Terms of Reference for the Audit & Risk Committee

of Orwell Housing Association Limited

Membership

The Board will appoint an Audit & Risk Committee of up to five people from the Board or Co-optees. The Chair of the Board cannot be appointed to the Audit & Risk Committee but does attend once per annum when the annual accounts and audit findings report are presented by the external auditors. It is essential that at least one committee member has recent and relevant financial experience proportionate to the size and complexity of Orwell.

Chair

A Chair of the Committee will be appointed as detailed in the Board Renewal and Succession Policy.

Attendance

The Chief Executive, the Director of Finance and representatives from the outsourced Internal Audit function will ordinarily attend all meetings. Other Directors, Assistant Directors, Resident Group members, members of Orwell's management, representatives from the External Auditors and other external advisors may attend meetings in whole or in part if invited by the Committee. There should be at least one meeting a year, or part thereof, where the External Auditors attend without Officers being present. The Audit & Risk Committee can, if necessary, meet without any Officers being present.

Quorum & Decision Making

A quorum shall be three members, two of which must be Board members. Only members of the committee may vote on matters before them. Decisions will normally be made by consensus; on any vote the majority shall prevail. In the event of an equality of votes, the Chair shall have a casting vote. The Committee also acknowledges that the Board's decision may override any decision of the Committee.

Written Resolutions outside of Committee meetings require 75% member approval. Decisions will be noted at the next meeting.

Secretary

The Company Secretary or Deputy Company Secretary shall be the Secretary of the Committee

Frequency of Meetings

The committee will hold a minimum of four meetings per year and each meeting will ordinarily commence with a closed session where Officers are not present. External Auditors or Internal Auditors may request a meeting if they consider that one is necessary.

Key Individuals

Outside of the formal meeting programme, the Committee Chair will maintain a dialogue with key individuals, including the Chair of the Board, all Committee Chairs, the Chief Executive, the Director of Finance, the External Audit lead partner and representatives from Internal Audit. Other Committee members may maintain similar dialogues.

Purpose

The purpose of this Committee is to:

- Enhance confidence in the integrity of Orwell's procedures, internal controls and the management of risk.
- Provide a direct line of communication between the Board and the internal and external auditors.
- Through oversight and monitoring provide assurance to Board that risk is understood and adequately managed.
- Through oversight and monitoring provide assurance to Board that adequate controls are in place and functioning as intended.

Responsibilities

1.1 Financial Reporting

a) The Committee shall monitor the integrity of the financial statements of Orwell and the Group, including its annual report and accounts, and review and report to the Board on any significant financial reporting issues and judgements which those statements contain having regard to matters communicated to it by the auditor.
b) In particular, the Committee shall review and challenge where necessary:
    i) the application of significant accounting policies and any changes to them;
    ii) the methods used to account for significant or unusual transactions where different approaches are possible;
    iii) whether Orwell has adopted appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor on the financial statements; and
    iv) all material information presented with the financial statements, including the strategic report and the corporate governance statement (insofar as it relates to the audit and to risk management).
c) Where the Committee is not satisfied with any aspect of the proposed financial reporting, it shall report its views to the Board.

1.2 Internal Controls and Risk Management Systems

The Committee shall:

a) Keep under review the adequacy and the effectiveness of internal financial controls that identify, assess, manage and monitor financial risks and other internal control processes and risk management systems.
b) Review and recommend to Board on an annual basis the Strategic Risk Register, Risk Management Framework, and Risk policies and procedures including consideration of emerging and changing risks.
c) Review deep dives into selected risks to assess level of assurance over controls and mitigations in place.
d) Conduct quarterly reviews of operational risks.
e) Annually receive a report on the RSH sector risk profile themes and how these relate to Orwell and receive assurance on how these are included in the risk management framework.
f) Review and approve the statements to be included in the annual report concerning internal controls, risk management and the viability statement.
g) Review on an annual basis the appropriateness of the Business Continuity Plan and seek assurance on testing and regular external review.

1.3 Compliance, Whistleblowing and Fraud

The Committee shall:

a) Review the adequacy and security of arrangements for employees and contractors to raise concerns, in confidence, about possible wrong doing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.
b) Review the adequacy of systems and controls for the prevention and detection of fraud and receive reports on instances of fraud and attempted fraud.

c) Review the adequacy of systems and controls for the prevention of bribery and receive reports on non-compliance.

1.4 Internal Audit

The Committee shall:

a) Monitor and review the effectiveness of the outsourced internal audit function in the context of the overall risk management system and the work of finance and the external auditor.
b) Approve the appointment and removal of the supplier of internal Audit services.
c) Review and approve the annual internal audit plan to ensure it is aligned to the key risks of the business, and receive regular reports on work carried out.
d) Carry out an annual assessment of the effectiveness of the outsourced internal audit function, and as part of this assessment:
   i) review and assess the annual internal audit work plan;
   ii) receive a report on the results of the internal auditor's work;
   iii) meet with the lead representative of the outsourced internal audit function without the presence of officers to discuss the effectiveness of the function;
   iv) review the actions taken by management to implement the recommendations of internal audit;
   v) determine whether it is satisfied that the quality, experience and expertise of internal audit is appropriate for the business; and
e) The lead representative of the outsourced internal audit function shall be given the right to direct access to the Chair of the Board and to the Committee.

1.5 External Audit

The Committee shall:

a) Consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the external auditor.
b) Ensure that at least once every five years the audit services contract is put out to tender to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms, in respect of such tender the Committee shall oversee the selection process and ensure that all tendering firms have such access as is necessary to information and individuals during the duration of the tendering process.
c) If an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required.
d) Oversee the relationship with the external auditor including (but not limited to):
   i) approving their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an effective and high-quality audit to be conducted;
   ii) approving their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
   iii) assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements, the Ethical Standard and the relationship with the auditor as a whole, including any threats to the auditor's independence and the safeguards applied to mitigate those threats including the provision of any non-audit services;
   iv) satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and Orwell (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
   v) monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partner, the level of fees paid compared to the overall fee income of the firm, office and partner and assessing these in the context of relevant legal, professional and regulatory requirements, guidance and the Ethical Standard;
   vi) assessing annually the qualifications, expertise and resources of the auditor and the effectiveness of the audit process, which shall include a report from the external auditor on their own internal quality procedures;

   vii) seeking to ensure co-ordination with the activities of the internal audit function; and
   viii) evaluating the risks to the quality and effectiveness of the financial reporting process in the light of the external auditor's communications with the Committee.

e) Meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet the external auditor at least once a year, without officers being present, to discuss the auditor's remit and any issues arising from the audit.
f) Discuss with the external auditor the factors that could affect audit quality and review and approve the annual audit plan, ensuring it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team;
g) Review and approve the annual audit plan and ensure that is consistent with the scope of the audit engagement, including adequate coverage of Orwell and the Group's activities and net assets.
h) Review the findings of the audit with the external auditor. This shall include, but not be limited to, the following:
   i) the significant areas of risk assessed by the external auditor;
   ii) a discussion of any major issues which arose during the audit;
   iii) any accounting and audit judgements;
   iv) levels of errors identified during the audit; and
   v) the effectiveness of the audit.

The Committee shall also:

i) Review any representation letter(s) requested by the external auditor before they are signed by management.
j) Review the management letter and management's response to the auditor's findings and recommendations.
k) Review the effectiveness of the audit process, including an assessment of the quality of the audit, the handling of key judgements by the auditor, and the auditor's response to questions from the Committee.
l) Review the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter. The review should include consideration of the following matters:
   i) threats to the independence and objectivity of the external auditor and any safeguards in place;
   ii) the nature of the non-audit services;
   iii) whether the external audit firm is the most suitable supplier of the non-audit service;
   iv) the fees for the non-audit services, both individually and in aggregate, relative to the audit fee; and
   v) the criteria governing compensation.

1.6 Reporting Responsibilities

a) The Committee Chair shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. This report shall include:
   i) the significant issues that it considered in relation to the financial statements (required under paragraph 1.1 (a)) and how these were addressed;
   ii) its assessment of the effectiveness of the external audit process (required under paragraph 1.5(k)), the approach taken to the appointment or reappointment of the external auditor, length of tenure of audit firm, when a tender was last conducted and advance notice of any retendering plans; and
   iii) any other issues on which the Board has requested the Committee's opinion.
b) Draft minutes of committee meetings shall be circulated promptly to the Chair of the Committee. Once approved, minutes should be circulated to all other members of the Board unless it would be inappropriate to do so.
c) The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
d) In compiling the report referred to in 1.6(a) above, the Committee should exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant, but should include at least those matters that have been included as significant areas of risk, those that have informed the Board's assessment of whether Orwell is a going concern and the appropriateness of the Board's viability statement.
e) The Chair of the Audit & Risk Committee should attend the Annual General Meeting to answer shareholder questions.

1.7 Other Matters

The Committee shall:

a) Have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required.
b) Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.
c) Give due consideration to laws and regulations, and any other applicable Rules, as appropriate.
d) Be responsible for co-ordination of the internal and external auditors.
e) Oversee any investigation of activities which are within its terms of reference.
f) Work and liaise as necessary with all other Board and Board committees, taking particular account of the impact of risk management and internal controls being delegated to different committees.
g) Arrange for periodic reviews of its own performance and, at least annually, review its terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.
h) To ensure that there is a clear delineation of activity between the Audit & Risk Committee and any resident/tenant/customer scrutiny activity.

1.8 Authority

The Committee is authorised:

a) To seek any information, it requires from any employee of Orwell in order to perform its duties.
b) To obtain, at Orwell's expense, outside legal or other professional advice on any matter within its terms of reference and to meet such advisors without Officers being present.
c) To call any employee of Orwell to attend a meeting of the Committee as and when required.
d) To have the right to publish in the annual report and accounts details of any issues that cannot be resolved between the Committee and the Board.

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