

**Section Z3.1:
Audit & Risk Committee Terms of Reference**

1 Constitution

- 1.1 The Audit & Risk Committee (“the Committee”) is a committee established by the Board in accordance with LiveWest’s Rules D23 – D27 and in compliance with the National Housing Federation’s Code of Governance.
- 1.2 The Committee is accountable to the Board for the oversight of Audit & Risk matters within LiveWest (including its subsidiary companies), as delegated to it by the Board.

2 Membership and Attendance

- 2.1 The Committee shall comprise up to six but not less than four members and shall include at least three non-executive directors and up to two independent advisors. Independent advisors have the same decision-making responsibilities as the other members of the Committee.
- 2.2 Committee members shall be appointed by the Group Chair, having considered the views of the Committee Chair.
- 2.3 At least one Committee member shall have recent and relevant financial experience.
- 2.4 The Board shall appoint the Chair of the Committee, who shall be an independent non-executive director, such appointment to be reviewed annually. The Chair of the Board is not permitted to be a member of the Committee. In the absence of the Committee Chair, the remaining members present shall elect one of the non-executive directors present to chair the meeting.
- 2.5 The Committee’s meetings are open to all LiveWest Board members and the Executive Team. The Chief Executive and the Deputy Chief Executive / Executive Director of Finance will usually attend the Committee meetings, unless requested not to do so by the Committee’s Chair. Other employees and external advisors may be invited to attend all or part of any meeting, at the request of the Committee’s Chair.
- 2.6 The internal and external auditors shall be invited to attend meetings of the Committee at least once a year and as required.

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3 Secretary

3.1 The Company Secretary, or their nominee, 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 issues raised.

4 Quorum

4.1 The quorum necessary for the transaction of business shall be three members, which must include at least one non-executive director. If a quorum is not or will not be present, the Group Chair may nominate a non-executive director to the Committee for the duration of that meeting.

5 Procedures for Committee Meetings

5.1 The Committee shall meet at least four times a year or as otherwise required. Notice of meetings shall be served in accordance with Section C2.1 of LiveWest’s Governance Policy. Meetings of the Committee can take place in any manner which permits those participating to listen and comment on the proceedings.

5.2 The Chair of the meeting will seek to reach a consensus in decision-making and if satisfied that such consensus exists will treat the matter as agreed unless a vote is called for.

5.3 All decisions of the Committee and the rationale for such decisions will be recorded in the minutes, which shall be agreed, approved and circulated in accordance with the procedures as set out in Section C2.2 of LiveWest’s Governance Policy.

5.4 Urgent decisions which are required to be taken outside the usual meeting schedule may be made in accordance with Section C2.8 of LiveWest’s Governance Policy.

5.5 The Committee is authorised to:

- i. Access all information necessary to fulfil its role
- ii. Obtain outside legal or other independent professional advice if necessary.

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6 Responsibilities

6.1 The Committee is responsible for ensuring that the Board, its committees and subsidiary boards place appropriate emphasis on their responsibilities (as applicable) for financial reporting, external and internal audit, internal controls, risk management, compliance, whistleblowing and financial crime.

6.2 The Committee must provide independent scrutiny and challenge to provide the Board with assurance, and exercise oversight of the internal and external audit functions.

The Committee has the following specific responsibilities:

6.3 Financial reporting

- i. To meet with management and the external auditors to review LiveWest’s annual financial statements and the results of the external audit;
- ii. To report to the Board whether the annual financial statements are complete and consistent with the information known to the Committee members and reported by the external auditors and that they reflect appropriate accounting policies and principles and comply with all statutory and legal requirements and external accounting standards.

6.4 External audit

- i. To consider and make recommendations to the Board and subsidiary boards in relation to the appointment, reappointment and removal of LiveWest’s external auditor;
- ii. To oversee the tendering and selection process for a new external auditor in accordance with the LiveWest’s financial regulations regarding tendering (FRSO Section E);
- iii. To investigate the issues leading to the resignation of an auditor and report to the Board whether any action is required;
- iv. To review the performance of the external auditor and determine if good value for money is being provided and to approve the level of the external auditor’s remuneration;
- v. To receive formal and informal feedback from the external auditor. In particular, to ensure a discussion is held with the external auditor at least once a year without employees being present, other than the Company

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- Secretary, to discuss any issues arising from the audit but not reported formally;
- vi. To receive the external audit programme with a report from the Committee’s Chair on any pre-audit planning meeting and to ensure that it is consistent with the scope of the statutory audit engagement;
 - vii. To review the external auditor’s management letter and management’s draft response to it and to inform the Board of any significant findings;
 - viii. To ensure compliance with any regulatory guidance or requirements within the remit of the Committee.

6.5 Internal audit

- i. To ensure that LiveWest has appropriate internal audit arrangements by making the key judgements about the level of risks and, in the light of them, recommend the scope and/or limitations of such arrangements;
- ii. To decide the appointment, reappointment or termination of the internal audit service where provided by an independent auditor or that the service be tendered in accordance with LiveWest’s financial regulations (FRSO Section E);
- iii. To recommend to the Board any change to the provision of the internal audit service;
- iv. To review and approve the planned programme of work of the internal audit function to ensure it adequately addresses the main risks to which LiveWest is exposed and is co-ordinated with the external auditors;
- v. To review reports from the internal audit function of audit findings;
- vi. To receive formal and informal feedback from the internal auditor. In particular, to ensure a discussion is held at least once a year without management being present, other than the Company Secretary, to discuss any issues arising from the audits or other assurance activities but not reported formally;

6.6 Internal controls

- i. To advise the Board as to the adequacy and effectiveness of LiveWest’s system of internal controls in place including financial, operational, compliance and risk management controls;

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- ii. To conduct an annual review of the effectiveness of the system of internal controls in support of which the Executive Team shall submit a report on the effectiveness of the system;
- iii. To recommend to the Board a statement of internal control to be included in the annual accounts of LiveWest; the statement to refer to the annual review of the effectiveness of the system of internal control.

6.7 Risk management

- i. To review the quarterly assessment of critical risk areas before they are submitted to the Board;
- ii. To review quarterly the summary of changes to operational risk scores;
- iii. To review annually the critical risks for all operational controls to inform the internal audit programme.
- iv. To review the list of high-scoring operational risks as part of its annual year-end report to the Board.
- v. As considered relevant by the Committee or Board, in consultation with the Executive Team, keep under review specific areas of material or crystallising emerging risk until reduced to tolerable levels.

6.8 Compliance, whistleblowing and fraud

- i. To review annually processes for compliance by the LiveWest group with the reporting requirements of funders, the Regulator of Social Housing, the Financial Conduct Authority and Companies House;
- ii. To review LiveWest’s arrangements for its employees, contractors and others 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, including an independent review by a non-executive director if the matters are serious and cannot be raised and investigated through the usual channels. The Committee will report regularly to the Board on matters reported through this channel.
- iii. To oversee reporting regarding fraudulent activity which is material in nature or involves the suspected or actual wrongdoing of a member of the Executive Team, the Board or a Committee;

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- iv. To review LiveWest’s policies for financial crime, including the prevention of fraud, bribery, money laundering and tax evasion and to consider the adequacy of internal control systems following material cases of fraud.;
 - v. To monitor the implementation of policies relating to , hospitality and gifts given or received by members of the Executive Team, the Board or a Committee.
- 6.9 Undertake any other function as may naturally fall within the scope of the Committee or as requested by the Board.
- 6.10 Undertake a periodic evaluation of the Committee’s own performance and terms of reference to ensure the Committee is operating effectively.

7 Reporting to the Board

- 7.1 The Committee Chair shall report to the board after each meeting on the nature and content of its discussion, recommendations, actions to be taken and an assessment of critical risk areas.
- 7.2 The Committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is thought necessary, and adequate time should be made available for board discussion when necessary.
- 7.3 In addition, the Committee will submit an annual report to the Board in support of the annual financial statements which will include a statement of internal control and a review of:
- i. The external auditors’ management letters reporting on the significance of the external auditors’ findings. Any specific findings in relation to a subsidiary board’s operation shall be copied to the appropriate subsidiary board;
 - ii. The internal auditors’ annual report;
 - iii. LiveWest’s register of detected frauds;
 - iv. The annual report from the Executive Team on the effectiveness of the system of internal control and risk management;
 - v. The letters of assurance from the executive members of the Board;

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- vi. The annual assessment of LiveWest’s risk environment and its risk management framework, including its understanding of its principal and emerging risks and how these are being managed or mitigated;
- vii. A report on declarations made under LiveWest’s policies relating to conflicts of interest, hospitality and gifts;
- viii. Service review reports identifying any new risk or control issues not included in previous risk assessments or reports on the effectiveness of the system of internal control;
- ix. An annual review of reporting compliance related to funders, the Regulator of Social Housing, the Financial Conduct Authority and Companies House..

FINANCIAL REGULATIONS & STANDING ORDERS (“FRSO’s”)

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VERSION CONTROL:

Version Ref:	Date of change	By whom	Reason
1.0	09/02/2018	Shadow Board	Approved.
1.0	02/03/2018	LiveWest Board	Adopted by written resolution.
1.1	19/10/2018	Jill Farrar	Updated change in name from Livery to LiveWest. Incorporated changes recommended by the Audit & Risk Committee (Ref: ARC02/20): Job titles and other aspects of nomenclature updated to reflect the new executive structure and consistent style.
1.2	25/02/2021	LiveWest Board (Scott Massie)	Miscellaneous amendments following a comprehensive review of the Company’s governance structures.
1.3	24/11/2022	LiveWest Board (Lisa Maunder)	Miscellaneous amendments.