Trust's internal and external audit functions will not be undertaken by the same organisation.

The Chief Executive, Deputy Chief Executive and Directors and their staff will ensure that the auditors (both internal and external) have access to all books and documents that are required in the course of an audit.

Internal Audit

The Trust will appoint an Internal Auditor who will be suitably qualified and independent to undertake the assignment. The role of the Internal Auditor will be to review the internal controls of the Trust to ensure compliance with its policies, Financial Regulations and Procedures and Standing Orders.

The Audit, Performance and Quality Committee will carefully monitor the role of the Internal Auditor to ensure the adequacy and cost efficiency of this function.

The Chief Executive will ensure that an adequate and effective system of continuous internal audit will carry out an examination of accounting, financial and other operations together with all systems employed in the effective delivery of services by the Trust.

The Internal Auditor will be required to:-

- undertake a rolling programme of internal review that covers the whole of the Trust's control systems;
- independently examine, evaluate and report on the effectiveness of internal controls - both financial and operational - to ensure that they are both efficient and effective;
- ensure that such controls remain adequate in the light of changing circumstances and are adhered to in practice;
- ensure that the Trust is implementing its policies, systems and procedures in accordance with Best Value principles;
- assess the audit needs of the Trust and regularly update the analysis to ensure all relevant risks are covered;
- provide details of findings and recommendations to the appropriate Director incorporating responses and agreed responsibilities and timescales, and report to the Audit, Performance and Quality Committee and Chief Executive providing full details of all findings and recommendations;
- ensure that appropriate levels of compliance testing are carried out and confirm the implementation of all accepted recommendations;
- identify and evaluate key controls including risk, review and monitoring arrangements;
- report on whether value for money is being achieved;
- report on ways of improving economy, efficiency and effectiveness of Trust activities;
- provide guidance on the retention or disposal of records;
- liaise with the External Auditor to ensure that the work of Internal Audit complements that of the statutory audit;
- attend Board or Audit, Performance and Quality Committee meetings where requested;
- assist in protecting the assets and interests of the Trust by carrying out a regular examination of activities to detect fraud and misappropriation and by querying irregular expenditure.

The Trust will require a detailed report on each area highlighted in the Internal Audit Plan noting any weaknesses or causes of concern.

The Internal Auditors will be responsible on a day-to-day basis to the Director of Resources but will have direct access where appropriate to the Chief Executive and the Chairs of the Resources and Audit, Performance and Quality Committees.

Records and procedures relating to the Trust are subject to audit at any time by the Housing Corporation, the Audit Commission (Housing Inspection) and the Trust's Internal and External Auditors.

The Internal Auditors will have the authority to enter any Trust premises and land at all reasonable times, and will have access to all records, documents and correspondence relating to any financial or other transactions, assets and property belonging to the Trust.

The following is an indicative – though not exhaustive – list of areas where internal audits will be required within the Trust :-

- § Contract Audits – particularly relating to partnering contracts and other contracts over £250,000. However, this will not fetter the ability of the Internal Auditor to conduct a review of any contract below this figure. This will include final contract account audits, systems audits for work contracts and audits on company status for firms wishing to contract with the Trust.
- § IT Audits – to provide an IT security overview as well as specific reviews and advice on IT security and access security management;
- § Special Investigations and Anti-Fraud Audits - of any irregularities that may occur, subsequent investigations of these, and a review of audit and related policies in the light of any irregularities;
- § Value for Money Audits – to recommend improvements to the Trust's operations to ensure its business is undertaken efficiently and effectively;
- § General Audits – including frequency of systems and probity audits, control environment work, site audits, key control checks on the Trust's rents, repairs and building maintenance systems.

External Audit

The Trust will appoint an External Auditor registered by the Institute of Chartered Accountants for England and Wales, and will review their performance within Housing Corporation guidelines and will seek to obtain value for money for this service.

The External Audit will comprise such examination of financial statements, underlying records and control systems as is necessary to reach an opinion on the financial statements.

The External Auditor will be required to :-

- review and report on the Board's statement on internal financial controls;
- report on revenue funding and other returns as required by the Housing Corporation;
- liaise with the Internal Auditor and place reliance on their work as appropriate and will have access to any internal audit reports produced;

- produce a Management Letter after each year's audit which will comment on financial matters. This will highlight any weaknesses in the system of internal control and highlight any other areas of concern. The Management Letter will also comment on where improvement can be achieved and make recommendations for improved efficiency and control as appropriate;
- prepare and present a comprehensive report to the Audit, Performance and Quality Committee if required.

The Trust will try to minimise the costs of the annual audit by carefully defining the role of the External Auditor in the Letter of Engagement.

Fraud and Irregularity

Any Director, Officer, Member or Board Member of the Trust who suspects that an irregularity is being or has been carried out concerning the Trust's affairs will inform the appropriate Director or Deputy Chief Executive or Chief Executive immediately, who will in turn notify the Chair immediately. The Chair, together with the Chief Executive, Deputy Chief Executive or appropriate Director will then take any appropriate action by way of investigation and report to deal with the situation. This will include notification to the Housing Corporation where this is required.

Where criminal proceedings may be necessary, the Chief Executive with the Chair will be responsible for deciding whether to report the matter to the Police.

All frauds in excess of £1,000 will be reported to the Housing Corporation immediately, together with any fraud – irrespective of value – if a Board Member or Senior Officer of the Trust is involved.

A register of all incidents of actual or attempted fraud will be maintained by the Chief Executive, which will be made available to the Housing Corporation as necessary. This register will be reviewed by the Audit, Performance and Quality Committee on a six-monthly basis and will be reported to the Housing Corporation as part of the annual review. The External Auditor will also be required to review this register as part of the annual audit

Responsibility

The Board of Management will retain overall responsibility for the financial policies and control systems of the Trust.

The Audit, Performance and Quality Committee will deal with audit issues on an ongoing basis and for ensuring that reviews of this policy are carried out. It will also be responsible for reviewing the performance of both the Internal and External Auditors.

The Chief Executive will be responsible for the effective implementation of this policy.

Review

The Trust will undertake regular reviews of this policy, the procedures and staff training needs relating to it, to ensure that it continues to operate in line with best practice and that service improvements are made and implemented.

This policy will be reviewed automatically whenever there is a change of policy from the Government or the Housing Corporation, or any other change in legislation. The policy will also be reviewed when other information becomes available that will impact on it, such as the outcome of a Best Value review.

The role and services of the Trust's External Auditors will be reviewed annually and the External Auditors will be appointed at the Trust's AGM.

Associated Documents

Risk Management Policy
Anti-Fraud Policy
ICT Security Policy
Internal Audit Plan
Best Value Performance Plan
Financial Regulations
Standing Orders