

TERMS OF REFERENCE - MHA AUDIT AND RISK SUB-COMMITTEE

<p>Name of Sub-Committee:</p>	<p>MHA Audit and Risk Sub-Committee</p> <p>The role of the Sub-Committee is to advise the Board on risk management policies and processes, including MHA’s systems of internal control and on the appointment and remuneration of the external auditor.</p> <p>In addition, the Sub-Committee takes non-executive responsibility for the direction of both internal and external audits.</p>
<p>Matters reserved for the Board which the sub-committee advises the Board on:</p>	<p>The Audit and Risk Sub-Committee will have an Annual Work Programme setting out the key areas it intends to review during the year. The plan will be reviewed at each meeting and will relate to the Housing Association and any subsidiary companies. The broad areas it will focus its activities upon are the control environment; external audit; internal audit and risk. More specifically:</p> <ol style="list-style-type: none"> 1. Overseeing the process for selecting the external auditor and making appropriate recommendations through MHA’s Board to the members/shareholders to consider at the AGM. 2. Overseeing the process for selecting the internal audit service provider and recommending them for appointment by MHA’s Board. 3. Recommending the external and internal audit fees for MHA Board approval. 4. Reviewing the Association’s statement on internal control systems prior to endorsement by the MHA Board and reviewing the policies and process for identifying and assessing business risks and the management of those risks by the Association. 5. Reviewing, and challenging where necessary, the actions and judgements of management, in relation to the interim and annual financial statements before recommendation of approval by the Board, paying particular attention to: <ol style="list-style-type: none"> 5.1. critical accounting policies and practices, and any changes in them; 5.2. decisions requiring a major element of judgement;

	<ol style="list-style-type: none"> 5.3. the extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed; 5.4. the clarity of disclosures; 5.5. significant adjustments resulting from the audit; 5.6. the going concern assumption; 5.7. compliance with accounting standards; 5.8. compliance with regulatory and other legal requirements; 6. Ensure effective co-ordination between internal and external audit. 7. Reviewing regularly its terms of reference and its own effectiveness and recommending any necessary changes to the MHA Board. 8. Review of management accounts bringing to the attention of Board any major areas of concern. 9. Review of annual budget and reference to Board any areas of concern.
<p>Matters specifically delegated to the sub-committee by the Board:</p>	<ol style="list-style-type: none"> 1. Reviewing the reports of management and Internal Audit on the effectiveness of systems for internal control, financial reporting and risk management, including the fraud and loss report. 2. Reviewing and keeping track of progress from internal and external audits and independent recommendations in the Recommendations Monitor. Progress reports to the Board. 3. Assessing independence of the external auditor, ensuring that key partners are rotated at appropriate intervals. 4. Approving any fees in respect of non audit services provided by the external auditor. 5. Discussing with the external auditor, before the audit commences, the nature and scope of the audit, reviewing the auditors' quality control procedures and steps taken by the auditor to respond to changes in regulatory and other requirements. 6. Assessing the effectiveness of the external auditor, including consideration of qualifications, expertise and resources. 7. Reviewing, with the external auditors, the findings of their work. 8. Reviewing the external auditor's management letter and management's response.

	<ol style="list-style-type: none"> 9. Considering management's response to any major external or Internal Audit recommendations. 10. Approving the Internal Audit strategy and programme for the Association and ensuring that the scale of the Internal Audit service is appropriate. 11. Assessing the effectiveness of the Internal Audit service. 12. Provide assurance that there is a systematic risk assessment process and that the risk management framework is effectively embedded in the organisation. 13. Consider the risk register. This will include the inclusion of additional and removal of dormant risks, the classification of risks and adequacy of mitigating actions and giving a level of assurance when reporting to Board 14. Reviewing the Association's procedures for handling allegations from whistleblowers, suspected incidents of corruption, fraud and bribery. 15. Consider the Register of Fraud, Corruption, Bribery and Whistleblowing and the adequacy of actions, annually reporting to the Board. 16. Considering other matters on risk and internal control, as requested by the MHA Board. 17. Ensure appropriate disaster recovery and contingency plans are in place and regularly tested. 18. Keep under review the latest guidance and codes from the SHR and the Auditing Practices Board. Senior management will circulate guidance with the aim to provide salient guidance to avoid overload. Thus ensuring the applicable recommendations are implemented. 19. Reviewing covenant compliance and ensuring systems in place to prevent breach.
<p>How often meetings are held:</p>	<p>The Association Audit and Risk Sub-Committee will normally meet a minimum of 4 times a year. Emergency meeting may be called by the Chair of the Audit and Risk Committee who will work with the Company Secretary to set a convenient day within two weeks.</p>

<p>Chair of the sub-committee (and who, if anyone, may not chair it):</p>	<p>The Chair is appointed by the Board and does not serve for more than two terms of 3 years. The Chair of the Association's Audit and Risk Sub-Committee is to be a member of the Board of MHA other than the Chair of MHA. Where there is only one individual with a high level of financial expertise available to the Board, it is preferable for that person to take on the role of Treasurer, and the role of Chair of the Audit and Risk Sub-Committee to be handled by a business person with finance skills.</p>
<p>Composition of the Sub-Committee (and any restrictions on membership of it):</p>	<p>The membership of the Association's Audit and Risk Sub-Committee is drawn from the Associations Board. The selection of The Association's Audit and Risk Sub-Committee members is based entirely upon skills and competencies. At least one member of the Association's Audit and Risk Sub-Committee should have significant, recent and relevant financial experience, and if possible, a professional qualification from one of the professional accountancy bodies. Some commercial or finance experience is normally a requirement for the other members.</p>
<p>Number of members:</p>	<p>At least three members, who should all be independent non-executive Board members.</p>
<p>How the sub-committee is appointed:</p>	<p>By MHA Board in consultation with the Audit and Risk Sub-Committee Chair. Members are appointed on an annual basis.</p>
<p>Quorum:</p>	<p>A quorum will be three members of the Sub-Committee. Co-optees will not count towards the quorum.</p>
<p>Additional points:</p>	<p>The minutes of the Audit and Risk Sub-Committee will be reported to the next MHA Board meeting. The Chair of the Audit and Risk Sub-Committee may access legal advice from the Association's appointed legal advisers at the expense of the Association. Both internal and external auditors have direct access to the non-executive Chair of the Audit and Risk Sub-Committee where necessary.</p> <p>The Chair of the Association may and senior executives normally will be in attendance at Audit and Risk Sub-Committee meetings. However the Sub-Committee will meet at least once with external and internal auditors without staff being present should the Chair of the Audit and Risk Sub-Committee consider it necessary</p>

Date Approved:	19 March 2018
Date for Review:	March 2021