

Audit and Risk Committee Terms of Reference

The **Board** has adopted these Terms of Reference to govern the conduct of its **Committees** and to establish the principles for delegations of authority to the Committee to ensure sound management, efficiency of day to day operations and accountability throughout the **Group**.

1.	Purpose
	The Audit and Risk Committee (ARC) will provide assurance to the Board on the systems of internal controls, internal and external audit and risk management functions to ensure they are effective.
2.	Roles and responsibilities
	<p>These Terms of Reference describe the delegated items from the Board to ARC and direct ARC as to its responsibilities and reporting requirements. It also sets out those items that it should expect to review and approve at its meetings.</p> <p>The Board is responsible for setting the Terms of Reference for each Committee and the Committee Chair is responsible for ensuring that the business conducted within the meeting is aligned to its Terms of Reference.</p> <p>The Executive Director of Governance & Compliance is the responsible Executive for this Committee.</p>
3.	Accountabilities
	<p><i>1. Financial Reporting</i></p> <p>1.1. Review and recommend to the Board the annual audited accounts including:</p> <ul style="list-style-type: none"> • Any changes in accounting policies and practice • Significant financial reporting judgements • Material adjustments resulting from external audit • The going concern assumption • Compliance with accounting standards and best practice • Compliance with any regulatory or legal requirements • The report on the effectiveness of systems of internal control • The report of the Group Board accompanying the audited accounts, in particular in relation to risk and the Group Board's responsibilities for the accounts.

- 1.2. Review the annual report to the Board on compliance with the Governance and Financial Viability Standard, which supports the statements made in the annual audited accounts.
- 1.3. Scrutinise and assist the Board in ensuring the integrity of formal announcements and reports issued to the public relating to financial performance, through reviewing significant financial reporting judgements contained in them and obtaining assurance of compliance with accounting standards.
- 1.4. Confirm to the Board that there are no outstanding areas of disagreement between management and the external auditors.

2. Internal and External Audit

- 2.1. Meet in a closed session (without officers present) at least annually with the internal and external auditors.
- 2.2. Ensure the effective coordination of activity between internal and external auditors.
- 2.3. Participate in the selection process for the external auditor recommending the approval of any appointment to the Board. This also includes recommending any dismissal or resignation of the external auditors, providing reasons as appropriate.
- 2.4. Approve the fees and terms of engagement of the external auditor.
- 2.5. Review, agree and scrutinise a planned programme of work with the external auditor.
- 2.6. Consider and report to the Board on the annual statutory audit and make recommendations on the response to any audit management letters, reports and investigations.
- 2.7. Obtain assurance that external audit recommendations which have been endorsed by the Board are implemented by management as timetabled.
- 2.8. Discuss with the external auditor any problems, reservations or issues arising from the interim or final audit or other investigations.
- 2.9. Review and monitor the external auditor's independence and objectivity and annually appraise the effectiveness of performance and value for money of the external audit service.
- 2.10. Approve the appointment of the internal auditor, including the arrangements for procurement and scope of work to be tendered.
- 2.11. Review the reasons and approve for the dismissal or resignation of the internal auditor.
- 2.12. Review and approve the internal audit plan and an annual programme of internal audit that covers the organisation's key risks and core activities. Monitor delivery of the plan, approving any changes during the year.
- 2.13. Scrutinise all internal audit reports, including the actions proposed by management and monitor implementation of recommendations to ensure that weaknesses in control are addressed and timescales met for agreed resolutions.
- 2.14. Review and annually appraise the effectiveness of the approach, nature and scope of internal audit activities, and compliance with professional standards, good practice guidance and performance indicators.
- 2.15. Receive and review the annual report from the internal auditor and monitor and address any key issues.

3. Internal controls and risk management systems

- 3.1. Scrutinise the annual Statement of Internal Controls including any disclosures of significant control weaknesses, and the annual report of the internal auditors, and recommend approval to the Board.
- 3.2. Present a report to the Board on the adequacy and effectiveness of internal control systems, covering all material controls including financial, operational, compliance and reporting controls and all current regulatory and statutory requirements.
- 3.3. Review the quarterly self-assessment of compliance with the Regulator of Social Housing's Economic Standards (Viability, Rent and VFM), including lessons learned from other providers and recommend the assessment to the Board for approval.
- 3.4. Commission special investigations into matters of particular concern relating to internal controls.
- 3.5. Review the adequacy of Moat's risk management system and the suitability of the measures taken to identify, evaluate and manage risks.
- 3.6. Ensure a suitable risk appetite statement is recommended for Board approval which can be used to guide decision-making and risk response.
- 3.7. Scrutinise the risk register quarterly, ensuring that effective internal controls and assurances are in place.
- 3.8. Carry out deep dives in relation to specific risks aligned to the risk registers and have oversight of the deep dives undertaken by other Committees.
- 3.9. Review the sector risk profile annually and routinely review the external risk environment, ensuring that the organisation has suitable plans in place for managing emerging risks.
- 3.10. Challenge the effectiveness of controls / mitigations / assurances included within the risk map, including requesting additional assurances as appropriate.
- 3.11. Review the risk and due diligence information on any merger and acquisition activity and any other major new strategic activity as requested by MHL Board.

4. Whistleblowing and fraud

- 4.1. Review the adequacy of the range of anti-fraud and tax evasion measures designed to prevent, detect and to respond effectively to allegations of fraud and tax evasion.
- 4.2. Review Moat's systems and controls for the prevention of bribery and receive reports on non-compliance.
- 4.3. Approve the Annual Fraud Return to the Regulator of Social Housing.
- 4.4. Review reports from the Money Laundering Reporting Officer and the adequacy and effectiveness of the company's anti-money laundering systems and controls.
- 4.5. Review the arrangements for staff to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

	<p>5. Other matters</p> <p>5.1. Review and approve any policies or strategies delegated to the Committee by the Board. These may include (but are not limited to):</p> <ul style="list-style-type: none"> • Anti-Fraud, Tax Evasion Bribery Policy and Fraud Response Plan • Anti-Money Laundering Policy • Assets and Liabilities Register Policy • Business Continuity Management Policy • Health and Safety Management Policy • Risk Management Policy and Framework • Speaking Up Policy (Confidential Reporting) • Tax Strategy (annual review and approval) <p>5.2. Recommend the Data and Technology Strategy to the Board for approval.</p> <p>5.3. Ensure that appropriate arrangements are in place for business continuity and disaster recovery and that they are tested regularly.</p> <p>5.4. Scrutinise compliance with data protection law and data governance.</p> <p>5.5. Receive assurance from the Executive Team on an annual basis that appropriate insurance arrangements are in place and operating effectively.</p> <p>5.6. Scrutinise procurement activity on at least an annual basis to ensure that compliance with procurement rules and value for money is being achieved and high standards of probity are maintained.</p> <p>5.7. Scrutinise compliance with the Regulator's Value for Money Standard.</p> <p>5.8. Consider the Committee's effectiveness annually.</p> <p>5.9. Consider any other matters referred to the Committee by the Board or by Subsidiary Boards or committees.</p>
4.	Membership, frequency, chairing and administration
Membership	<p>Up to five Independent Non-Executive Directors can be appointed by the Board. The Chair of the Board cannot be appointed a member of ARC. The Board may appoint one or more Independent Committee Members to the committee to complement its skills and experience.</p> <p>At least one member shall have recent and relevant financial experience, and the committee as a whole shall have competence relevant to the housing sector.</p> <p>Only members of the committee have the right to attend committee meetings. However, other individuals such as the Chief Executive, the Executive Directors, Directors and Heads of service and external advisers may be invited for all or part of any meeting, as and when appropriate.</p> <p>No members of the Executive Team shall be members of the Committee.</p>
Chair	The Chair is appointed by the Board from amongst the Independent Non-Executive Board members but cannot be the Moat Chair.

Secretary	<p>The Company Secretariat shall act as the secretary of the committee and will ensure that the committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.</p> <p>The Company Secretariat shall ensure that draft minutes are shared with the Chair within ten days after the meeting. The minutes will be uploaded onto Board Effect within a further seven working days.</p>
Frequency	The Committee shall meet at least four times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required.
Quorum	Three members shall form a quorum.
Reporting	The Committee Chair shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities, and the Committee shall make whatever recommendations to the Board it deems appropriate.
Review	Annually. This document will be reviewed more frequently if changes in legislation, regulation or the service requires it.
Disputes	In the case of dispute between the Board and the ARC, the Board's decision shall overrule that of the ARC. In such circumstances the Chair of the ARC shall have the right to report this decision to the External Auditors (and where necessary to external regulatory bodies), after discussion at the Board about this proposed course of action.

Target Audience	Board and Committee members
Document Number	MHL-TOR-ARC
Document Owner	Company Secretary
Authorised by	Moat Homes Limited Board
Review Frequency	Annually
Next Review Date	July 2027
Definitions	<p>"Board" shall apply to the Board of Moat Homes Limited</p> <p>"Moat" means Moat Homes Limited</p> <p>"Group" means Moat Homes Limited and its Subsidiaries</p> <p>"Committees" means the committees established in accordance with the Rules and Code of Governance as follows: Finance Committee, Audit & Risk Committee, Governance & People Committee, and Customer & Communities Committee.</p> <p>"Code of Governance" means Governance Code the Board has adopted in line with the requirements of the Housing Regulator's Governance and Viability Standard.</p> <p>"Rules" means the governing instrument of the legal entity.</p> <p>"Company Secretary" means the person appointed by the Board to be the Secretary of Moat, including any deputy appointed to act as Secretary.</p> <p>"Subsidiaries" and "Subsidiary" means future and existing wholly controlled subsidiary organisations including Moat Housing Group Limited (MHG), Moat Development Limited, Moat Homes Finance plc, Moat Construction Services Limited, Mariner Facilities Management Limited. The Subsidiaries have independent legal and financial status, but operate within Moat's Corporate Plan, Policies and these Standing Orders under the management of Moat's Chief Executive and Executive Team as agreed by the Board.</p> <p>Defined terms are shown in bold the first time that they are used.</p>