

## **Audit & Internal Control Committee (AICC) – Terms of Reference**

### **1.1. Core functions**

- a) Monitor the integrity of the financial statements of the company, including its monthly and annual reports, interim management statements and any other formal announcement relating to its financial performance, and reviewing significant financial reporting issues and judgements which they contain.
- b) Review of summary financial statements, significant financial returns to the Scottish Housing Regulator and any financial information contained in other associated documents.
- c) Review and challenge where necessary the consistency of, and any changes to, accounting policies both on a year on year basis and across the company.
- d) Review and challenge the methods used to account for significant or unusual transactions where different approaches are possible.
- e) Review and challenge whether the company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditors.
- f) Review and challenge the clarity of disclosure in the company's financial reports and the content in which statements are made; and
- g) Review and challenge all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management).

### **1.2. Internal Controls and Risk Management Systems**

The committee shall:

- a) Keep under review the effectiveness of the company's internal controls and risk management systems; and
- b) Review and approve the statements to be included in annual reporting concerning internal controls and risk management.

### **1.3. Scrutiny**

The undernoted series of bullet points describe the areas of interest in which the AICC may wish to perform a scrutiny function. These are not an exhaustive or prescribed list of tasks:

- a) Post-decision scrutiny of decisions or actions, relating to the regeneration of Upper Langlee, with the ability to review decisions not yet implemented and make suggestions for improvement;

- b) Review the approval process for project specific elements of the Upper Langlee refurbishment and demolition and new build programmes and make recommendations for improvement;
- c) Monitor the adequacy and effectiveness of the financial arrangements required to deliver the programme of work and make recommendations for improvement;
- d) Review arrangements for capital repayments and the impact on overall repayment costs and the cost of any arrangement fees;
- e) Scrutinise the implementation programme to ensure compliance with Waverley Housing's desired outcomes relating to tenant and community needs and make recommendations for improvement;
- f) Suggest improvement recommendations to the Waverley Housing Board and, if felt necessary, advise on onward notifications to the Scottish Housing Regulator;
- g) Monitor the regeneration programme to ensure consistency with the existing Waverley Housing Asset Management Strategy and Business Plan and suggest changes in strategic direction;
- h) Redirecting the Annual Internal Audit Plan to coincide with any aspect of the Upper Langlee regeneration programme

#### 1.4. Whistleblowing and Fraud

The committee shall:

- a) Review the company's arrangements for its employees 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.

#### 1.5. Internal Audit

The committee shall:

- a) Monitor and review the effectiveness of the company's internal audit function in the context of the company's overall risk management system.
- b) Oversee the process of tendered services for internal auditing and make recommendation to the board for the appointment or removal of the company's internal auditor.
- c) Consider and approve the remit of the internal audit function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The committee shall also ensure the function has adequate standing and is free from management or other restrictions.
- d) Review and assess the annual internal audit plan.
- e) Review promptly all reports on the company from the internal auditor.
- f) Review and monitor management's responsiveness to the findings and recommendations of the internal auditor; and

- g) Meet the senior internal auditor at least once a year to discuss their remit and any issues arising from the internal audits carried out. In addition, the senior internal auditor shall be given the right of direct access to the Chair of the Board and to the Committee.

## 1.6. External Audit

The Committee shall:

- a) Consider and make recommendations to the board, for approval at the AGM, in relation to the appointment, re-appointment and removal of the company's external auditor. The committee shall oversee the selection process for new auditors and if an auditor resigns the committee shall investigate the issues leading to this and decide whether any action is required.
- b) Oversee the relationship with the external auditor including (but not limited to):
  - i. Approval of their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an adequate audit to be conducted.
  - ii. Approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit.
  - iii. Assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services
  - iv. Satisfying itself that there are no relationships (such as family, employment, investment, financial or business between the auditor and the company (other than in the ordinary course of business)).
- c) Meet regularly with the external auditor including once after the audit at the reporting stage. The committee shall meet the external auditor at least once a year to discuss their remit and any issues arising from the audit.
- d) Review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement.
- e) Review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
  - i. A discussion of any major issues which arose during the audit.
  - ii. Any accounting and audit judgements.
  - iii. Levels of errors identified during the audit.

The committee shall also review the effectiveness of the audit:

- f) Review any representation letter(s) requested by the external auditor before they are signed by management
- g) Review the management letter and management's response to the auditor's findings and recommendations.

## 1.7. Reporting Responsibilities

The committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is required.

## 1.8. Other Matters

The committee will:

- a) Ensure that the executive of the Company are meeting all defined returns within target deadlines as required by the Scottish Housing Regulator and Barclays plc.
- b) Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.
- c) Give due consideration to laws and regulations.
- d) Oversee any investigation of activities which are within its terms of reference and act for internal purposes as a court of the last resort.
- e) Once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

## 1.9. Authority

The committee is authorised to:

- a) Seek any information it requires from any employee of the company in order to perform its duties.
- b) To obtain, at the company's expense, outside legal or other professional advice on any matter within its Terms of Reference.
- c) To call any employee to be questioned at a meeting of the committee as and when required.

## **2. AICC Membership**

- 2.1. The AICC shall consist of five or more named Board Members, at least one of which shall have relevant financial experience.
- 2.2. The Board member appointed to such office at a meeting of the Board shall hold office as Chair of the AICC. To ensure independence of the committee from the Board, the Chair of the Board may not hold office as Chair of the AICC.
- 2.3. In the absence of the Chair and/or appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.
- 2.4. The appointment of the committee members shall reflect the life cycle of the board.
- 2.5. Casual vacancies through resignation, etc. will be filled on an ad-hoc basis by the board.

- 2.6. Issues arising at a meeting of the committee shall be decided by a majority of votes; in the case of an equality of votes, the Chair of the Committee shall have a second or casting vote.
- 2.7. The quorum for the transaction of the business of the committee may be fixed by the committee and, unless so fixed at any other number, shall be three.

### **3. AICC Meetings**

- 3.1. The committee will meet at least three times per annum.
- 3.2. The agenda for each meeting will be set by the Chair of the Committee in consultation with the Executive Team and will be circulated to all Board Members. Any Board member wishing to make a submission for the agenda can do so through the Chair.
- 3.3. An administrator will minute the proceedings and resolutions of all meetings of the committee, including recording the names of those present and in attendance.
- 3.4. The committee will be provided with appropriate secretariat support as required.
- 3.5. The committee shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and these will be minuted.
- 3.6. Minutes of committee meetings will be circulated promptly to all members of the committee; copies of the committee meeting minutes shall be presented to the Board at the next Board meeting following the meeting of the committee, for noting.
- 3.7. The company secretary and external auditor and other Board Members shall be notified of all meetings of the committee for information and may not necessarily attend unless invited to or wish to do so.