



AUDIT, RISK AND ASSURANCE COMMITTEE

TERMS OF REFERENCE

1. Purpose

- 1.1. The Audit, Risk and Assurance Committee is a Committee of the STH Board.
- 1.2. The Committee will oversee the systems of internal control and assurance, risk management, the external audit function and the internal audit function for STH. The Committee's primary role is to ensure that these functions are effective, robust and that risk is effectively managed across STH. The Committee will provide independent assurance to the STH Board on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting.
- 1.3. The Audit, Risk and Assurance Committee will ensure that where it identifies a risk in an area that is the functional responsibility of another Committee or Board within STH that it will highlight the issue to that Board or Committee.

2. Meetings

- 2.1. The Committee will meet a minimum of four times per year.
- 2.2. Additional meetings may be held at the discretion of the Committee chair as necessary or at the request of the internal or external auditors.
- 2.3. Meetings will be called to fit in with the agreed work plans of the internal and external auditors, quarterly performance reporting, the financial year end and the STH Board cycle.
- 2.4. The Committee will, at least annually, ensure there is an opportunity to meet in closed session (without staff present) to review its effectiveness.
- 2.5. The Committee will, at least annually, ensure there is an opportunity to meet in closed session (without staff present) with the internal and external auditors.
- 2.6. Papers for each meeting of this Committee will be issued at least 7 days in advance of that meeting. It will not be acceptable practice to table papers at meetings, unless urgent and only with prior approval of the Committee chair.

3. Membership

- 3.1. Committee members will be appointed by the STH Board.
- 3.2. The Committee will comprise a minimum of three and a maximum of five members. All members shall be non-executive Board members, and at least one member will have recent and relevant financial experience.

- 3.3. No executive staff or the Chair of the STH Board may be members of the Committee.
- 3.4. The chair will be appointed annually by the STH Board and will be an Independent Board Member. The chair would not be expected to serve more than six years as chair of the Committee.
- 3.5. In the absence of the Committee chair, the remaining members present shall elect one of themselves to chair the meeting.
- 3.6. Any Board Member may attend meetings of the Committee at their discretion or be invited by this Committee to attend.
- 3.7. No member or co-optee may serve more than 9 consecutive years on the Committee (This position relates to existing members and STH is implementing a transitional phase during which the overall maximum term will be reduced to 6 years).
- 3.8. A member will cease to be a member if:
 - 3.8.1. the member resigns
 - 3.8.2. the member is removed by the STH board

4. Co-optees

- 4.1. There will be a maximum of three co-optees.
- 4.2. The Committee may appoint independent co-optees who it is considered have particular expertise or experience that will be of benefit to the Committee as members of the Committee.
- 4.3. Co-optees will be required to sign up to and comply with a Board Member Agreement and Code of Conduct, and to complete declarations of interests in the same manner as Board Members.
- 4.4. Co-opted members may have their membership terminated at any time by agreement of a majority of Committee members, or where removed by the STH Board.

5. Competencies

- 5.1. The Committee shall comprise members who collectively have the following skills and experience:
 - 5.1.1. Senior level experience of financial management
 - 5.1.2. At least one member who is a qualified accountant (or significant and recent financial experience in a professional capacity)
 - 5.1.3. Senior level experience of risk management and control
 - 5.1.4. An ability to be forensically analytical when presented with detailed information
 - 5.1.5. An ability to 'triangulate' – to test the validity of results by reference to different sources of information
 - 5.1.6. An ability to think critically and articulate those thoughts through constructive challenge as well as support.

6. Quorum

- 6.1. A quorum will consist of three members excluding co-optees.

7. Attendance

- 7.1. The following Executive staff will normally be expected to be in attendance at meetings of the Committee:
 - 7.1.1. Strategic Finance Lead
- 7.2. Other attendees may be invited to attend all or part of Committee meetings at the discretion of the Chair of the Committee. It will usually include:
 - 7.2.1. Representatives of the internal auditor, and the external auditor as required
 - 7.2.2. Other professional advisors as required
 - 7.2.3. Other staff as required
- 7.3. Where a member is absent from three consecutive meetings of the Committee without special leave of absence, he/she will cease to be a member of the Committee unless the chair consents otherwise.

8. Authority and Access

- 8.1. The Committee has an unfettered right of access to all information within STH and can expect the active co-operation of all staff to be able to carry out its responsibilities and investigate any activity within its terms of reference.
- 8.2. The Committee may obtain independent, legal or other professional advice at STH's expense and, if necessary, invite non-members with relevant experience to attend its meetings.
- 8.3. The internal and external auditors have direct access to the Committee chair to ensure the independence of the audit functions. Any Board Member, Committee member or employee with serious concerns has the right of access to the Committee chair to facilitate any whistleblowing requirements.

9. Voting

- 9.1. Decisions will normally be made by general consensus but for the avoidance of doubt each member present in person shall have one vote. In the case of an equality of votes, the chair will have a second or casting vote. Co-optees will not have voting rights.

10. Reporting

- 10.1. Draft minutes of Committee meetings will be sent to the Committee chair for approval within five working days of the meeting. The minutes will then be circulated within a further three working days to members of the Committee. If approved at the next meeting, the minutes will be signed by the chair as a true record.
- 10.2. Agreed draft minutes of Committee meetings will be presented to the STH Board at its next meeting for noting.
- 10.3. Issues identified at Committee level required to be brought to the attention of the STH Board will be included within a Committee Chair's update prepared on an exception basis, taking into account key issues, risks, matters for referral to another Committee or to the Board for approval. In normal circumstances recommendations from the Committee will be considered by the STH Board. However, the Committee has the right to report directly to the chair of the STH Board when this is considered appropriate.

11. Duties and responsibilities

11.1. The Audit, Risk and Assurance Committee has the following specific duties which apply to STH:

11.2. External and Internal Audit

11.2.1. Recommend the appointment (and reappointment, or otherwise) of the external (annually) and internal auditors (subject to any agreements with the Council) to the STH Board.

11.2.2. Approve the process for tendering of external and internal audit services, ensuring periodic rotation of the audit teams to maintain independence.

11.2.3. Recommend to the STH Board the fees and terms of engagement of the internal and external auditors for STH.

11.2.4. Ensure effective co-ordination between the internal and external auditors.

11.3. External Audit

11.3.1. Recommend to the Board the fees, objectives, scope of the planned programme of work and timing of all external audit work for STH prior to commencement each year.

11.3.2. Consider, and report to the STH Board on the annual statutory audit.

11.3.3. Approve responses to audit management letters, letter of representation, reports and investigations relating to STH, and monitor implementation of follow-up actions.

11.3.4. Obtain assurance that external audit recommendations, endorsed by the STH board or Committee, are implemented by management as timetabled.

11.3.5. Approve the policy on the engagement of the external auditor to supply all / any non-audit services and scrutinise any non-audit services provided. Ensure that there is no conflict of interest which might impair the independence and objectivity of the external auditor where the external auditors also provide non audit services taking into account relevant guidance.

11.3.6. Discuss with the external auditor any problems, reservations or issues arising from their audit work or other non-audit work or investigations.

11.3.7. Scrutinise the performance of the external auditors, including their independence and ethical standards, objectivity, effectiveness and value for money and report annually to the STH Board. This will include meeting with the external auditors on a regular basis (at least once a year) without staff present and consideration of management's annual performance assessment of the external auditors.

11.4. Internal Audit

- 11.4.1. Recommend to the STH Board the fees, objectives, scope of the planned programme of work and timing of all internal audit work for STH prior to commencement each year. Monitor delivery of the plan, approving any changes during the year.
- 11.4.2. Approve a three year strategy for internal audit. Ensure that all relevant control systems and procedures are reviewed within the three year period.
- 11.4.3. Scrutinise internal audit reports at Audit, Risk and Assurance Committee meetings during the cycle of the audit together with the response from managers to the reports and agree any further action to be taken.
- 11.4.4. Monitor the implementation of internal audit recommendations ensuring that identified weaknesses in control are corrected and that deadlines for implementation are met.
- 11.4.5. Obtain assurance that internal audit recommendations, which have been endorsed by the Committee, are implemented by management as timetabled.
- 11.4.6. Review the annual report of the internal auditor.
- 11.4.7. Review and annually appraise the effectiveness of the approach, nature and scope of internal audit activities and compliance with professional standards and good practice guidance.
- 11.4.8. Ensure that the internal auditor has direct access to the chair of the STH Board.

11.5. Internal Control

- 11.5.1. Ensure that STH has adequate internal control arrangements (including finance reporting controls). Ensure any control weaknesses are remedied and reported to the STH Board.
- 11.5.2. Scrutinise the annual statement on internal control systems ensuring that it includes all policies and procedures necessary for the efficient and effective management of STH at an appropriate risk level and, if appropriate, recommend its approval to the STH Board.
- 11.5.3. Commission, when appropriate, special investigations into matters of particular concern relating to internal control.
- 11.5.4. Ensure that there is a sufficient and systematic review of internal control arrangements across STH.
- 11.5.5. Regularly review STH's internal controls assurance framework with a particular focus on emerging risks, high risks and any themes in risk, areas of control or assurance.
- 11.5.6. Review the annual statement of compliance with the adopted Code of Governance and provide assurance to the STH Board prior to their approval by the Board.

- 11.5.7. Review the annual statements of compliance with regulator's Governance and Financial Viability Standard and provide assurance to the STH Board prior to its approval by STH Board. This also includes assessment of compliance with all relevant law.
- 11.5.8. Review the board statement on internal control systems and make appropriate recommendations to the STH Board.
- 11.5.9. Ensure that any significant internal control weaknesses identified are remedied and reported to the STH Board.
- 11.5.10. In the event of identified or potential control weaknesses being identified, commission and receive the results of "deep dive" reviews in order to secure additional assurance and agree actions to improve management controls where applicable.
- 11.5.11. Ensure that the impact of alleged or fraudulent activity on STH's framework of internal control is properly assessed and, where it considers it necessary, to recommend changes to strengthen the control framework.
- 11.5.12. Receive reports relating to any allegations or actual bribery, fraud, money laundering or whistle blowing which may have an effect upon STH's internal controls.
- 11.5.13. Monitor the Gift & Hospitality and Whistle Blowing policies.
- 11.5.14. Monitor the organisation's Register of Assets and provide reports to the Board.
- 11.5.15. Monitor the Data Protection and GDPR obligations twice per year and report any issue to Board.

11.6. Risk Management Framework

- 11.6.1. Overall responsibility for risk management and STH's risk tolerance levels remain the responsibility of the STH Board.
- 11.6.2. Review on an annual basis the framework and processes for risk assessment, quantification, management and mitigation within the group making recommendations for change as necessary or appropriate. This includes an awareness of the social housing regulator's Regulatory Standards (economic and consumer) and Sector Risk Profile publications; other regulatory requirements and guidance; and sector best practice.
- 11.6.3. Formally review the Risk Management Framework every two years.
- 11.6.4. Ensure that there is a sufficient and systematic review of risk management arrangements across STH that identifies all major risks which might prevent the group from delivering its strategic priorities.
- 11.6.5. Review STH's risk map, risk heat map and risk register on a quarterly basis with a particular focus on emerging risks, high risks and any themes in risk, areas of control or assurance.

- 11.6.6. Scrutinise business plan stress tests and mitigation effectiveness for completeness, omissions and realism.
- 11.6.7. Ensure that appropriate Business Continuity and contingency plans are in place and tested regularly, and that a report is included in the annual Statement of Internal Controls.
- 11.6.8. Take note of the regulator's current Sector Risk Profile and monitor other emerging regulatory requirements and guidance and sector best practice.

11.7. **Annual Financial Statements**

- 11.7.1. Review the annual financial statements for all group entities, prior to submission to the STH Board for formal approval, for:
 - any material changes in accounting policies or practices (not otherwise delegated);
 - compliance with FRS102, any other accounting standards and relevant SORPs (Statement of Recommended Practice);
 - compliance with regulator accounting requirements; the Accounting Direction for social housing in England, the Housing and Regeneration Act 2008 and the Housing and Planning Act 2016 (and all other relevant legislation and regulation which may be amended from time to time) ;
 - the going concern assumption;
 - significant variances from budget;
 - significant adjustments arising from the external audit;
 - areas of concern regarding financial performance; and
 - the extent to which the financial statements are affected by any unusual transactions in the year and how these are disclosed.

11.8. **Value for Money**

- 11.8.1. Review information on STH's costs, variations in costs, main cost drivers and benchmarking of costs against other providers. Seek assurance from staff regarding cost reductions and/or outcome improvements.
- 11.8.2. Provide assurance to the STH Board that STH has a comprehensive approach to delivering Value for Money; that STH ensures the most cost-effective use of assets and resources to deliver its strategic priorities; and that future investments will be cost effective in achieving desired outcomes.
- 11.8.3. Have annual oversight of any Value for Money self-assessment processes in place and recommend the report to the STH Board for approval.

11.9. **Bribery, Fraud, Money laundering and Whistleblowing (Confidential Reporting)**

- 11.9.1. Receive reports on all allegations made and investigations undertaken of bribery, fraud, money laundering, tax evasion, other irregularities, and whistleblowing; ensure that appropriate action is taken and followed up and determine if existing internal controls are satisfactory.
- 11.9.2. Ensure that bribery, fraud, money laundering and whistleblowing registers are maintained and provide an annual assurance report to the STH Board.

- 11.9.3. Prepare an annual report on fraudulent activity as required by the regulator for approval by the STH Board.
- 11.9.4. Approve all policies relating to Bribery, Fraud, Money laundering and Whistleblowing on at least a three-yearly cycle, or as required by statutory or regulatory changes.

11.10. Insurance

- 11.10.1. Review STH's insurance annually to ensure assets are protected by adequate insurance or other cover.

11.11. Committee Performance and Reporting

- 11.11.1. Produce an annual report for the STH Board (and the Council in its capacity as sole member of the company) on the work of the Committee for inclusion in the annual report and statement of accounts.

11.12. General

- 11.12.1. Receive, as appropriate, reports on any governance, statutory, regulatory, funder, assurance or compliance issue which may have a material impact on STH's business operations, financial viability or risk management.
- 11.12.2. Contribute to the annual board appraisal and governance and financial viability compliance assessment processes.
- 11.12.3. Be accessible to residents and service users undertaking scrutiny activities.

12. Review

- 12.1.1. The Committee shall, at least annually, review its own performance, constitution and Terms of Reference to ensure it is operating effectively making recommendations for change it considers necessary to the STH Board for approval as part of an annual governance review process.

13. Authority

- 13.1.1. The Committee is authorised to:
 - 13.1.1.1. seek any information it requires from any employee of the Company in order to perform its duties;
 - 13.1.1.2. call any employee to be questioned at a meeting of the Committee as and when required.