



Quinn Internal Audit & Business Support Services

MOLENDINAR PARK HOUSING ASSOCIATION

Strategic Internal Audit Programme 2019 – 2022

&

Internal Audit Plan 2019-20

INTRODUCTION

The main objective of the internal audit activity that will be completed by Quinn Internal Audit & Business Support Services (Quinn Services) is to provide an objective evaluation of, and opinion on, the overall adequacy and effectiveness of Molendinar Park Housing Association's framework of governance, risk management and control. A three-year Strategic Internal Audit Programme is attached at **Appendix A**. This gives an indicative internal audit programme, which is subject to annual review. The scopes for individual internal audits for 2019/20 are set out in the Annual Internal Audit Plan at **Appendix B**.

Quinn Services is responsible for giving assurance to the Board (via the Finance and Audit Committee) on the adequacy and effectiveness of risk management, control and governance processes. This Internal Audit Plan has been drawn up in accordance with the requirements of the 'Institute of Internal Auditors (UK & Ireland) Internal Audit Standards'. The type of audits undertaken will be:

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|------------------|--|
| Assurance | Each assurance review will identify the objectives of the system/process, identify the risks to the system/process and establish whether or not controls are in place to minimise the potential risk. An appropriate level of testing is carried out to assess the actual effectiveness of the controls. |
| Appraisal | Each appraisal review will assess the control framework of a system/process. The emphasis is on whether the arrangements in place accord with good practice. |
| Follow Up | Each follow up review will assess the Implementation of agreed recommendations. |

INTERNAL AUDIT ASSESSMENT

Each internal audit will be given an overall assurance level – this is not a 'one-size fits all' grading. Assurance levels given depend upon:

- the number and priority rating of recommendations made;
- the risks associated with the area/function/service being audited – both internal and external;
- the impact/probability score of the identified risks;
- the overall strength of the control framework that is currently in place; and

- the speed with which a recommendation needs to be implemented.

Recommendations will be given one of three gradings:

- **Urgent** (priority 1): a *fundamental control issue on which action should be taken immediately*
- **Important** (priority 2): a *control issue on which action should be taken at the earliest opportunity*
- **Routine** (priority 3): *control issue on which action should be taken in due course*

An overall assessment of the combined effectiveness of the controls being audited will be given. The assessments are:

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|-----------------------------|---|
| Full Assurance | A robust series of internal controls are in place which are designed to achieve the system/process objectives and which are being consistently applied. |
| Reasonable Assurance | A series of internal controls in place, however there is a need for control improvements and/or enhancements that would assist in ensuring the continuous and effective achievement of the system/process objectives. |
| Limited Assurance | The controls in place and/or the level of compliance are not sufficient to ensure the continuous and effective achievement of the system/process objectives. |
| Nil Assurance | There is a fundamental breakdown - or absence - of core internal controls |

INTERNAL AUDIT ASSIGNMENTS

As per good practice, a three year Strategic Internal Audit Programme is attached at **Appendix A**. This gives an indicative internal audit programme, which is subject to annual review. The scope for individual internal audits is set out in the Annual Internal Audit Plans at **Appendix B**. At the start of the financial year, audit fieldwork dates will be agreed and details of the key contacts for each audit obtained. The number of days stated includes document review, (on-site) testing and (off-site) audit report writing.

Four weeks prior to the start of the audit fieldwork a finalised detailed scope of work will be agreed and documents required to commence the audit. An Audit Notification will be issued, which will document the agreed scope, documents and audit fieldwork dates. The Audit Notification for each audit will also identify the key risks being considered and will include input from the senior management on any specific concerns they would like considered during the audit.

INTERNAL AUDIT ASSESSMENT PROCESS

Audits will take a risk-based mitigation approach. During the course of the audit, consideration will be given to the appropriateness of the risk management and control framework being assessed, to ensure it is designed to assist in mitigating against the Association's strategic and operational risks.

For all audits, relevant policies will be reviewed to assess how they sit in relation to regulatory and best practice requirements and related processes and procedures reviewed to assess the degree to which they are fit for purpose and allow the aim of the related policy to be implemented.

For each audit, at the end of the audit fieldwork, all findings and recommendations will be discussed in detail with the key contact (for the particular audit) and other staff as directed by the Association.

INTERNAL AUDIT REPORTS

All audit reports will include balanced comments on the strengths and weaknesses identified. Recommendations will be pragmatic and proportionate that are tailored to meet the specific needs of the Association and that are 'forward looking' to prepare for any forthcoming changes. Identification of real efficiency and financial savings opportunities will be highlighted, as well as a comment on value for money where appropriate.

A draft audit report will be issued (electronically) within 10 working days of the end of the fieldwork. Once the management comments have been received, a final audit report will be issued within 5 working days (electronically). All reports will be presented to the Finance and Audit Committee by the auditor who has undertaken the work (except under exceptional circumstance).

ANNUAL FOLLOW UP

Annually, a follow up review will be conducted to confirm the implementation of agreed recommendations. If recommendations have not been implemented, an explanation will be sought and a revised review date agreed. A 'Follow Up' report will be produced and presented to the Finance and Audit Committee for their information and consideration.

RESPONSIBILITY AND LIMITATIONS

The responsibility for a sound system of internal controls rests with the management and governing body of Molendinar Park Housing Association. Work performed by Quinn Services should not be relied upon solely to identify all the control strengths and the weaknesses that may exist. Neither should internal audit work be relied upon to identify all circumstances of fraud or irregularity, should there be any, although the audit procedures have been designed so that any material irregularity has a reasonable probability of discovery. Even sound systems of internal control may not be proof against collusive fraud.

Responsibility will be placed on management to provide Quinn Services with full access to staff and all relevant documentation - as required for each individual audit. The matters documented in the internal audit reports will be only those that come to the attention of Quinn Services during the course of the internal audit's fieldwork and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that might be made.

The internal audit reports are prepared solely for Molendinar Park Housing Association's use and are not prepared for any other 3rd party or purpose.

Quinn Internal Audit & Business Support Services

APPENDIX A

STRATEGIC INTERNAL AUDIT PROGRAMME

| <u>Molendinar Park Housing Association</u> | | Days Required | | |
|--|-----------|---------------|---------|---------|
| Audit Topic | Type | 2018/19 | 2019/20 | 2020/21 |
| <u>Governance</u> | | | | |
| Procurement | Appraisal | | | √ |
| Performance Management | Appraisal | | √ | |
| Business Planning framework (including cash flow assessment) | Appraisal | | | |
| Complaints Management | Assurance | | | |
| Regulatory Compliance: - Standards 1-6 | Appraisal | | | √ |
| <u>Risk Management & ICT</u> | | | | |
| ICT Management Controls | Assurance | | √ | |
| Risk Management | Appraisal | | | √ |
| <u>Housing, Maintenance & Estates Management</u> | | | | |
| Tenant Participation | Appraisal | | | √ |
| Planned & Cyclical Maintenance | Assurance | | √ | |
| Allocations | Assurance | | √ | |
| Gas Safety | Assurance | | | √ |
| Factoring | Assurance | 3 | | |
| Responsive Maintenance | Assurance | 4 | | |
| Rent Arrears | Assurance | 4 | | |

| <u>Molendinar Park Housing Association</u> | | Days Required | | |
|---|-------------|----------------------|----------------|----------------|
| Audit Topic | Type | 2018/19 | 2019/20 | 2020/21 |
| <u>Finance</u> | | | | |
| Payments | Assurance | | | √ |
| Financial Reporting | Assurance | 3 | | |
| Payroll | Assurance | | √ | |
| <u>Other</u> | | | | |
| Follow up | Assurance | 1 | 1 | 1 |
| Annual Audit Plan, Annual Report & attendance at meetings | | No charge | No charge | No charge |
| <u>Total Days</u> | | 15 | 15 | 15 |

Please note, the ‘days’ per audit topic include:

- Assessment of relevant documentation such as strategies, policies, procedures, performance reports etc;
- On-site work – reviewing evidence, testing controls, interviewing relevant staff;
- Close out meeting – discussing findings with relevant staff and finalising recommendations; and
- Off-site work – analysing findings and report writing – draft report for management comment and then a final report.

APPENDIX B

MOLENDINAR PARK HOUSING ASSOCIATION

INTERNAL AUDIT PLAN – 2019/20

| Qtr | Audit | Indicative Scope | Dates |
|-----|--------------|--|---|
| 1 | Factoring | <p>The audit considers:</p> <ul style="list-style-type: none"> • Degree of compliance with the Factoring policy and procedures; • Evidence of compliance with Factoring Legislation; • Effectiveness of level of engagement with Factored Owners; and • Level and management of factoring related complaints. • Review of Factoring Arrears | <p>Fieldwork Date: - <u>15/04/2019 to 16/04/2019</u></p> <p>Finance and Audit Committee: - TBC</p> |
| 2 | Rent Arrears | <p>The review considers the arrangements for the management and recovery of arrears.</p> <p>The review also assesses the effectiveness of the Association's approach to the management of Universal Credit applicants.</p> <p>The scope of the review does not include the calculation of of rents, the collection of service charges, letting arrangements, void management, or the acquisition and disposal arrangements for properties.</p> | <p>Fieldwork Date: - <u>15/07/2019 to 17/07/2019</u></p> <p>Finance and Audit Committee: - TBC</p> |

| Qtr | Audit | Indicative Scope | Dates |
|-----|------------------------|---|---|
| 3 | Responsive Maintenance | <p>The audit will consider the arrangements for: reporting reactive repairs, scheduling the work, and selection of contractor.</p> <p>The audit will also consider: the costs monitoring process; arrangements for recharging works; assessing 'right first time'; and the process for authorising reactive repairs payments.</p> | <p>Fieldwork Date: - <u>14/10/2019 to 16/10/2019</u></p> <p>Finance and Audit Committee: - TBC</p> |
| 4 | Financial Reporting | <p>The scope of the audit will be:</p> <ol style="list-style-type: none"> 1. Assessment of the level of financial information provided to Management Committee; 2. Assessment of the source of financial information; 3. Timing financial information issued (throughout the year); and 4. Review of the content of individual financial reports. | <p>Fieldwork Date: - <u>13/01/2020 to 14/01/2020</u></p> <p>Finance and Audit Committee: - TBC</p> |
| 4 | Follow up | <p>This audit will seek evidence to confirm that the recommendations arising from the previous internal audit programme have been fully implemented. If they have not been fully implemented, an explanation will be sought from the relevant staff.</p> | <p>Fieldwork Date: - <u>15/01/2020</u></p> <p>Finance and Audit Committee: - TBC</p> |

| Quarter | Period |
|---------|--------------------|
| 1 | April to June 2019 |

| | |
|---|--------------------------|
| 2 | July to September 2019 |
| 3 | October to December 2019 |
| 4 | January to March 2020 |