



# Internal Audit Charter

June 2025

Approved by Audit & Risk Committee





### GLOSSARY OF ACRONYMS USED

- ARC** Audit & Risk Committee
- DIA** Director of Internal Audit
- GIAS** Global Internal Audit Standards
- QAIP** Quality Assurance & Improvement Programme
- SH** Southern Housing

# Contents

<b>1</b>	<b>Internal Audit's Purpose</b>	
	1. Internal Audit's Purpose	x
<b>2</b>	<b>Internal Audit's Mandate</b>	
	2.1 Standards	x
	2.2 Authority	x
	2.3. Independence, organisational position, and relationships	x
<b>3</b>	<b>Audit &amp; Risk Committee Oversight</b>	
	3. Audit & Risk Committee Oversight	x
<b>4</b>	<b>Director of Internal Audit Roles and Responsibilities</b>	
	4.1. Ethics and professionalism	x
	4.2. Objectivity	x
	4.3. Managing the internal audit function	x
	4.4. Communication with ARC and senior management	x
	4.5. Quality Assurance and Improvement Program	x
	4.6. Non-audit roles and responsibilities	x
<b>5</b>	<b>Scope and Types of Internal Audit Services</b>	
	5. Scope and Types of Internal Audit Services	x
<b>6</b>	<b>Changes to the Charter</b>	
	6. Changes to the Charter	x

## Charter Approval

This Internal Audit Charter was approved by ARC at its meeting on 11 June 2025.

ARC Chair: Damien Regent



# 1. Internal Audit Purpose

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## 1.1 INTERNAL AUDIT PURPOSE

### 1.1.

Southern Housing's (SH) internal audit function is appointed to provide Audit & Risk Committee (ARC) and management with high quality, risk-based, independent and objective assurance, advice insights and foresight, to enable fast, effective and sustainable improvements in internal controls.

### 1.2.

Internal audit's work supports SH's strategy to deliver safe, high quality and affordable homes, strong communities and efficient services and strengthens SH's ability to create, protect and sustain value.

### 1.3.

The Regulator of Social Housing does not require social housing providers to have an internal audit function, but its regulatory framework emphasises the need for organisations to be viable, properly governed and provide value for money. SH consequently maintains an internal audit function to enhance:

- ◆ Successful achievement of its objectives.
- ◆ Governance, risk management, and control processes.
- ◆ Decision-making and oversight.
- ◆ Reputation and credibility with its stakeholders.
- ◆ Ability to serve its residents and the wider public interest.

### 1.4.

The internal audit function is most effective when:

- ◆ Delivered by competent professionals in conformance with Global Internal Audit Standards (GIAS) and the UK's Internal Audit Code of Practice.
- ◆ Independently positioned with direct accountability to ARC.
- ◆ Free from undue influence and committed to making objective assessments.

## 2. Internal Audit's Mandate

### 2.1 STANDARDS

#### 2.1.1.

Internal audit will adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which includes the GIAS and associated topical requirements, and the Internal Audit Code of Practice applicable to third sector organisations in the United Kingdom. The

Director of Internal Audit will report [periodically] to the audit committee and senior management regarding the internal audit function's conformance with the Standards, which will be assessed through a quality assurance and improvement program (QAIP).

### 2.2. AUTHORITY

#### 2.2.1

Internal audit's authority is provided through its direct relationship with ARC. Under this relationship ARC authorises and expects the internal audit function to:

- ◆ Provide objective assurance, advice, insight and foresight to ARC, Board and senior management.
- ◆ Have full and unrestricted access to all functions, data, records, information, physical property, and SH colleagues pertinent to carrying out internal audit responsibilities. Internal auditors are

accountable for confidentiality and safeguarding records and information.

- ◆ Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives.
- ◆ Obtain assistance from SH colleagues and other specialised services from within or outside SH to complete internal audit services.

### 2.3. INDEPENDENCE, ORGANISATIONAL POSITION, AND REPORTING RELATIONSHIPS

#### 2.3.1.

The DIA is appointed by ARC and as a member of SH's Leadership Team has appropriate standing, access and authority in the organisation to enable internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence of the internal audit function.

#### 2.3.2.

The DIA reports functionally to ARC and administratively to the Chief Financial Officer (CFO) under delegation from the Chief Executive. This positioning provides the organisational authority and status to bring matters directly to senior management and escalate matters to ARC, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.

#### 2.3.3.

The CFO, on behalf of the CEO, and the Chair of ARC will contribute to the agreement of the DIA's objectives and performance reviews.

#### 2.3.4.

The DIA will confirm to ARC, at least annually, the organisational independence of the internal audit function. If the governance structure does not support organisational independence, the DIA will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The DIA will disclose to ARC any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function's effectiveness and- ability to fulfil its mandate.

## 3. Audit Committee Oversight

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### 3.1

To establish, maintain, and ensure that SH's internal audit function has sufficient authority to fulfill its duties, the Audit Committee will:

- ◆ Discuss with the DIA and senior management the appropriate authority, role, responsibilities, scope, and services of the internal audit function.
- ◆ Ensure the DIA has unrestricted access to and communicates and interacts directly with ARC, including in-private meetings without senior management.
- ◆ Discuss with the DIA and senior management other topics that should be included in the internal audit charter.
- ◆ Participate in discussions with the DIA and senior management about the "essential conditions" in the GIAS which enable effective internal audit.
- ◆ Approve the internal audit function's charter, which includes the internal audit mandate and the scope and types of internal audit services.
- ◆ Review the internal audit charter annually with the DIA to consider changes affecting SH, such as changes in the risk landscape; and approve any changes made.
- ◆ Approve the risk-based internal audit plan.
- ◆ Ensure the remuneration of the DIA and internal audit function's structure, budgets and material expenditures are approved in accordance with SH Board delegations to ET and administrative procedures, ensuring the function has the appropriate resources, tools and technology to support its impact and effectiveness.
- ◆ Collaborate with senior management to determine the qualifications and competencies expected in SH's DIA.
- ◆ Authorise the appointment and removal of the DIA.
- ◆ Review the DIA's performance.
- ◆ Receive communications from the DIA about the internal audit function including its performance relative to its plan.
- ◆ Ensure a quality assurance and improvement program has been established and review the results annually.
- ◆ Make appropriate enquiries of senior management and the DIA to determine whether scope or resource limitations are inappropriate.
- ◆ Where the tenure of the DIA exceeds seven years, ARC will explicitly discuss annually his or her independence and objectivity.

# 4. Director of Internal Audit Roles and Responsibilities

## 4.1. ETHICS AND PROFESSIONALISM

### 4.1.1.

The DIA will ensure that internal auditors:

- ◆ Conform with the GIAs, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- ◆ Understand, respect, meet, and contribute to SH's legitimate and ethical expectations and be

able to recognise conduct that is contrary to those expectations.

- ◆ Encourage and promote an ethics-based culture throughout SH.
- ◆ Report organisational behavior that is inconsistent with SH's ethical expectations, as described in applicable policies and procedures.

## 4.2. OBJECTIVITY

### 4.2.1.

The DIA will work to ensure that the internal audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the DIA determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

### 4.2.2.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

### 4.2.3.

Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment, including:

- ◆ Assessing specific operations for which they had responsibility within the previous year.
- ◆ Performing operational duties for SH or its related entities.
- ◆ Initiating or approving transactions external to the internal audit function.

- ◆ Directing the activities of any SH colleague that is not employed by the internal audit function, except to the extent that such employees have been appropriately assigned to internal audit teams or to assist internal auditors.

### 4.2.4.

Internal auditors will:

- ◆ Disclose impairments of independence or objectivity, in fact or appearance, to the DIA as soon as they arise.
- ◆ Exhibit professional objectivity in gathering, evaluating, and communicating information.
- ◆ Make balanced assessments of all available and relevant facts and circumstances.
- ◆ Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

## 4.3. MANAGING THE INTERNAL AUDIT FUNCTION

### 4.3.1.

The DIA is responsible for:

- ◆ Developing and implementing a strategy for the internal audit function that supports the strategic objectives and success of SH and aligns with the expectations of ARC, senior management, and other key stakeholders.
- ◆ Developing and delivering an annual risk-based internal audit plan following discussion with and input from ARC and senior management.
- ◆ Reviewing and adjusting the internal audit plan, as necessary, in response to changes in SH's business, risks, operations, programs, systems, and controls - and communicating with ARC and senior management in advance of any significant interim changes to the plan.
- ◆ Ensuring internal audit engagements are performed, documented, and communicated in accordance with the GIAS.
- ◆ Communicating the results of internal audit services to the audit committee and senior management periodically and for each engagement as appropriate
- ◆ Following up on engagement findings and confirming the implementation of

recommendations or action plans.

- ◆ Ensuring the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the GIAS and fulfill the internal audit mandate.
- ◆ Identifying and considering trends and emerging issues that could impact SH and communicate to ARC and senior management as appropriate.
- ◆ Considering emerging trends and successful practices in internal auditing.
- ◆ Establishing and ensuring adherence to methodologies designed to guide the internal audit function.
- ◆ Ensuring adherence to SH's relevant policies and procedures unless such policies and procedures conflict with the internal audit charter or the GIAS. Any such conflicts will be resolved or documented and communicated to the audit committee and senior management.
- ◆ Coordinating activities and considering relying upon the work of other internal and external providers of assurance and advisory services.

## 4.4. COMMUNICATION WITH ARC AND SENIOR MANAGEMENT

### 4.4.1.

The DIA will report annually to ARC and senior management regarding:

- ◆ Confirmation of the internal audit function's mandate and annual internal audit plan.
- ◆ Performance against the internal audit strategy, plan and budget, including the impact of any resource limitations or significant revisions.
- ◆ Potential impairments to independence, including any relevant disclosures.
- ◆ The function's main activities, including results of assurance and advisory services, fulfillment of its purpose and mandate, conclusion on internal audit's impact and effectiveness and results from the QAIP, which include the internal audit

function's conformance with the IIA's GIAS and action plans to address the internal audit function's deficiencies and opportunities for improvement.

- ◆ Resource requirements.
- ◆ Any management responses to risk that the internal audit function determines may be unacceptable or beyond SH's risk appetite.
- ◆ An overall annual assurance opinion, highlighting significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for ARC

## 4.5. QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

### 4.5.1.

The DIA will develop, implement, and maintain a QAIP that covers all aspects of the internal audit function. The program will include external and internal assessments of the internal audit function's conformance with the GIAS and Code of Practice, as well as performance measurement to assess the internal audit function's progress toward the achievement of its objectives and promotion of continuous improvement. The program also will assess, if applicable, compliance with laws and/or regulations relevant to internal auditing. Also, if applicable, the assessment will include plans to address the internal audit function's deficiencies and opportunities for improvement.

### 4.5.2.

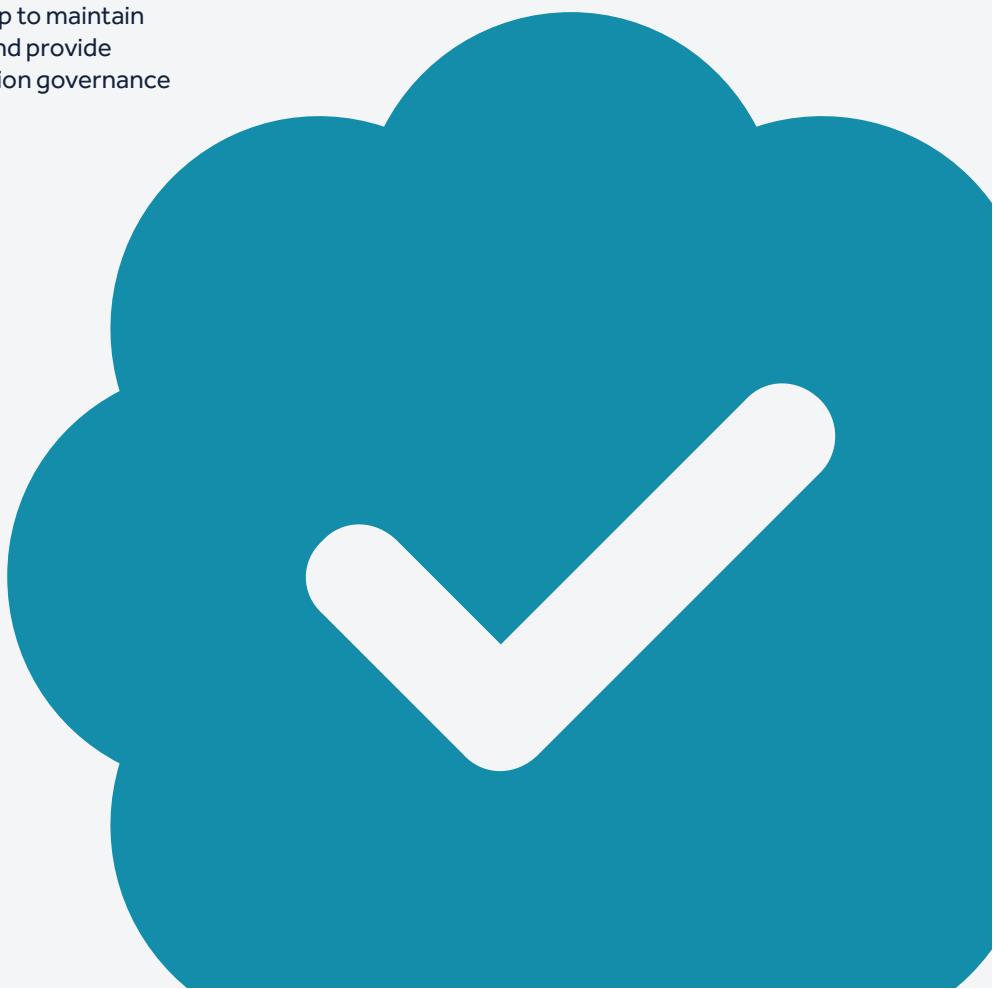
Annually, the DIA will communicate with ARC and senior management about the internal audit function's QAIP, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments. External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside SH; qualifications must include at least one assessor holding an active Certified Internal Auditor credential.

## 4.6. NON-AUDIT ROLES AND RESPONSIBILITIES

### 4.7.

With consideration taken to ensure there is no compromise to internal audit's independence and objectivity, the DIA also provides operational roles for:

- SH's Risk Panel to provide advice on the adequacy of risk registers and the corporate risk management framework.
- SH's Information Governance Group to maintain oversight of the risk environment and provide advice on the adequacy of information governance and security frameworks.



# 5. Scope and Types of Internal Audit Services

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## 5.1.

The scope of internal audit services covers the entire breadth of SH including all activities, assets, and personnel. The scope of activity encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to ARC and management on the adequacy and effectiveness of governance, risk management, and control processes.

## 5.2.

Internal audit engagements may include evaluating whether:

- ◆ Risks relating to the achievement of SH's strategic objectives are appropriately identified and managed.
- ◆ The actions of SH's officers, directors, management, employees, and contractors or other relevant parties comply with SH's policies, procedures, and applicable laws, regulations, and governance standards.
- ◆ The results of operations and programs are consistent with established goals and objectives.
- ◆ Operations and programs are being carried out effectively and efficiently.
- ◆ Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact SH.
- ◆ The integrity of information and the means used to identify, measure, analyse, classify, and report such information is reliable.
- ◆ Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

## 5.3.

The nature and scope of any advisory services may be agreed with the party requesting the service, provided the internal audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements, and will be communicated to the appropriate level of management.

## 5.4.

Management remains responsible for informing the DIA of all instances of suspected or known fraud or material breach of procedure. Fraud and irregularities reported to, or identified by, internal audit will be reported to SH's Fraud and Bribery Action Team (FBAT). Where requested by FBAT and appropriate to do so, internal audit will assist with any investigation deemed necessary.

## 5.5.

A small number of audits may require additional resourcing and / or technical skills outside the recent and relevant experience of the internal team. Budget is available to engage additional external specialist auditors to complete such assignments.

## 6. Changes to the Charter

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### 6.1.1.

Circumstances arising that may necessitate changes to the Internal Audit Charter include but are not limited to:

- ◆ A material change in the GIAS.
- ◆ A material change in the Director of Internal Audit, senior management, or ARC.
- ◆ A material change to SH's strategies, objectives, risk profile, or operating environment.
- ◆ New laws or regulations that may affect the nature or scope of internal audit.
- ◆ Material changes to regulatory or best practice expectations for internal audit.

### 6.1.2.

Unless circumstances require an accelerated timescale, any proposed changes will be drafted by the DIA as part of the annual Charter review process involving ARC and senior management and be subject to final approval by ARC.



