

MUTUAL GOVERNANCE EXCELLENCE FRAMEWORK

TERMS OF REFERENCE FOR BOARD COMMITTEES

Audit Committee

A. Membership and Quorum

- The Committee will consist of a minimum of 3 and maximum of 5 members including:
 - a minimum of 3 Non-executive Directors; and
 - up to 2 independent members with full voting rights
 - Members of the Committee (including Independent committee members) shall be appointed by the Board.
- Non-executive Directors will always be in the majority.
- Executive Directors, the Chair of the Board, Representatives and Employees cannot serve as Committee Members. However the Director responsible for Finance, Head of Legal and Compliance (or equivalent), Lead Internal and External Auditors will be invited to attend meetings of the committee on a regular basis and other non-members may be invited to attend all or part of any meeting as and when appropriate and necessary.
- The quorum of the Committee will be 3 members (including at least 2 Non-Executive Directors).

B. Responsibilities

To have oversight of the RBH Group as a whole, and carry out the duties listed below for the parent, subsidiaries and the group as a whole.

The Audit Committee exercises independent scrutiny and challenge to provide the Board with robust assurance that controls are effective and that plans and compliance obligations are being delivered.

To carry out any other duties delegated by the Board.

1) Financial Reporting

The Committee will monitor the integrity of the annual financial statements, interim reports and any formal announcements relating the Society's financial performance before they are presented to Board. The Committee may consider (amongst other things):

- Accounting policies
- Compliance with accounting standards
- Reviewing significant financial reporting judgements
- Finding of the external auditor, including significant audit adjustments

2) Internal Audit

- To develop and oversee the selection procedure for the appointment of the internal auditors; and
- To agree a programme of internal audits for the RBH Group to ensure that internal controls management is aligned to key risks of the Society and drives both service improvement and increased efficiency.
- To consider major findings of internal audit investigations and management responses,
- To monitor the performance and effectiveness of the internal audit function.
- To meet with internal auditors at least once per annum in a closed session.

3) External Audit

- To advise the Representative Body on recommended appointment or re-appointment, including terms, of the External Auditors.
- To monitor the performance and effectiveness of the external audit function including their independence and objectivity
- To meet with external auditors at least once per annum in a closed session.
- To ensure that the External Auditors are independent and effective, the Audit Committee will review their appointment at least every six years.

4) Risk

- To lead for the group on all risk management issues including the regular review of the effectiveness of the Risk Management Framework and to ensure risk management processes are aligned to key business processes and drive both service improvement and increased efficiency
- To consider and report to the Board on the control and management of the Group's key business risks.
- To receive exception reports on the Group's Strategic Risk Register
- To ensure that appropriate insurance and business continuity arrangements are in place.
- To review assurances processes that indicate the degree of achievement of regulatory standards and the effective management of risks. This will include a regular 'deep dive' to consider the control and mitigation action relating to the strategic or operational risks as recorded on the risk register.
- To regularly consider compliance with regulatory requirements and all cases of non-compliance.

5) Compliance

- To review the internal control framework and provide assurance to the Board about the effectiveness of key controls including controls to ensure compliance.

6) General

- To make recommendations to the Group's Boards on all of the above matters as the Committee sees fit.
- To regularly update and provide assurance to the RBH Board on key issues discussed at its meetings.
- To immediately report to the Group's Boards any arising issues it feels will seriously impact on any of the Board's responsibilities.
- The Committee is authorised to investigate any activity of the Group within these Terms of Reference and in accordance with any advice or guidance from the Regulator of Social Housing (or equivalent). It is authorised to seek any information it requires from any employee and all employees are expected to cooperate with any reasonable request made by the Committee.
- The Committee can obtain, at the Group's expense independent legal, accounting or other professional advice on any matter it believes necessary to do so.
- The Committee may either make decisions under the Scheme of Delegation or make recommendations to the Boards where final decisions will be taken. The Committee is authorised to establish working groups to undertake detailed work on any matter covered by its terms of reference.
- To review the adequacy of the arrangements by which employees and contractors may, in confidence, raise concerns about possible improprieties in matters of financial reporting and control, or related matters or other matters of concern. To consider reports received from whistle blowers, to respond to such reports and to act on those reports if necessary.
- Regularly appraise its own effectiveness including reviewing the balance of skills of its members. To submit an annual review of its effectiveness to Board for its review.
- To work collaboratively with any other Committee of the Group, referring matters of relevance and seeking input as appropriate.

C. Frequency of Meetings

The committee will meet at least once in each quarter.

D. Chair

The Chair of the committee shall be appointed by the Board and must be a Non-Executive Director but cannot be the Chair of the People and Remuneration Committee. In the absence of the committee chair at a committee meeting, the remaining members shall elect one of themselves to chair the meeting who would qualify under these terms of reference to be Chair.

E. Skills and Experience Requirements of Members

The relevant areas are finance, housing sector, accounting, audit, banking and risk management. At least one member of the Committee should have recent and relevant financial experience, proportionate to the size and complexity of RBH.