

ABERTAY HOUSING ASSOCIATION LIMITED

The Audit, Finance and Risk Management Committee Constitution and Terms of Reference

1. The Audit, Finance and Risk Management Committee

- 1.1 The Audit, Finance and Risk Management Committee (AF&RMC) is an advisory standing sub-committee of the Management Committee with limited executive powers.
- 1.2 The AF&RMC 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 AF&RMC Chairperson and the right to request an AF&RMC meeting be convened, if in their opinion it is necessary.
- 1.4 The Chairperson of the AF&RMC may report directly to the Chairperson of the Management Committee.

2. Membership

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

3. Meetings

- 3.1 The AF&RMC shall meet as frequently as its members deem necessary throughout the year, but must meet not less than four times in any calendar year.

- 3.2 The quorum for the AF&RMC is three Members. If no quorum is present at 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 AF&RMC, the Vice Chairperson will Chair the meeting. If both the Chairperson and the Vice Chairperson are absent, other members will select one of their number to chair the meeting, who shall be entitled to use the casting vote.
- 3.4 The AF&RMC shall have the power to meet with the external auditor without staff being present.
- 3.5 The AF&RMC shall have the power to meet with the internal auditor without staff being present.
- 3.6 The Corporate Services Director shall at all times have direct access to the Chairperson of the AF&RMC.

4. Agendas and Minutes

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

5. Voting

- 5.1 Each member of the AF&RMC, 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

- 6.1 The AF&RMC has responsibility for taking an overview and reporting on:-
- (a) External Audit
 - (b) The Internal Audit Function
 - (c) Financial Reporting
 - (d) Accounting and Internal Financial Control Systems
 - (e) Risk Management
 - (f) Legal and Professional Consultants
- 6.2 On certain of these matters the AF&RMC has delegated authority to make decisions in its own right. On others, it may only make recommendations to the Management Committee to whom the authority to make such decisions is reserved.

6.3 External Audit

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

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

6.4 The Internal Audit Function

The management of the Internal Audit function is delegated to the AF&RMC. The responsibility of the AF&RMC is:

- 6.4.1 To appoint an Internal Auditor and approve his / her fee.
- 6.4.2 To ensure that there is a rolling programme of internal reviews covering the entire control system.
- 6.4.3 To agree and approve the annual planned programme of work with the Internal Auditor.
- 6.4.4 To review and adopt the Internal Audit reports on the planned programme of works.
- 6.4.5 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 Financial Reporting

The AF&RMC is required:

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

6.6 Accounting and Internal Financial Control Systems

The Management Committee is responsible for the Statement on Internal Financial Control contained in the annual accounts. The AF&RMC's responsibility is:

- 6.6.1 To satisfy the Management Committee that there is an adequate and systematic review of the internal control arrangements of the Association.
- 6.6.2 To ensure that any weaknesses identified are dealt with and reported to the Management Committee.
- 6.6.3 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 AF&RMC 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.
- 6.6.4 To review and approve policies as delegated by the Management Committee.

6.7 Treasury Management Function

The AF&RMC considers the following treasury issues and makes recommendations on them for Board decisions.

- 6.7.1 Annual Treasury Management Strategy
- 6.7.2 Quarterly Report on Treasury and Investment Activity presented with the Management Accounts
- 6.7.3 Annual Treasury Management Report
- 6.7.4 Amending existing borrowing agreements
- 6.7.5 Entering into new borrowing agreements

6.8 Risk Management

The Management Committee is ultimately responsible for the Association's risk management. The AF&RMC's responsibility is:

- 6.8.1 To review, approve and monitor the Association's Risk Management Framework. The Risk Management Framework consists of:
 - 1. Risk Management Policy
 - 2. Risk Management Register – Strategic and Operational
 - 3. Risk Management Assurance Plan
- 6.8.2 To ensure that the Strategic and Operational Risk Registers are suitable and sufficient and incorporate legal, regulatory, financial and reputational risks.
- 6.8.3 To robustly review and assess the effectiveness of the Association's risk management in respect of scenario planning, stress and sensitivity testing the Association's business plan, strategic objectives and income streams.

6.9 Legal or Professional Consultants

Where requested by Management Committee the AF&RMC shall appoint legal or professional consultants to carry out specific pieces of work subject to the fee agreed being within budget.

7. Reporting to the Management Committee

- 7.1 The AF&RMC must prepare an annual report for the Management Committee. This document must specifically include a report on the AF&RMC's review of:-
 - 7.1.1 The external auditor's Management Report.
 - 7.1.2 The internal auditor's Annual Report.
 - 7.1.3 The adequacy, reliability and effectiveness of the Association's internal control systems.
 - 7.1.4 The register of detected frauds maintained by the Association.
- 7.2 Recommendations to the Management Committee shall be in the form of a resolution of the AF&RMC, containing all relevant supporting documentation and which shall be included in the Agenda for the following Meeting of the Management Committee.

8. Frequency of Review

The AF&RMC Constitution and Terms of Reference will be reviewed every 3 years or as required.