

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 Board 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 Chair and the right to request an AF&RMC meeting be convened, if in their opinion it is necessary.
- 1.4 The Chair of the AF&RMC may report directly to the Chair of the Board.

2. Membership

- 2.1 The AF&RMC shall comprise at least 3 members but not more than 6 of the Board.
- 2.2 Appointments to the AF&RMC shall be made annually at the first meeting of the Board following the Annual General Meeting. The Board must be satisfied that at least one member has recent and relevant financial experience.
- 2.3 The Board may appoint other members to the AF&RMC from time to time.
- 2.4 The members of the AF&RMC shall appoint one of their number to each of the positions of Chair and Vice-Chair, with the proviso that the Chair of the AF&RMC shall not be the Chair of the Board.
- 2.5 The Chief Executive, the Corporate Services Director and the Finance Manager shall normally attend all meetings of the AF&RMC, the servicing of which shall be overseen by the Corporate Services Director.
- 2.6 Other functional Directors / Managers, consultants, members of the Board 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 Chair.

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 Chair is absent from a meeting of the AF&RMC, the Vice-Chair will Chair the meeting. If both the Chair and the Vice-Chair 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. This will happen at each meeting of the AF&RMC at which the external auditor is present.
- 3.5 The AF&RMC shall have the power to meet with the internal auditor without staff being present. This will happen at each meeting of the AF&RMC at which the internal auditor is present.
- 3.6 The Internal Auditor, External Auditor and Corporate Services Director shall at all times have direct access to the Chair of the AF&RMC.

4. Agendas and Minutes

- 4.1 The agenda for each meeting shall be agreed by the 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 AF&RMC and a copy submitted to the Board 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 Chair 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) Treasury Management Matters
 - (f) Risk Management
 - (g) 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 Board 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 Board. Such matters include, but may not necessarily be restricted to the following:
- 6.3.1 To re-appointment or otherwise the external auditors.
- 6.3.2 To consider whether the Association is obtaining value for money from the external auditors.
- 6.3.3 To agree 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 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 Board 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 Board 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 Board accordingly.
- 6.5.5 To request, review and consider other financial reports.

6.6 Accounting and Internal Financial Control Systems

The Board 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 Board 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 Board.
- 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 recommend relevant policies to the Board.

6.7 Risk Management

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

6.7.1 The Association's Risk Management Framework consists of:

1. Risk Management Policy
2. Risk Management Register – Strategic and Operational
3. Risk Assurance Register

The AF&RMC reviews, approves and monitors the Risk Assurance Register.

6.7.2 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.

6.8 Legal or Professional Consultants

Where requested by the Board, the AF&RMC shall appoint legal or professional consultants to carry out specific pieces of work subject to the fee agreed being within budget and receive reports on this work.

7. **Reporting to the Board**

7.1 The AF&RMC must prepare an annual report for the Board. 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 Board 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 Board.

8. **Frequency of Review**

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