

Audit and Risk Committee Terms of Reference

References to the Board in this document are as defined in the Governance Framework as the coterminous board acting as the board of each RP Group entity.

Purpose

To provide the Board with assurance as to the effectiveness of the risk and internal control frameworks; financial reporting and accounting issues and oversee both internal and external audit functions.

To exercise all of the delegated authorities (below) on behalf of each BHG, BHA, Merlin and BHO.

Membership

Up to 4 Non-Executive Directors.

The Chair of the Bromford Housing Group **will not** be a member of the Committee.

At least one member must have recent and relevant financial experience. The committee as a whole shall have competence relevant to the social housing sector.

Attendees will comprise the CEO, C- Suite Officers and Company Secretary.

Meetings

Meetings of the Committee shall be held at least 4 times a year. Only members of the Committee have the right to attend meetings. Alongside attendees, others may be invited to attend for all or part of any meeting.

Quorum

2 Non-Executive Directors.

Approval outside of the meeting cycle

A resolution agreed by email by at least 2 Non-Executive Directors shall be valid and effective as if it had been passed at a properly called and constituted meeting of the Committee.

External advice and training

May appoint advisors or seek external legal or other professional advice on any matter within its terms of reference. The Committee shall have access to sufficient resources to carry out its duties and 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.

Duties

Plans and policies

Approve and keep under review, the effectiveness of the following policies:

- The Audit Policy
- The policy on the engagement of the external auditor to supply non-audit services
- Anti-Money Laundering Policy
- Whistleblowing Policy
- Financial Standing Orders (including financial authorisation limits)
- Fraud Policy
- Probity Policy
- Schedule of Authorised Signatories

The Committee may from time to time address and approve other policies as delegated by the Board.

Review and make recommendations to the Board:

- Risk Management policies and frameworks, and the strategic risk register
- Governance framework and policies
- Delegation framework

Financial Reporting

Monitor and review the integrity of the financial statements of each of the RP entities within the Group and its subsidiaries, including the annual report and accounts and the six monthly Investors Report, reviewing significant financial reporting issues and the judgments, which they contain.

Review and challenge where necessary

- Significant financial returns to regulators
- The consistency of, and any changes to, accounting policies both on a year on year basis making

Recommendations to the Board on any proposed significant changes in accounting policies or practices;

- The methods used to account for significant or unusual transactions where different approaches are possible
- Whether the appropriate accounting standards have been followed and made appropriate estimates and judgments considering the views of the external auditors;
- The clarity of disclosure in the financial reports and the context in which statements are made
- All material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management)

Health and Safety Assurance Reporting

Report to the Board and be responsible for:

- Receiving a quarterly health and safety management assurance report;

- Scrutiny of the effectiveness of the overall health and safety management system (HSMS);
- Identification of key areas for improvement in business management of the HSMS
- Agreeing the annual internal health and safety audit programme

Internal Controls and Risk Management

Review and approve, and make recommendations to the Board on

- The statements to be included in the annual report concerning internal controls and risk management and advise the Board whether the Annual Report, taken as a whole is fair, balanced and understandable and provides the information necessary for stakeholders to assess achievement of the strategy objectives and value for money.

Keep under review, and report to / **make recommendations to the Board** in relation to, the adequacy and effectiveness of the internal financial controls and internal control and risk management systems which will include:

Review

- reports on risk management, including compliance and Health & Safety and updates on the risk maps and control frameworks
- the risk processes including risk appetite
- the annual Executive report on the internal control framework and its operation
- any legal action being taken by or against the entities within the Group which could have a material impact financially on Bromford's reputation (and, if necessary, approving the prosecution, defence or settlement of litigation)

Approve:

- the signatories authorised to attest the relevant company seals and to sign under hand on behalf of the entities within the Group those authorised to act as Deputy Company Secretaries

Compliance, Whistleblowing and Financial Crime

Whistleblowing - review the arrangements for colleagues to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. Ensure that these arrangements allow proportionate and independent investigation, with unfettered access, of such matters and appropriate follow up action.

Probity – Consider and make a recommendation to the Board on any contracts proposed to be granted to Board members (or Connected Persons) (see Probity Policy). Ensure that a record is kept of any such contracts.

Fraud - review and approve the policy for detecting fraud including the authorisation of exceptions to policy, where necessary. Receive and **consider** a bi-annual report from the Chief Risk Officer on how internal controls have operated, including those in relation to financial crime and, approve an annual report to our regulator, the RSH, on losses from fraudulent activity. This includes reviewing the register of cases of fraud and suspected fraud maintained by the Governance, Risk and Assurance Team

Bribery - review the adequacy and effectiveness of the prevention of bribery systems and controls.

Anti-money laundering responsibilities–

- Lead on risk management, internal control, probity and whistleblowing, including making sure there are appropriate and effective systems in place to prevent, detect

and report instances of money laundering;

- Make sure a MLRO has been appointed;
- Make sure a Compliance Officer has been appointed;
- Make sure a Deputy Nominated Officer has been appointed;
- Approve the Anti Money Laundering policy
- receive and consider an annual report from the Executive Directors on how internal controls have operated, including those for Anti-Money Laundering.

Statutory and Regulatory Compliance

Statutory and regulatory - monitor through internal audit reports compliance with statutory and regulatory requirements including those of the Regulator of Social Housing and the Financial Conduct Authority.

This includes:

- providing assurance to the Board on self-assessment of performance against the Economic Standards and in particular the Governance & Financial Viability standards in the Regulatory Code (note consumer standards reviewed by Customer & Communities Influence Network), and compliance against the UK Corporate Governance Code
- providing assurance to the Board on compliance with all law
- Regulatory and Statistical Returns submitted to the Regulator (at the next meeting following submission)
- annual Regulatory Plan together with summaries of the various regulatory reviews

Corporate Governance Code

- recommend to the board the appointment and/or removal of the CRO

review reports and monitor responsiveness of the company on findings and recommendations of the CRO.

Internal Audit

Monitor and review the effectiveness of the internal audit function in the context of the overall risk management system.

Approve - the appointment and removal of the internal auditors, including their remuneration and terms of engagement approving the letter of engagement for the internal auditors.

- the Audit Policy which sets out the remit of the internal audit function. Ensure internal audit has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with relevant professional standards. Ensure the function has adequate standing and is free from management or other restrictions.

Approve - the annual internal audit plan

Review and assess the progress of the annual internal audit plan

- reports addressed to the Committee from the internal auditor
- monitor management's responsiveness to the findings and recommendations of the

internal auditor

Monitor - the **performance** of internal auditors and the effectiveness of their work – which may include a review of their qualifications, expertise and resources.

Meet internal auditors at least once a year, without management being present, to discuss their remit and any issues arising from the internal audits. In addition, internal auditors will be given the right of direct access to the Chair of the Bromford Housing Group and to the Committee.

External Audit

Consider and make recommendations to the board, regarding appointment, re-appointment and removal of the external auditor. Oversee the selection process for a new auditor. If an auditor resigns investigate the issues leading to this and decide whether any action is required.

The Committee shall consider whether to re-tender the external audit at least once every 5 years, taking into account all relevant guidance regarding the rotation of external auditors.

Oversee the selection process for the new external auditor.

Approve the letter of engagement for the external auditor.

Preapprove any non-audit services.

Oversee the relationship with the external auditor including:

- approval of their remuneration, whether fees for audit or non-audit services are paid, and considering whether the level of fees is appropriate to enable an adequate audit to be conducted;
- approval of their terms of engagement, including any engagement letter issued at audit and the scope of the audit;
- assessing annually their independence and objectivity, qualifications, expertise and resources (taking into account relevant UK law, regulation, the Ethical Standard and other professional requirements) and the audit relationship, which will include a report from the external auditor on their own internal quality procedures, methodology used in testing particular areas of the accounts, changes in approach from prior year and scope of consolidation applied
- assessing annually the effectiveness of the audit process and the overall performance of the external auditors, including any threats to the auditor's independence and the safeguards applied to mitigate those threats, including the provision of any non -audit services

Review and be satisfied with the scope and planning of the External Auditor's work, and any significant changes to its audit plans to **approve** these on behalf of the Board.

Meet regularly with the external auditor, including once before the audit (planning) and once after the audit (reporting). Meet at least once a year, without management present, to discuss the auditor's remit and any issues arising from the audit.

Review - and approve the **annual audit plan** and ensure that it is consistent with the scope of the audit engagement. the **findings of the audit** with the external auditor to include:

- a discussion of any major issues which arose during the audit
any accounting and audit judgements

Auditor Independence

Develop and implement an Audit Policy for assessing the independence of both the internal and external auditor taking into account:

- Threats to the independence and objectivity of the external auditor and any safeguards in place
- Carrying out an annual assessments of auditor independence and objectivity taking into account relevant professional and regulatory requirements, the relationship with the auditor as a whole
- Systems for monitoring that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the company (other than in the ordinary course of the business)
- The approach on the employment of former employees of the company's auditor of Governance;
- Systems for monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid compared to the overall fee income of the firm, office and partner and other related requirements;
- The approach on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter specifying the types of non-audit service (including fees to be pre-approved), and assessment of whether non-audit services have a direct or material effect on the audited financial statements;

The criteria governing compensation.

Insurance

Consider and review the annual report on the insurance portfolio, and risks covered and excluded.

Cyber and Digital Security

Review and challenge where necessary;

- The cybersecurity framework
- The infosec dashboard

Monitor the cyber risk exposure through the overarching risk management framework and internal controls and track the progress on the maturity of the organisation in information and risk and cyber security.