

AUDIT & RISK COMMITTEE

1. TERMS OF REFERENCE

1.1 Purpose

The Audit & Risk Committee's primary role is to independently contribute to the board's overall process for ensuring that an effective internal control and risk management systems are maintained. The board will always retain responsibility for all aspects of internal control and risk management.

2. Accountability

2.1 The Audit & Risk Committee is accountable to the board for the fulfilment of the responsibilities delegated to it as set out in its terms of reference. All committee members share responsibility for its decisions and should act only in the interests of the organisation and not on behalf of any subsidiary, constituency or interest group, putting the interests of the organisation before their own interests. The board will obtain assurance on the Committee's work via minutes of all of its meetings which will be made available to the board.

2.2 The chair of the Audit & Risk Committee will ensure that key issues are promptly brought to the attention of the board and has the right to attend and speak on matters of concern at any board meeting. The Audit & Risk Committee will present a report annually to the board on its work. A separate section in the annual report will set out how the Audit & Risk Committee has discharged its responsibilities.

3. Lead director:

3.1 Director of Business Services

3.2 **Authority and access** The Committee has an unfettered right of access to all information within the organisation and the active co-operation of any of the organisation's employees so as to be able to carry out its responsibilities. The Committee may obtain independent legal or other professional advice and secure the attendance of others with relevant experience and expertise, within a pre-set budgetary limit set by the board, to assist in fulfilling its responsibilities. The chair of the Audit & Risk Committee, external and internal auditor meet as necessary and the auditors have direct access to the chair of the Audit & Risk Committee to ensure the independence of the audit functions. Any member of a board, committee or employee with serious concerns has the right of access to the chair of the Audit & Risk Committee under provisions of the organisation's whistleblowing policy.

4. Membership

4.1 Members will be appointed by the board. The Committee will comprise a minimum of four non-executive directors. Terms on the Committee will be coterminous with the member's board tenure. The maximum period on the Audit & Risk Committee is six years. Executive directors may not be

members of the Audit & Risk Committee. The chair will be appointed annually by the board. The chair of the board cannot be a member of the Audit & Risk Committee. The Committee's membership should never include more than 50% co-opted members. Co-opted members will be (re)appointed annually.

5. Meetings

5.1 The Committee will meet four times a year.

5.2 Attendance

5.2.1 The Committee shall meet on its own regularly. Employees and others may attend all or part of meetings at the invitation of the Committee. Attendees will usually include:

- Chief Executive;
- Director of Business Services/ Director of Operations
- Head of Finance;
- Internal auditor;
- Other non-executive directors and managers as required; and
- Company secretary if required.

5.2.2 At least annually the Committee shall meet in closed session with the external and internal auditors together. At least annually the Committee shall meet in closed session with the external auditors.

5.2.3 Quorum

A quorum for any meeting will be three or 50% of membership whichever is the greater; if there are co-opted members, a quorum requires a minimum of two non-executive directors.

6. TERMS OF REFERENCE

General

- 1) To advise the board on whether there is an appropriate culture of control throughout the organisation;
- 2) To oversee the effectiveness of the system of internal control throughout the organisation and ensure this focuses on the key business risks;
- 3) To review on an annual basis the framework and processes for risk assessment, quantification and management within the organisation, making recommendations for change as necessary or appropriate;
- 4) To ensure the Board is kept in touch regarding any significant changes to the external or internal risk environment;
- 5) To ensure the effective co-ordination between internal and external audit;
- 6) To advise the board of the budget needed to resource effective external and internal audit and other responsibilities of the Committee;
- 7) To assess the effectiveness of, and value added by, the Committee and contribute to an assessment of the effectiveness of the governance of the organisation; and
- 8) To review, and make recommendations to the board on, these terms of reference.

7. External audit

- 1) To make recommendations to the board, for approval in general meeting, on the appointment, reappointment or otherwise, of the external auditor;
- 2) To approve the fees and terms of engagement of the external auditor;
- 3) To review, agree and monitor a planned programme of work with the external auditor;
- 4) To review and monitor the company's accounting policies and their implementation and where appropriate recommend changes to ensure continuing compliance with current accounting standards and best practice;
- 5) To consider, and report to the board on, the annual statutory audit and make recommendations on the response to any audit management letters, reports and investigations;
- 6) To obtain assurance that external audit recommendations, which have been endorsed by the board or Committee, are implemented by management as timetabled;
- 7) To discuss with the external auditor any problems, reservations or issues arising from the interim or final audit or other investigations;
- 8) To review and monitor the external auditor's independence and objectivity and annually appraise the effectiveness and value for money of the external audit service; and
- 9) To develop, implement and monitor a policy on the engagement of the external auditor to supply non-audit services, taking into account relevant guidance regarding the provision of non-audit services by the external audit firm.

8. Internal control framework

- 1) To oversee the embedding and maintenance of an effective system of internal control that focuses on the key business risks;
- 2) To satisfy the board that there is a sufficient and systematic review of the internal control arrangements within the organisation and the controls around prevention and detection of fraud, whistleblowing and money laundering are adequate;
- 3) To review the statement on internal control systems and make appropriate recommendations to the board;
- 4) To ensure that any significant weaknesses identified are remedied and reported to the board;
- 5) To commission special investigations into matters of particular concern relating to internal control;
- 6) To ensure that the impact of alleged or fraudulent activity on the organisation's framework of internal control is properly assessed and, where it considers it necessary, to recommend changes to strengthen the control framework; and
- 7) To receive reports relating to any matters of whistleblowing or alleged or actual fraudulent activity which may have an effect upon the organisation.

9. Internal audit

- 1) To consider and make recommendations to the board on the internal audit arrangements, including the appointment, reappointment or otherwise, fees, methods and terms of engagement, of the internal auditor, whether on the organisation's payroll or outsourced;
- 2) To review and approve the internal audit needs assessment and strategy and the annual plan and monitor delivery of the plan, approving any changes during the year;
- 3) To review and approve the internal audit charter;
- 4) To receive and consider reports by the internal auditor on significant audit findings, together with the response from managers to these reports;
- 5) To obtain assurance that internal audit recommendations, which have been endorsed by the Committee, are implemented by management as timetabled;
- 6) To review and annually appraise the effectiveness of the approach, nature and scope of internal audit activities and compliance with professional standards, good practice guidance and performance indicators and whether these have addressed the key business risks; and
- 7) To receive and review the annual report from the internal auditor.

10. High level risk framework

- 1) To provide assurance to the board that risk management is embedded in the culture of the organisation;
- 2) To satisfy the board that there is a sufficient and systematic review of the risk management arrangements within the organisation;
- 3) To advise the Board on an acceptable balance between risk and reward for activities that Barnet Homes is involved in or planning to become involved in;
- 4) To ensure that all new ventures are properly assessed in respect of the risk involved;
- 5) To advise the Board on the quantum of risk that Barnet Homes can prudently be exposed to, (the Risk Appetite), having regard to mitigation and control of the risks;
- 6) To advise the Board on the numbers and scale of risks to which Barnet Homes is exposed, (the Risk Profile);
- 7) To advise the Board on insurance cover which shall be designed to mitigate and manage risk;
- 8) To approve the annual risk register and risk management framework.
- 9) To advise the Board on the risk implications of the Business Plan.
- 10) To review the strategic risks quarterly and the operational risk registers annually;
- 11) To ensure that control risks are reflected in the internal audit plan;
- 12) To establish, if these are not already in place, whatever monitoring systems it feels to be necessary to properly exercise its duties;
- 13) To bring to the Board's attention (as necessary) any material control or risk management issues that arise during the year; and

14) Prior to the approval of the financial statements each year the Committee will report formally to the Board on the following matters so that this can be reflected in the Statement of Internal Controls:

- the risk environment
- the state of control systems;
- the state of reporting processes;
- the external audit management letter;
- the performance of internal auditors;
- major matters arising from internal audit reports;
- any regulation reports;
- any reports of fraud;

11. Other

- 1) To consider and make recommendations to the board on the selection and terms of appointment of other appropriate advisers and consultants;
- 2) To receive, as appropriate, regular reports on any governance issues which may affect the operation of the Committee or the scope or extent of its responsibilities;
- 3) To receive, as appropriate, regular reports on any regulatory or compliance issues which may affect the operation of the Committee or the scope or extent of its responsibilities;
- 4) To review the proportionality, independence and appropriateness of the organisation's whistleblowing policy and follow-up action; and
- 5) To ensure that appropriate disaster recovery and contingency plans are in place and are tested regularly.