



Audit and Risk Assurance Committee Terms of Reference and Standing

Orders

TERMS OF REFERENCE

1 Fundamental objectives

- 1.1 The fundamental objectives of the Regulator of Social Housing (**the Regulator**) are prescribed in the Housing and Regeneration Act 2008 (as amended) (**HRA**).
- 1.2 The Regulator must perform its functions with a view to achieving, so far as is possible, the fundamental objectives (economic and consumer) set out in section 92K, HRA).
- 1.3 The Regulator is also obliged by statute to exercise its regulation functions (in relation to registered providers) in a way that minimises interference, and (so far as is possible) is proportionate, consistent, transparent and accountable (section 92K(5), HRA).

2. Constitution and membership

- 2.1 This Audit and Risk Assurance Committee (ARAC) has been established by the Board of the Regulator in accordance with section 92L of the HRA. It shall comprise between three and five members appointed by the Board of the Regulator. At least two members of the ARAC must be non-executive

members of the Board of the Regulator.¹

- 2.2 One member of the ARAC, who must be a non-executive member of the Board of the Regulator and have relevant financial experience, shall be appointed by the Board of the Regulator as chair of the ARAC. In the absence of the Chair or an appointed deputy, the remaining members present at any meeting shall elect one of themselves to chair the meeting.
- 2.3 Executive officers of the Regulator may not be members of the ARAC, but may advise the ARAC. Executive members of the Board of the Regulator (if any) may not be members of the ARAC.
- 2.4 The Chair of the Board of the Regulator may not be a member of the ARAC.
- 2.5 At least one member of the ARAC must have:
- recent and relevant financial experience, and
 - recent and relevant accounting or auditing experience, and
 - a relevant financial qualification.
- 2.6 Only members of the ARAC have the right to attend its meetings, and members may ask non-members to withdraw from all or part of a meeting in order to facilitate open and frank discussion of a particular matter or matters.
- 2.7 Notwithstanding paragraph 2.6, the following will be invited to attend meetings of the ARAC on a regular basis:
- the Accounting Officer;
 - the Director of Finance and Corporate Services; and
 - representatives of the Regulator's internal and external audit functions.

¹ Some members of ARAC may be non-Board members. However executive members of the Board should not be members of the ARAC. See further clause 2.3.

Other non-members may be invited to attend all or part of any meeting as and when appropriate.

3. Conduct

3.1 Members of the ARAC shall observe and act in accordance with these Terms of Reference and:

- the principles of good governance set out in the HM Treasury and Cabinet Office publication *Corporate governance in central government departments: code of good practice*; ²
- the Regulator's Code of Conduct and Practice for Board Members and Committee and Sub-Committee Members "the Board Code"; and
- applicable policies set by the Regulator from time to time, including policies on expenses, hospitality, and declarations of interest.

4 ARAC role and responsibilities

The role of the ARAC

4.1 The role of the ARAC is to provide independent support and advice to the Regulator's Board and Accounting Officer in relation to financial stewardship, financial and narrative reporting and audit, internal controls, and management of key financial and other risks and opportunities.

4.2 In particular the ARAC shall provide such support and advice in relation to:

- the Regulator's assurance arrangements in connection with governance, financial reporting, annual reporting and accounting, and preparation of a governance statement;

² Published April 2017 and available here: <https://www.gov.uk/government/publications/corporate-governance-code-for-central-government-departments-2017>

- the Regulator's risk assessments, risk management, and internal control systems, with a focus on helping to ensure there is an adequate and effective risk management and assurance framework in place;
- the integrity of financial statements;
- the Regulator's implementation of responses to any Public Accounts Committee reports.

4.3 The ARAC is an advisory body and shall only exercise governance functions. The ARAC has no executive responsibilities, delegated authorities, or decision making powers, but may make recommendations to the Board.

4.4 In performing its role, the ARAC should draw on work carried out by the Regulator's internal reporting and internal audit functions. The ARAC shall have access to administrative support from the Board Secretariat, and is authorised by the Board to:

- request any relevant information it requires from any employee of the Regulator in order to perform its duties;
- call any employee of the Regulator to be questioned at a meeting of ARAC as and when required;
- work and liaise as necessary with other Board committees, taking particular account of any possible overlap of function between committees;
- request independent legal, accounting or other professional advice where necessary, at the Regulator's expense (but within existing agreed delegated budgets);
- request appropriate and timely training, both in the form of an induction

programme for new members and on an on-going basis for all members.

ARAC responsibilities

The particular responsibilities of the ARAC in carrying out this role are set out in the following paragraphs:

Financial reporting

- 4.5 The ARAC shall support the Board and the Accounting Officer by reviewing and monitoring the integrity of the Regulator's financial statements, including its annual and half-yearly reports, interim management statements, preliminary announcements, and any other formal statements relating to its financial performance. It shall also review and report to the Board on significant financial reporting issues and judgements which those statements contain, having regard to matters communicated to it by the auditor.
- 4.6 In particular, the ARAC shall review and challenge where necessary:
- assurances concerning financial reporting systems;
 - the application of (and any changes to) significant accounting policies;
 - the methods used to account for significant or unusual transactions where different approaches are possible;
 - the appropriateness of accounting policies and estimates and judgements, taking into account the external auditor's views on the financial statements; and
 - all material information presented with the financial statements, including the strategic report and the corporate governance statements relating to

the audit and to risk management.

- 4.7 The ARAC shall undertake an initial review of any other statements containing financial information which require Board approval (where to do so is practicable and consistent with applicable reporting requirements).
- 4.8 Where the ARAC has concerns with any aspect of the Regulator's financial reporting proposals, it shall report its views to the Board and the Accounting Officer.

Narrative reporting

- 4.9 The ARAC shall support the Accounting Officer in the preparation of the Regulator's:
- annual governance statement, and
 - any annual statements on internal controls, risk management and viability.
- 4.10 The ARAC shall review the content of the annual report and accounts and report to the Board and the Accounting Officer on whether, taken as a whole, these:
- are fair, balanced and understandable, and
 - provide the information necessary for stakeholders to assess the Regulator's performance, business model and strategy.

Internal controls and risk management systems

- 4.11 The ARAC shall support the Board and the Accounting Officer and provide independent oversight in relation to:
- the Regulator's internal control and risk management systems, including the Board's approach to risk management;

- the Regulator's arrangements for assuring effective corporate governance;
- the adequacy and proportionality of the Regulator's arrangements for employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters;
- any exception reporting required under the Regulator's Procurement Policy;
- any exception reporting required under the Regulator's Scheme of Financial Delegation; and
- the Regulator's procedures for preventing and detecting fraud, bribery and other financial wrongdoing.

Internal audit

4.12 The ARAC shall help review and provide independent oversight in relation to:

- the appointment or termination of appointment of the head of internal audit (where directly employed by the Regulator) and any outsourcing of the internal audit process;
- the role and mandate of internal audit, including internal audit strategies and plans and the degree to which these reflect the Regulator's approach to risk management;
- the effectiveness of internal audit;
- the appropriateness of the internal audit charter;
- regular reports on work carried out by internal audit and the implementation of internal audit recommendations;

- the resources and information available to internal audit (with a view to enabling the function to fulfil its mandate, ensure there is open communication between different functions, deliver the internal audit plan, and function to an appropriate professional standard for internal auditors).

4.13 The ARAC shall:

- ensure the internal auditor has direct access to the ARAC Chair;
- assure itself as to the effectiveness of the internal audit function, and as part of this process the ARAC shall:
 - meet with the head of internal audit without executive management present to discuss the effectiveness of the function;
 - review and comment upon the annual internal audit work plan proposed by the Accounting Officer (with a view to helping ensure it is aligned to the key risks of the business);
 - receive and consider reports on the results of the internal auditor's work;
 - review actions taken by executive management to implement the recommendations of internal audit and to support the effective working of the internal audit function;
 - help keep under review (within the framework of any service level agreements or similar) the appropriateness for the Regulator's business of the demonstrated quality, experience and expertise of internal audit;
 - review and comment on any planned review of the effectiveness of the internal audit function and on the outcomes of the same;

- review and assess the interaction of the internal audit function with the other elements of the Regulator's risk management system and the work of compliance, finance and the external auditor, with a view to helping in the co-ordination of assurance.

External audit

4.14 The ARAC shall provide support and/or independent oversight in relation to:

- the relationship between the Regulator and the National Audit Office as external auditor and in relation to its VFM role;
- the co-ordination of internal and external audit activity;
- the findings of National Audit Office as external auditor;
- any representation letter(s) requested by the external auditor before they are signed by executive officers; and
- the management letter and management's response to the auditor's findings and recommendations.

4.15 The ARAC may meet with the external auditor to discuss the auditor's remit and any issues arising from the audit and may do so without executive officers present.

ARAC reporting and self-assessment

4.16 The ARAC will formally report to the Board and the Accounting Officer after each of its meetings. This reporting may be by way of verbal or written update(s) to the Board, or by sharing the minutes of the ARAC meeting with Board members, or by a combination of these methods.

4.17 The ARAC will provide the Board and Accounting Officer with an annual report, timed to support finalisation of the Regulator's annual accounts and

governance statement. The ARAC annual report should summarise the conclusions of the work the ARAC has done during the year.

STANDING ORDERS

5 ARAC meetings

- 5.1 The ARAC shall meet at least three times a year at appropriate intervals in the financial reporting and audit cycle and may meet more frequently.
- 5.2 The Chair of the ARAC, or any other member of ARAC with the agreement of either the Chair of the ARAC or the Chair of the Board, may convene, or request the Board Secretary to convene, meetings of the ARAC; and in the ordinary course of events, meetings may be convened by the Chair of the ARAC periodically agreeing with the Board Secretary a forward planner of meeting dates. The Accounting Officer or the Board of the Regulator may also ask the Board Secretary to convene a meeting of the ARAC to discuss particular issues on which they would like advice from the ARAC.
- 5.3 At least five days before a meeting, a notice of the meeting shall be given to each member. The notice of the meeting may be sent by the Board Secretary or by any ARAC member, but must as a minimum include an agenda listing the principal items of business proposed to be transacted at that meeting. Supporting papers should usually be sent with the notice of the meeting, but it shall not invalidate any proceedings if supporting papers are sent after that date or tabled at the meeting.
- 5.4 The accidental failure to give notice to, or the non-receipt of a duly despatched notice by a member, shall not invalidate the proceedings at a

meeting.

5.5 All notices to be given to a member for the purposes of these Standing Orders may be given:

- by email to such email address as may from time to time be notified by the member to the Board Secretary for such purposes, or
- having paid the appropriate postage, by post addressed to the member at such business or residential address as may from time to time be notified by the member to the Board Secretary for such purposes, or
- by leaving it at such business or residential address as may from time to time be notified by the member to the Board Secretary for such purposes, or
- by handing it to a member personally.

5.6 Any notice or other document given to a member in accordance with paragraph 5.5 above shall be deemed to have been served or delivered:

- if sent by email, on the day after it was sent, or
- if sent by post, on the day following the day on which it was put in the post (or, where second class post is employed, on the second day after the day when it was put in the post), or
- if personally delivered, upon such delivery.

5.7 Any member who does not receive a notice of a meeting in accordance with these Standing Orders but who nevertheless attends the meeting to which the notice relates shall, unless he or she shall otherwise state at the relevant meeting, be deemed to have received due notice of such meeting.

5.8 Without prejudice to the aforesaid, any member may waive the

requirements, either prospectively or retrospectively, that notice in accordance with these Standing Orders be given to him or her of any meeting.

5.9 Items of business may be transacted at any meeting notwithstanding that the item has not been specified in the meeting notice, provided that, in the opinion of the chair of the meeting, either:

- the item in question is of a routine and substantially uncontroversial nature, or
- the item requires urgent consideration, and it was not reasonably practicable to specify it in the meeting notice.

6 Quorum

6.1 No business shall be transacted at a meeting of the ARAC unless at least two members are present, one of whom must be a member of the Board.

7 Voting

7.1 All decisions shall be carried by a majority of votes of the members present at a meeting.

7.2 In the case of an equality of votes, the chair of the meeting shall have a second or casting vote.

7.3 Voting shall be by such means as may be agreed by the members present at a meeting, provided that the Chair or any member may request a vote to be taken by a show of hands on any resolution or business.

8 Remote and virtual participation

8.1 Any member may validly participate in a meeting through the medium of

conference telephone, video conferencing or similar form of communication equipment, provided that all persons participating in the meeting are able to hear and speak to each other throughout such meeting, or relevant part thereof. A member so participating shall be deemed to be present in person at the meeting and shall accordingly be counted in a quorum and entitled to vote.

- 8.2 A meeting shall be deemed to take place where the largest group of those members participating is assembled or, if there is no group which is larger than any other group, where the chair of the meeting is.

9 Minutes

- 9.1 The names of the members present at a meeting shall be recorded in the minutes.
- 9.2 Minutes of the proceedings of meetings shall be prepared by the Board Secretary, entered in a record to be kept for that purpose and submitted for approval as to their accuracy to the next meeting. The minutes, as approved, shall be signed by the chair of the meeting to which they are submitted, and, if so signed, shall be taken as conclusive evidence of the facts therein stated.

10 Establishment of the ARAC and its procedure

- 10.1 Pursuant to section 92L HRA, the ARAC has been established by and can only be dissolved by resolution of the Regulator's Board. The Board of the Regulator may from time to time alter or amend these Terms of Reference and Standing Orders by resolution of the Board.
- 10.2 Section 92L, HRA provides that committees and sub-committees of the Board

may include non-members, provided that they include at least one member. Subject to that, the membership of this ARAC has been determined by the Regulator's Board and set out in these Terms of Reference and Standing Orders and may only be changed by a resolution of the Board.

- 10.3 Only the Board of the Regulator may make appointments to the ARAC.
- 10.4 The Regulator's Board may from time to time remove any person, whether or not a member, from the ARAC.
- 10.5 These Terms of Reference and Standing Orders have been approved by and may only be amended by a resolution of the Regulator's Board. Members of the ARAC must comply with these Terms of Reference and Standing Orders and any other regulations made or directions given by the Regulator's Board at any time.
- 10.6 The ARAC should periodically review its own performance and these Terms of Reference and Standing Orders to ensure it is operating at maximum effectiveness. Any recommendations arising from such reviews should be reported to the Board.

11 Members' interests

- 11.1 ARAC members should comply with the rules around declarations of interest set out in the HRA, the Board Code, all of the Regulator's relevant policies, and any regulations or guidance applicable to the members from time to time issued by or through the Secretary of State for DLUHC.

Agreed by the Board of the Regulator of Social Housing on: 28 November 2023

Effective date: 28 November 2023

