POPLAR HOUSING AND REGENERATION COMMUNITY ASSOCIATION LIMITED (POPLAR HARCA)

TERMS OF REFERENCE – Audit & Risk Committee

29th July 2020

1. Terms of Reference

1.1. This section comprises the Terms of Reference for Poplar Board, Committees, Panels and other groups that form Poplar HARCA's formal governance structure.

1.2. Legal responsibility for Poplar HARCA rests with Poplar Board. However, it is desirable and necessary for Poplar Board either to delegate authority to take certain decisions to, or to seek the views of, other bodies whose Members may or may not be the Board Members.

1.3. These reasons are as follows:

a. Poplar HARCA is a large organisation with diverse activities, so the Board cannot look in depth at every issue that requires a decision.

b. Poplar HARCA wants to provide a wide range of opportunities for residents (and in some cases other people or organisations within the community) to influence decisions.

c. Poplar HARCA believes that, wherever appropriate, decisions are best informed by the people closest to the issues. If a decision has major financial or other implications for Poplar HARCA, the Board has to have the final say, but the governance structure ensures it does so with the best information possible.

d. Poplar HARCA is a large organisation, its management is therefore based on a system of 'assurance'. This means that the people responsible for managing each function have to devise ways of making sure Poplar HARCA's aims, policies and procedures are followed without having to check every action of the people they manage. Similarly, the Board has to work on the basis of receiving 'reasonable assurance' that the information on which it bases its decisions and takes a view of the organisation's performance is sound. The Boards and other groups that report to the Board also need to gain assurance in this way, as well as providing assurance to the Board.

1.4. The purpose of these Terms of Reference is therefore to:

a. Describe the overall purpose of each Board, Panel or other group

b. List the areas of work (functions) for which it is responsible.

c. Define the decisions (if any) that the Board delegates to it and the areas where it makes recommendations to the Board.

d. Specifies its assurance role in both directions – what assurance it seeks and which it provides to the Board or other groups within the structure.

1.5. Where the term 'seek assurance' is used, this means 'reasonable assurance' given the significance and uniqueness of the risk. The Board may gain assurance by:

a. being able to refer to Poplar HARCA's experience of the results of similar previous decisions, or historic or current performance;

b. benchmarking information, comparing Poplar HARCA's performance with other similar organisations;

c. where a decision is in a new area of business or on a new issue for Poplar HARCA, information about other Registered Providers or similar organisations;

d. where a decision is high risk or unusual, through external advice or validation of executives' recommendations including seeking legal or audit advice;

e. through requiring consultation of residents or other stakeholders.

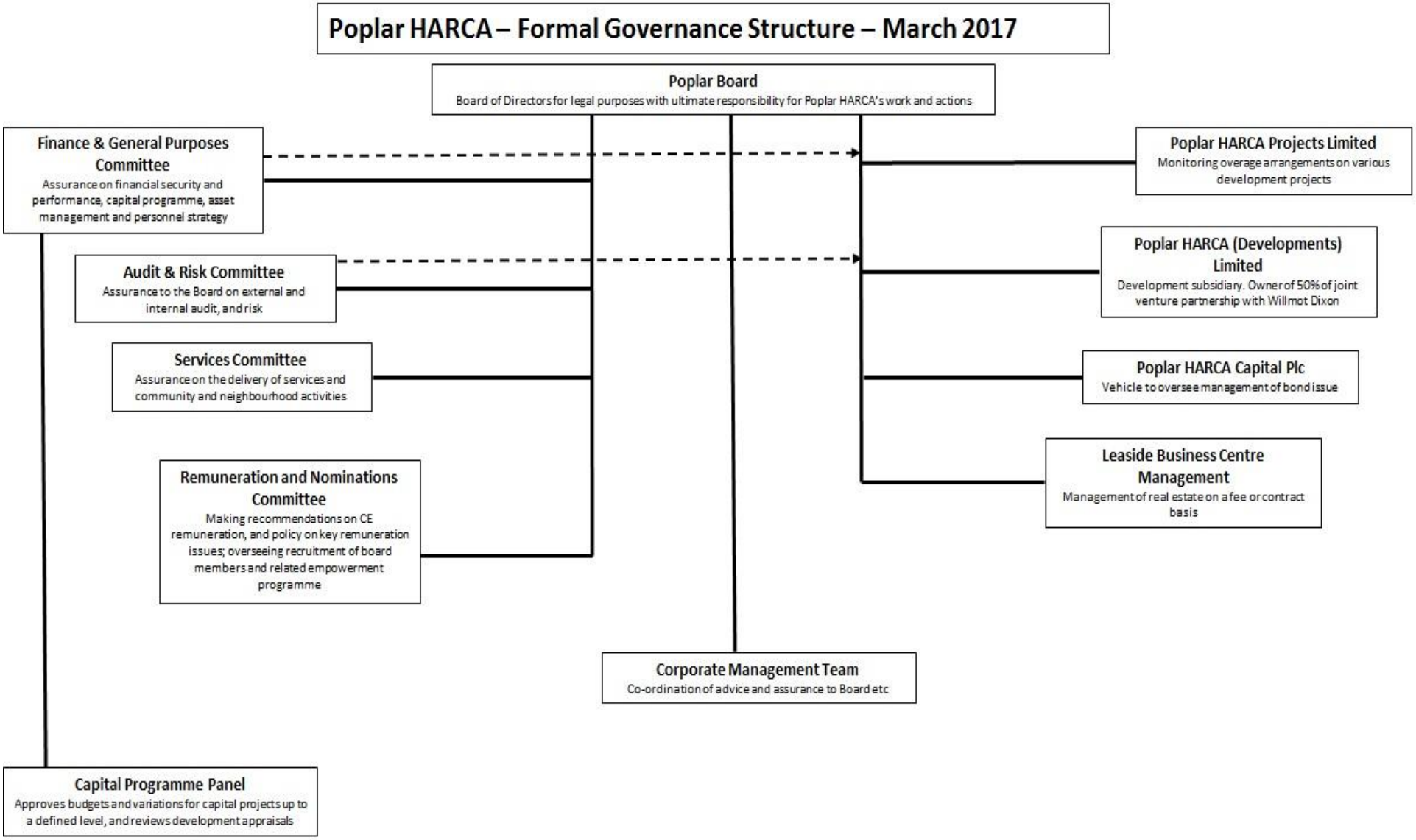
1.6. It is a key role of executives, and particularly the Corporate Management Team, to facilitate the process of assurance. The Audit and Risk Committee oversees a systematic process of internal audit based on the risks identified in Poplar HARCA's risk map. Other Boards and Committees contribute to risk management by reviewing and commenting on risks in their remit.

1.7. The Terms of Reference provide a broad framework for delegation but not (for example) the specific levels of spending which different individuals or groups can agree. These are contained within Poplar HARCA's Standing Orders and Delegated Authorities and Financial Regulations which also define the authority delegated to Members of the Corporate Management Team individually and collectively.

1.8. Where the term 'Board' is used in these Terms of Reference, this refers to Poplar Board, or any Committee, Panel, or other group within Poplar HARCA's formal governance structure unless otherwise stated.

1.9. As noted, the Board has legal responsibility for Poplar HARCA, its work and the actions taken in its name. Therefore, the Board has the right to review any decision made even if that has been made within the delegated scheme of authority. The Chair of Poplar Board has the right to refer any such decision to the Board for review and, until that review has taken place, no binding action must be taken.

2. **Summary of Poplar HARCA's Formal Governance Structure**



This table provides a summary of Poplar HARCA's formal governance and Terms of Reference structure:

	Role/Function	Reports to	Membership	Quorum
Board	The company's Board of Directors for legal purposes, with responsibility for Poplar HARCA's work and actions.	The Members of Poplar HARCA, held accountable in law and by regulators	12 Members, including a maximum of 2 co-optees	5 Members
Finance & General Purposes Committee	Standing Board overseeing and providing assurance to the Board on Poplar HARCA's financial security and performance, major financial and development commitments (including borrowing strategy), capital programme, asset management, and personnel policy.	Board	9 Members, plus a maximum of 2 co-optees Minimum 2 Poplar Board Members	3 Members, including at least 1 Board Member
Services Committee	Standing Board overseeing and providing assurance to Board on Poplar HARCA's delivery of services to residents, and community and neighbourhood activities.	Board	10 Members, plus a maximum of 2 co-optees Minimum 2 Poplar Board Members	3 Members, including at least 1 Board Member
Audit & Risk Committee	Standing Board overseeing and providing assurance to the Board on external and internal audit, and risk management. Direct access to internal and internal auditors and authority to agree internal audit programme commission ad hoc audit reviews.	Board	6 Members, plus a maximum of 2 co-optees Minimum 1 Poplar HARCA Board Member who should be the Chair At least 2 Members must not be Poplar Board Members; one of whom must not be involved in any other part of Poplar HARCA's governance	3 Members, including at least 1 Board Member
Remuneration and Nominations Committee	Overseeing strategic remuneration policy, making recommendations for Chief Executive's remuneration and overseeing the Chief Executive appraisal process.	Board	4 Members, all Poplar Board Members and appointed by Poplar Board Chair of the Board. Chair must not be Poplar Board's Chair and Vice Chair	2 Members
Corporate Management Team	Mechanism by which the Chief Executive ensures co-ordination and effective performance management of Poplar HARCA's	Individual CMT Members report to the Chief Executive; the Chief	Chief Executive; Directors of Communities & Neighbourhoods,	

	Role/Function	Reports to	Membership	Quorum
	work, seeks to reach collective agreed advice to the Board and facilitate the process of providing the Board and Committees with the necessary assurance.	Executive reports to Board	Development, Finance, Housing, and Technical Resources	
Poplar HARCA (Developments)	Development subsidiary. Owner of 50% of LLP with Willmot Dixon.	Board	Chair of Poplar Board, 1 Board or Committee Member and 1 executive	2 Members
Poplar HARCA Projects	Subsidiary in receipt of development overages which are then passed to Poplar HARCA Ltd as gift aid. Owner of 50% LLP with St Leonard's Developments Ltd.	Board	Chair of Poplar Board, 1 Board or Committee Member and 1 executive	2 Members
Poplar HARCA Capital Plc	Plc to issue bond	Board	Board Chair, Chief Executive and Director of Finance	
Leaside Business Centre Management	Management of real estate on a fee or contract basis	Board	At least 2 but no more than 5. Poplar HARCA has majority shares. 3 Poplar HARCA members including Director of Communities & Neighbourhoods and Director of Development	
Capital Programme Panel	Approve capital spending on development schemes up to a limit defined in the Standing Orders and Delegated Authorities.	FGP	CMT	3 Members, 1 must be the Director of Finance or the Director of Development

AUDIT & RISK COMMITTEE

2.1. The Audit and Risk Committee provides assurance to the Board that Poplar HARCA and its subsidiary organisations operate an effective system of audit (external and internal) and risk management that is consistent with the corporate strategy, statutory and regulatory requirements, and best practice.

3. Functions

Internal control

3.1. Provide assurance to the Board that a satisfactory system of internal controls operates and, on the basis of this, review and recommend the statement of internal controls for the annual accounts.

3.2. Review and approve policies for ensuring effective internal control and statutory and regulatory compliance, including:

- Compliant accounting policies.
- Anti-fraud policies.
- Anti-bribery policies.
- Whistle-blowing policies.
- Risk management policy

3.3. Oversee the operation of the above policies and the arrangements for dealing with alleged breaches, receiving regular reports thereon.

3.4. In addition to the reporting by internal and external auditor, receive and review reports on any breach of these policies together with the loss or other implications for Poplar HARCA.

3.5. Where necessary in order for the Committee to be able to give full assurance to the Board, commission internal or external investigations into breaches.

Internal audit

3.6. Approve the specification of internal audit services for Poplar HARCA, oversee their procurement every three to five years, and make a recommendation to the Board on the appointment.

3.7. Agree a rolling three year programme of internal audit reviews based on the risk map and good audit practice.

3.8. Commission ad hoc internal audit reviews where the Committee deems it necessary in order to provide assurance to itself and the Board.

3.9. Consider the findings of all internal audit reviews and of the management response to these, and monitor the implementation of the findings.

3.10. Where appropriate, instruct executives to share the results of reviews with other Boards or Committees.

3.11. Annually, receive and consider a report on the effectiveness of internal audit.

3.12. At least annually, hold a discussion with the internal auditors in the absence of staff.

3.13. Assess the performance of the internal auditors.

3.14. Be responsible for all aspects of the relationship between Poplar HARCA and the internal auditors.

External audit

3.15. Approve the specification of external audit services for Poplar HARCA, oversee the procurement of these services every three to five years, and make a recommendation to the Board on the appointment.

3.16. Annually, receive proposals from auditors, with commentary from the Director of Finance, on the scope and conduct of the audit, form of reporting and the proposed fee.

3.17. Review the results of the audit including the management letter, the management response thereto, and monitor the implementation of any recommendations.

3.18. Assess the performance of the external auditors.

3.19. Be responsible for all aspects of the relationship between Poplar HARCA and the external auditors.

3.20. Review the draft annual accounts and commentary from the external auditors, provide assurance to the Board that the statements within the accounts are accurate and recommend them to the Board for approval.

3.21. Recommend to the Board the Letter of Representation.

3.22. Make a recommendation to the Board on the approval of the annual accounts of Poplar HARCA (including consolidated group accounts) and for any subsidiaries.

Risk management

3.23. Review and agree a risk management policy and process for recommendation to the Board.

3.24. Regularly review how Poplar HARCA is identifying and managing risks, seeking assurance from the Chief Executive and other directors on risk mitigation and control in any area.

3.25. Instruct that a review be undertaken (internally or externally) of risk in any specific area of the work of Poplar HARCA or its subsidiaries where the Committee sees fit.

3.26. Annually, review Poplar HARCA's risk map and review input from the Corporate Management Team and other Boards, etc on whether:

- the risks are comprehensive in scope and defined adequately given Poplar HARCA's work;
- the risks are rated appropriately for likelihood and consequences;
- mitigations and controls are adequate;
- managerial responsibility is appropriately assigned.

3.27. Provide assurance to the Board that satisfactory Health and Safety policies for all aspects of Poplar HARCA's work are in place, and that managerial responsibilities are clearly assigned and compliance adequately monitored.

3.28. Review the risk map at each ordinary meeting of the Committee, with particular reference to any changes to the contents since the last ordinary meeting.

3.29. Provide assurance to the Board on the effectiveness of the risk management system by:

- confirming to the Board that the above processes are undertaken;
- approving a statement of the highest risks (defined in accordance with the agreed risk management policy) for presentation to each ordinary meeting of the Board.

4. Membership and meetings

The Membership of the Audit and Risk Committee comprises the following:

4.1. Six members in total minimum (i.e. the Board may appoint more), one of whom should chair the Committee.

4.2. Board Members must be in the majority.

4.3. Two members must not be Board Members.

4.4. One of the two non-Board members must not be involved in any other part of the Poplar HARCA governance structure.

4.5. Appointment to the Committee is via an agreed role specification (see next page).

4.6. The committee shall have the power to co-opt up to two Members where additional expertise is required.

4.7. The Audit and Risk Committee meets five times a year as an ordinary meeting. Special meetings may be called as required by the Chair or the Director of Finance. The agendas shall be drafted by the Director of Finance for consideration and approval of the Chair.

4.8. The quorum for the Audit and Risk Committee is three and must include at least one Board Member.

5. Audit & Risk Committee Membership

The Members of Poplar HARCA's Audit & Risk Committee are, as with other Committees, appointed and removed by the Board. The following specifies the experience required collectively and individually by the Committee Members:

Individual requirements

5.1. Any Member appointed to the Audit & Risk Committee must be able to demonstrate at least one of the following characteristics:

- Successfully served on a committee or board whose remit included external and internal audit, and risk management, for at least six months within any sector
- Acted as an internal or external auditor
- Acted as a risk manager at senior level in a substantial organisation
- Full accounting qualification (A/FCA, A/FCCA or CIPFA)
- Resident Committee Members only: if unable to demonstrate any other of the characteristics in this section, acted as an observer for a minimum of six months at the Poplar HARCA Audit & Risk Committee, undertaken audit committee Membership training, and subject to an appraisal by the chair of the Committee

Collective requirements

5.2. At least one Member of the Audit & Risk Committee should have a full accounting qualification (see above)

5.3. At least three of the Members should each be able to demonstrate at least two of the above individual characteristics

Other

5.4. The chair of the Audit & Risk Committee shall be a Board Member but not the chair of any other Committee or of the Board