

**Ealing Homes Limited (EHL) Terms of reference (ToR)s for the Audit & Regulatory Committee 22.06.09**

**Purpose**

The purpose of the Audit and Regulatory Committee (A&RC) is to represent the Board of Ealing Homes Limited in financial reporting, internal control and risk management and audit matters, to exercise the Board's delegated authority in respect of these activities and to make recommendations to the Board on financial and audit matters.

**1. Membership**

1.1 The Board shall appoint the Committee. The Committee shall consist of not less than three members. A quorum shall be two members. The Committee will select and appoint a Chair at the first meeting after the Annual General Meeting. At least one member of the Committee should have significant, recent and relevant financial experience.

**2. Meeting and reporting arrangements**

2.1 No one other than Committee members shall be entitled to attend meetings. The Chair, other Board members, members of the Senior Management Team of Ealing Homes Limited, the Head of Internal Audit and representatives of the external auditors, or other persons shall attend meetings by invitation.

2.2 The Company Secretary shall be Secretary to the Committee and attend all its meetings. The Company Secretary will arrange for the preparation and circulation of papers to Committee members in a timely manner (not less than 5 days before the meeting) ;and will prepare minutes of meetings for circulation to AMC members and members of the Board of EHL.

2.3 The Chair of the A&RC (or his/her deputy) will report to the Board at each meeting on the Committee's activities and will draw the Board's attention to plans for mitigating significant risks arising from activities reviewed by the Committee.

2.4 There should be at least one meeting a year, or part thereof, where the A&RC meets the external and internal auditors without executive management being present. This need not be the same meeting.

2.5 Meetings shall be held not less than four times a year (to coincide with key dates in the company's financial reporting cycle). External auditors or internal auditors may request a meeting if they consider that one is necessary.

2.6 The A&RC shall annually review its terms of reference and its own effectiveness and recommend any necessary changes to the Board.

2.7 The A&RC shall prepare a report on its role and responsibilities and the actions it has taken to discharge those responsibilities for inclusion in the annual report and accounts. Such a report should specifically include:

- a summary of the role of the audit and regulatory committee;
- the names and qualifications of all members of the A&RC during the period;
- the number of A&RC meetings and attendance by each member; and
- the way the A&RC has discharged its responsibilities.

2.7 Where disagreements between the A&RC and the Board cannot be resolved, the A&RC shall report the issue to the member as part of the report on its activities in the company's annual report. If the Board does not accept the Committee's recommendation regarding the appointment, reappointment and removal of the external auditors, the A&RC shall include a statement explaining its recommendation and reasons why the Board has taken a different stance in the annual report.

2.8 The Chair of the A&RC, or his representative, shall attend the AGM and answer questions, through the Chair of the Board, on the Committee's activities and its responsibilities.

### **3. Authority/Duties**

The A&RC is authorised by the Board to:

- investigate any activity within its terms of reference.
- seek any information that it requires from any employee of the company and all employees are directed to cooperate with any request made by the committee.
- obtain outside legal or independent professional advice, at the company's expense, and secure the attendance of outsiders with relevant experience and expertise if it considers this necessary;
- review, report on and make recommendations regarding the items listed in paragraphs 4 – 8 below.

### **4. Financial reporting**

In respect of the Company's financial reporting, the A&RC will:

4.1 review, and challenge where necessary, the actions and judgments of management, in relation to EHL's financial statements and related formal statements before submission to, and approval by, the Board, and before clearance by the auditors. Particular attention should be paid to:

- critical accounting policies and practices, and any changes in them;
- decisions requiring a significant element of judgement;
- the extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed;
- the clarity of disclosures;
- significant adjustments resulting from the audit;

- the going concern assumption;
- compliance with accounting standards;
- compliance with other legal requirements.

4.2 consider other regulatory topics, as referred by the Board, from time to time.

## **5. Internal control and risk management**

In respect of the Company's internal control and risk management, the A&RC will:

- 5.1 review EHL's procedures for detecting fraud and whistle blowing and ensure that arrangements are in place by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control or any other matter;
- 5.2 review reports from management and the internal auditor reports on the effectiveness of the systems for internal financial control, financial reporting and risk management;
- 5.3 monitor the integrity of the company's internal financial controls; including undertaking an annual review of the Contract Procedure Rules and Financial Standing Orders to ensure that they remain in line with accepted standards of good practice in financial management, and recommending any changes required to the Board for approval;
- 5.4 review the statement in the annual report and accounts on EHL's internal controls and risk management framework
- 5.5 assess the scope and effectiveness of the systems established by management to identify, assess, manage and monitor financial and non financial risks. *[Note: the Board retains responsibility for the review of the effectiveness of the system of internal control and must form its own opinion despite aspects of that review being delegated to the Committee.]*

## **6 Internal audit**

In respect of the Company's internal control and risk management, the A&RC will:

- 6.1 review the internal audit programme and receive reports on the results of the internal auditors' work on a periodic basis;
- 6.2 ensure that the internal audit function is adequately resourced and has appropriate standing within EHL, including having direct access to the Chair of the Board and the A&RC and being accountable to the A&RC;
- 6.3 review and monitor management's responsiveness to the internal auditor's findings and recommendations;
- 6.4 monitor and assess the role and effectiveness of the internal audit function in the overall context of the company's risk management system;

6.5 be responsible for the appointment of the internal auditor, and his/her dismissal if there is reasonable cause.

## **7. External audit**

In respect of the Company's relations with the external auditor, the A&RC will:

- 7.1 consider, and make recommendations to the Board on the appointment, reappointment and removal of the external auditor;
- 7.3 approve the terms of engagement and the remuneration to be paid to the external auditor in respect of audit services provided;
- 7.4 assess the qualification, expertise and resources, effectiveness and independence of the external auditors annually. Steps to consider include:
- seeking reassurance that the auditors and their staff have no family, financial, employment, investment or business relationship with Ealing Homes Limited;
  - seeking annually from the audit firm information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including current requirements regarding the rotation of audit partners and staff;
  - monitoring the audit firm's compliance with applicable ethical guidance;
  - agreeing with the Board and monitoring the company's policy for the employment of former employees of the external auditor;
- 7.5 review with the external auditor, before the audit commences, the nature and scope of the audit;
- 7.6 review with the external auditors, the findings of their audit work including any major issues that arose during the course of the audit; key accounting and audit judgments; levels of errors identified during the audit, obtaining explanations from management and, where necessary, the external auditors, as to why certain errors remain unadjusted;
- 7.7 review the audit representation letters before consideration by the Board, giving particular consideration to matters that relate to non-standard issues;
- 7.8 assess, at the end of the audit cycle, the effectiveness of the audit process by:
- reviewing whether the auditor has met the agreed audit plan and understanding the reasons for any changes, including changes in perceived audit risks and the work undertaken by the auditor to address those risks;
  - considering the robustness and perceptiveness of the auditors in their handling of the key accounting and audit judgments identified and in responding to questions from the Committee, and in their commentary on the systems of internal control;
  - obtaining feedback about the conduct of the audit from key people involved;
  - reviewing and monitoring the content of the external auditor's management letter, in order to assess whether it is based on a good understanding of the company's business and establish whether recommendations have been acted upon and, if not, the reasons why they have not been acted upon.

8. Remuneration framework for the Executive Management Team
  - 8.1 The Audit and Regulatory Committee will, on an annual basis, or as required, review and agree, on behalf of the Board, the framework for the remuneration of the Chief Executive and other members of the Executive management team (EMT) as appropriate. The Committee will not be involved in setting the salary for individual members of staff, which is a decision for the Chief Executive. The Chair of Ealing Homes Board takes the decision on the starting salary and incremental progression for the Chief Executive.
  - 8.2 The objective of the Committee's review is to ensure that the framework for the remuneration of the Chief Executive and the SMT is appropriate, compliant with the Equal Pay Act, relevant and benchmarked against comparable organisations within the housing and local government sectors and the NJC for Chief Officers pay award. In determining the framework, the Committee will take into account those factors that it considers necessary, including the provision of incentives to attract, recruit and retain senior individuals who will contribute to the success of Ealing Homes.
  - 8.3 The Audit and Regulatory Committee will have made available to it advice and research from remuneration consultants if required and may co-opt other Board members, including the Chair of the Board and other Board members with appropriate experience or expertise, to assist with its deliberations.

**First adopted 10 February 2005**

**Reviewed by A&RC Committee on 23 February 2009**

**Amended by the Board on 19 March 2009 (to include review of remuneration framework)**

**Reviewed by A&RC Committee on 22 April 2009**

**Submitted to the Board for approval on 16 July 2009**