

TERMS OF REFERENCE – AUDIT & RISK COMMITTEE

Version control: version 9. Approved by ISHA's Board on 3 December 2025.

1.0 Role

- 1.1 The Committee's role is to support the Board in its responsibilities in relation to risk and internal controls. Its secondary role is to support the Board on statutory accounting. The Audit & Risk Committee will bring independent scrutiny and challenge to provide the Board with assurance. Specifically, it will:
1. Advise the Board on risk identification and management
 2. Oversee the design and effectiveness of internal controls
 3. Oversee statutory financial reporting
 4. Oversee external audit
 5. Oversee internal audit
 6. Promote VFM in ISHA's audit and risk work
 7. Instruct other scrutiny work or projects across the organisation as required to fulfil its role or where Committee has concerns or need for further assurance.

It is not responsible for financial performance or policy including treasury activity.

2.0 Membership, quorum and meetings

- 2.1 Membership: a maximum of seven members with a minimum of four members. The majority of members must sit on the Board. The membership of the Committee shall include at least one person with recent and relevant financial experience.
- 2.2 The association's Chair and staff cannot be members. The association's Chair can attend a meeting but only on the invitation of the Committee and has no voting rights.
- 2.3 Membership, including the Chair, will be appointed by the Board on recommendation from the Remuneration Committee. The Chair of the Committee must be a non-executive member of the Board.
- 2.4 Quorum: the quorum is three and Board members must be in the majority for a meeting to be quorate. If the number of Board members and Independent members present is equal, the Committee Chair will have a casting vote.
- 2.5 Meetings: the Committee will meet four times a financial year plus ad hoc meetings if required. In accordance with ISHA's Rules, meetings can be carried out by phone, videoconference or any method where members can hear each other.
- 2.6 Meeting papers will be issued at least one week before the meeting.

- 2.7 The lead officer for the Audit & Risk Committee is the Finance Director. The Head of Finance will attend meetings. Other staff will attend as required. The Committee may meet without any staff present, but it is expected staff will usually be present to provide additional information and answer members' questions.
- 2.8 Decisions require the approval of a majority of committee members present at a meeting. Between meetings, the organisation's rules (Rule D38) allow the Committee to take decisions by email. Decisions by email must be approved by at least 75% of committee members.
- 2.9 The full minutes of each Audit & Risk Committee meeting will be available to the Board and the Chair of the Committee shall report to the Board following each Committee meeting.

3.0 Delegated authority

- 3.1 The Board gives delegated authority where the word 'approve' appears in section four and specifically to approve:
1. Fraud policy
 2. Anti-money laundering policy
 3. Confidential Reporting (Whistle-blowing) policy
 4. ISHA's Financial Regulations.

4.0 Responsibilities

4.1 Risk:

1. Review the effectiveness of ISHA's risk management framework and report its assessment to the Board
2. Review the organisation's strategic risk register and report to the Board on a regular basis
3. Oversee the tendering of insurance policies at least every five years and approve the contracts
4. Approve ISHA's insurance strategy

4.2 Internal controls:

1. Oversee and review the organisation's system of internal control including the Board Assurance Framework
2. Review the organisation's draft annual statement of the effectiveness of internal controls and recommend to the Board as part of the annual financial statements process
3. Ensure any identified, significant control weaknesses are reported to the Board and remedied
4. Commission special investigations or projects into matters of concern relating to internal control, probity or fraud
5. Ensure the impact of alleged or actually fraud is properly assessed and where necessary, approve and monitor plans to strengthen controls and their operation by staff.

4.3 Internal Audit:

1. Review the provision of Internal Audit services on a regular basis in the context of the organisation's risk management framework

2. Oversee the tender process, approve the contract and appointment
3. Review the 3 year Internal Audit Strategy and recommend to the Board for approval
4. Approve the annual Internal Audit plan and subsequent material changes to it
5. Review findings of Internal Audits and investigations. Monitor implementation of management responses. Resolve disagreements between recommendations and management responses
6. Encourage co-ordination between Internal Audit and the external auditor
7. Review the performance of the Internal Audit contract annually
8. At least once a year, meet with the Internal Auditor lead without ISHA management being present to discuss their remit and issues arising from internal audits
9. The Internal Audit lead has the right to direct access to the Committee, its Chair and the Chair of the Board.

4.4 Financial statements:

1. Review the integrity of the organisation's annual financial statements before submission to the Board for approval, focusing on:
 - Changes in accountancy policy and practice
 - Major judgement areas
 - Significant adjustments from the audit
 - The 'going concern' assumption
 - Compliance with accounting standards
 - Compliance with legal requirements, the Regulator of Social Housing's standards and requirements from other regulators if any
 - The clarity of disclosure in the financial reports and the context in which statements are made

4.5 External Audit:

1. Oversee the tendering exercise for appointment of external auditors, at least every five years
2. Recommend the appointment, annual re-appointment, removal and fees of external auditors to the Board and to shareholders at the AGM
3. Review and monitor the independence and objectivity of the external auditor
4. Before the final annual audit starts, agree the nature and scope of the audit with the external auditors. Meet with the external auditors at least once a year without staff to discuss their remit and any issues
5. Inform the Board of any serious concerns expressed by the external auditors about the accounts, control environment or anything else. Approve and monitor resulting improvement strategies or plans
6. Review the external auditor's management letter and other reports. Monitor management's response and actions
7. Review the representation letters before they are signed
8. Review the external auditor's performance annually
9. Review fees paid to the external auditor annually for audit and other services.

4.6 Other:

1. The Internal Auditor, external auditor, Company Secretary, any member of Leadership Team, a whistle-blower and any other person appointed by Audit & Risk Committee to investigate suspected fraud or similar activity, has the right of direct access to the Committee's Chair.

2. The Committee will provide an annual assurance report to the Board on the Committee's activities. This includes:
 - the adequacy and effectiveness of the internal controls systems
 - the Committee's view of the organisation's risk profile, risk appetite and golden rules
 - the Committee's view on the performance of the external and internal auditors, including value for money and independence
 - the External Auditor's management letter
 - the Internal Auditor's annual report
 - the fraud register
3. Review ISHA's compliance with the Regulator's economic standards and Code of Governance
4. The Committee can obtain, at ISHA's expense, outside legal or other professional advice in matters within its remit.