

# **ABERTAY HOUSING ASSOCIATION LIMITED**

## **The Audit Committee Constitution and Terms of Reference**

### **1. The Audit Committee**

- 1.1 The Audit Committee is an advisory standing sub-committee of the Committee of Management with limited executive powers.
- 1.2 The Audit Committee is endowed with the authority to obtain all the information that it considers necessary and to consult directly with the internal and external auditors.
- 1.3 The internal and external auditors have the right of access to the Audit Committee Chairperson and the right to request an Audit Committee meeting be convened, if in their opinion it is necessary.
- 1.3 The Chairperson of the Audit Committee may report directly to the Chairperson of the Committee of Management.

### **2. Membership**

- 2.1 The Audit Committee shall comprise at least 3 members but not more than 6 of the Committee of Management.
- 2.2 Appointments to the Audit Committee shall be made annually at the first meeting of the Committee of Management following the Annual General Meeting.
- 2.3 The Committee of Management may appoint other members of the Audit Committee from time to time as temporary members.
- 2.4 The members of the Audit Committee shall appoint one of their number to the position of Chairperson, with the proviso that the Chairperson of the Audit Committee shall not be the Chairperson of the Committee of Management or a temporary member.
- 2.5 The Chief Executive and the Corporate Services Director shall normally attend all meetings of the Audit Committee, which shall be serviced by the Corporate Services Director.
- 2.6 Other functional Directors, members of the Committee of Management and both Internal and External Auditors shall attend meetings in full or for particular agenda items at the request of the Audit Committee. Any person in attendance shall leave the meeting at the request of the Audit Committee Chairperson.

### **3. Meetings**

- 3.1 The Audit Committee shall meet as frequently as its members deem necessary throughout the year, but must meet not less than three times in any calendar year.
- 3.2 The quorum for the Audit Committee is three Members. If no quorum is present within fifteen minutes of the time fixed for the meeting or if during a meeting a quorum ceases to be present, then the meeting shall stand adjourned and re-convened for a future date and time to be agreed. This will be co-ordinated by the Corporate Services Director.
- 3.3 If the Chairperson is absent from a meeting of the Audit Committee, the other members will select one of their number to chair the meeting, who shall be entitled to use the casting vote.
- 3.4 The Audit Committee shall have the power to meet with the external auditor without senior staff being present.
- 3.5 The Audit Committee shall have the power to meet with the internal auditor without senior staff being present.
- 3.6 The Corporate Services Director shall at all times have direct access to the Chair of the Audit Committee.

### **4. Agendas and Minutes**

- 4.1 The agenda for each meeting shall be agreed by the Chairperson of the Audit Committee and the Corporate Services Director and shall be circulated to all members of the Audit Committee together with all supporting papers, at least seven days prior to the date of the meeting.
- 4.2 Minutes of the proceedings of the Audit Committee shall be approved by the Chairperson and a copy submitted to the Committee of Management as a matter of record.

### **5. Voting**

- 5.1 Each member of the Audit Committee, including temporary members, shall have one vote on any resolution.
- 5.2 In the event that votes on any resolution are tied, the Chairperson may exercise a casting vote.

## **6. Areas of Responsibility**

The Audit Committee has responsibility for taking an overview and reporting on:-

- (a) Financial Reporting
- (b) External Audit
- (c) Accounting and Internal Control Systems
- (d) The Internal Audit Function
- (e) Other Consultants

On certain of these matters the Audit Committee has delegated authority to make decisions in its own right. On others, it may only make recommendations to the Committee of Management to whom the authority to make such decisions is reserved.

### **6.1 Financial Reporting**

The Audit Committee is required:

- To ensure and confirm to the Committee of Management that the Association's financial reports to external parties, in particular the annual accounts are balanced and fair and conform to accounting standards.
- To confirm to the Committee of Management that there are no outstanding matters of disagreement between the external auditor and senior staff.
- To learn from the external auditor of their principal matters of concern.

### **6.2 External Audit**

On all matters pertaining to the external audit, the Audit Committee may only make recommendations to the Committee of Management. Such matters include, but may not necessarily be restricted to the following:

- To recommend the re-appointment or otherwise of the external auditors.
- To consider whether the Association is obtaining value for money from the external auditors.
- To recommend the fee to be paid to the external auditors.
- To review the Management Report and draft a response.
- To review and approve the annual external audit plan.

### **6.3      Internal Financial Control**

The Committee of Management is responsible for the Statement on Internal Financial Control contained in the annual accounts.

The Audit Committee's responsibility is:

- To satisfy the Committee of Management that there is an adequate and systematic review of the internal control arrangements of the Association.
- To ensure that any weaknesses identified are dealt with and reported to the Committee of Management.
- To commission special investigations into matters of particular concern relating to internal control and to recommend the appointment of professional consultants to assist if necessary. With regards to such investigations the Audit Committee has authority to seek any information that it requires from any employee of the company, and employees are directed to co-operate with any such request.

### **6.4      Internal Audit**

The management of the Internal Audit function is delegated to the Audit Committee.

The responsibility of the Audit Committee is:

- To appoint an Internal Auditor and approve his / her fee.
- To ensure that there is a rolling programme of internal reviews covering the entire control system.
- To agree and approve the annual planned programme of work with the Internal Auditor.
- To review and adopt the Internal Audit reports on the planned programme of works.
- To review the quality of service provided by the Internal Auditors by means of a Management Team report prepared every 3 years or more frequently as required.

### **6.5      Other Consultants**

- Where requested by Management Committee or where a conflict of interest arises with staff making the appointment, appoint consultants to carry out specific pieces of work subject to the fee agreed being within budget.

## **7. Reporting to the Committee of Management**

7.1      The Audit Committee must prepare an annual report for the governing body. This document must specifically include a report on the Audit Committee's review of:-

- (a)      The adequacy, reliability and effectiveness of the Association's internal control systems.

- (b) The external auditor's Management Report.
- (c) The internal auditor's Annual Report.
- (d) The register of detected frauds maintained by the Association.

7.2 Recommendations to the Committee of Management shall be in the form of a resolution signed by the Chairperson of the Audit Committee, containing all relevant supporting documentation and which shall be included in the Agenda for the following Meeting of the Committee of Management.

#### **8. Frequency of Review**

The Audit Committee Constitution and Terms of Reference will be reviewed every 4 years or as required.