



Nottingham
City Homes

FINANCE & AUDIT COMMITTEE

TERMS OF REFERENCE &

DELEGATION OF POWERS

ACCOUNTABILITY

The Finance and Audit Committee is charged with assisting the Board to fulfil its statutory obligations and is accountable to the Board for the fulfilment of the responsibilities delegated to it as set out in its Terms of Reference. All Committee Members share responsibility for its decisions and should act only in the interests of the organisation and not on behalf of any subsidiary, constituency or interest group, putting the interests of the organisation before their own interests.

The main objectives of the Finance and Audit Committee are to independently contribute to the Board's assurance that an effective internal control system is maintained and that the Company's financial performance is being effectively managed.

The Board will agree and review the delegations to each of its committees on a timely basis. With the exception of those matters specifically reserved for the Board's decision, the Finance and Audit Committee shall discharge the functions set out for them on behalf of the Board and in accordance with the Company's Articles. The 'Duties and Responsibilities' section below sets out in detail the Committee's full remit and the scope of its obligations as per the articles and key documents of the Company. Appendix A also includes examples of best practice.

The Finance and Audit Committee may from time to time investigate, discuss or review matters outside its terms of reference if required to do so by the Board. The Committee's Terms of Reference may be amended at any time by the Board.

The Board will obtain assurance on the Committee's work via minutes of all of its meetings which will be made available to the Board. The Chair of the Finance and Audit Committee will ensure that key issues are promptly brought to the attention of the Board and also has the right to attend and speak on matters of concern at any Board meeting.

AUTHORITY AND ACCESS

The Finance and Audit Committee is authorised by the Board to investigate any activity within its Terms of Reference. The Finance and Audit Committee shall meet on a quarterly basis and may meet without Company staff present, including Executive Directors, should it so wish, to ensure it maintains its independence.

The Committee has an unfettered right of access to all information within the organisation in relation to such investigations as well as the resources which it needs to do so. All employees are directed to co-operate with any request made by the Committee.

The Committee is authorised by the Board to obtain external legal or other professional advice and to secure the attendance of anyone it considers has relevant experience, expertise or knowledge.

The Committee shall meet in a closed session with the external, or the external and internal auditors together, where required. The Chair of the Finance and Audit Committee, external and internal auditor shall meet as necessary to ensure that the auditors have direct access to the Chair to guarantee the independence of the audit functions.

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MEMBERSHIP

The Committee will comprise a minimum of four non-Executive Directors appointed by the Board. The maximum period for which Members shall serve on the Finance and Audit Committee is five years. Executive Directors shall not be Members of the Finance and Audit Committee.

The Chair will be appointed annually by the Board and shall not be the Chair of the Audit Committee. The Committee may co-opt Members if required, but the Committee's membership shall never include more than 50% co-opted Members. Co-opted Members will be (re)appointed annually.

Each Member appointed to the Finance and Audit Committee shall have skills and experience relevant to the work of the Committee.

Employees and others may attend all or part of meetings at the invitation or request of the Committee. Attendees will usually include:

- Director of Finance, ICT and Governance;
- Senior representative of the Company's internal auditors;
- Company Secretary; and
- Other Directors and Managers as required.

Attendance at Committee meetings shall be monitored by the Chair and concerns in relation to regular non-attendance by any Committee Member should be reported to the Board.

DUTIES AND RESPONSIBILITIES

DELEGATED POWERS

(The Committee's Delegated authority as set out in the Company's Scheme of Delegation)

General Governance
To review the Committee's membership and effectiveness on a regular basis to ensure that it has appropriate skills and relevant experience, advising the Board accordingly.
To review annually the Committee's activities and effectiveness in discharging its responsibilities and provide an annual report and a work plan for the next 12 months to the Board.
To receive and consider reports from staff on any statutory, regulatory or inspection reports, recommendations, or notices of non-compliance with requirements and proposed responses and action plans.
To ensure the Company is operating within recognised codes of practise and Standards.
To ensure adequate processes are in place for the safeguarding of Company assets.
To monitor and review the Company's Tender and Contracts Registers.
Internal Control Framework
To oversee the embedding and maintenance of an effective system of internal control and ensure that any significant weaknesses identified are remedied and reported to the Board.
To review and consider the effectiveness of the Company's system of internal control systems and assurance framework on an annual basis and make appropriate recommendations to the Board.
Anti-Fraud and Corruption
To ensure that the impact of alleged or fraudulent activity on the organisation's framework of internal control is properly assessed and, where it considers it necessary, to recommend changes to strengthen the control framework.
To receive reports relating to any matters of whistle-blowing or alleged or actual fraudulent activity which may have an effect upon the Company.
Internal & External Audit
To discuss with the external auditor any problems, reservations or issues arising from the interim or final audit or other investigations.
To review and approve the internal audit needs assessment and strategy and the annual plan, and monitor delivery of the plan, approving any changes during the year.

Internal & External Audit - continued
To sign off individual audit plans, receive and consider reports by the internal auditor on significant audit findings, together with the response from managers to these reports.
To monitor the timely implementation of recommendations in respect of internal and external audit and of any other regulatory or inspection reports.
To make recommendations to the Board, for approval in general meeting, on the appointment, reappointment or otherwise, of the external auditor.
To approve the fees and terms of engagement of the external auditor.
To advise the Board on the engagement of the external auditor to supply non-audit services, taking into account relevant guidance regarding the provision of non-audit services by the external audit firm.
To consider and make recommendations to the Board on the internal audit arrangements, including the appointment, reappointment or otherwise, fees, methods and terms of engagement, of the internal auditor, whether on the Company's payroll or outsourced.
To monitor the performance of the internal and external auditors.
Statutory Accounts
To consider, and report to the Board on, the annual statutory audit and make recommendations on the response to any audit management letters, reports and investigations.
To ensure compliance with applicable Financial Reporting Standards.
Financial Reporting
To ensure that Company budgets are systematically monitored and that timely and effective corrective action is taken on variances against plans.
To ensure the financial viability of the Company by the monitoring and review of quarterly management accounts and cashflow, and advising the board in relation to these.
To monitor and review progress of the capital investment programme on a quarterly basis.
To review the proposed annual revenue budget for the forthcoming year and recommend its approval to the Board.
To review the proposed capital investment programme for the Company for the forthcoming year and recommend its approval to the Board.
To monitor the impact of the City Council's Housing Revenue Account on the Company's current, short and long term financial position.
To monitor the performance of Service Level Agreements, and approve SLA's over the value of £250,000 per annum.

Risk Management
To provide assurance to the Board that there is a sufficient and systematic review of the risk management arrangements within the organisation.
Standing Orders & Financial Regulations
To ensure compliance with the Financial Regulations, and recommend any proposed revisions to the Board.
To monitor and review the Company's Register of Dispensations.
Probity – Action taken must be notified to the F&A Committee
Authority to suspend Financial Regulations or grant dispensation.
Authority for staff members to accept gifts or to accept or offer hospitality.
Authority to dispose, and arrangements for disposal, of stock items and obsolete equipment.

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RISK MANAGEMENT FRAMEWORK

(The responsibilities of the Committee as set out in the Company's Risk Management Framework)

To review the Risk Management Framework annually and recommend changes to it.
To recommend the Risk Management Framework to the Board and the total risk appetite, reporting periodically.
To recommend risk targets, limits and controls for different types of risk, referring higher level decisions to the Board.
To assess, monitor and review the Key Risks and the Corporate Risk Register on a quarterly basis.

FINANCIAL REGULATIONS

(The responsibilities of the Committee as set out in the Company's Financial Regulations)

REF	General Governance
1.3.2	The Finance and Audit Committee shall keep under regular review the need for new regulations and amendments to existing ones for the supervision and control of the finances, accounts, income, expenditure and assets of the Company.
	The Committee reports to the Board. It has the right of access to all the information it considers necessary, and can consult directly with the internal audit service provider and with the Company's external auditors.
	The Committee is responsible for monitoring the compliance with the Financial Regulations, in particular monitoring both the breaches of the regulations and any dispensations from the regulations. The Committee is also responsible for reviewing internal and external audit reports and the annual Management Letter.
	The Chair of the Committee is responsible for ensuring reporting to and providing information to the Board on the work of the Committee – notably through an annual report.
1.4.1	The Board is responsible for approving revisions to the Financial Regulations, following recommendations to that effect received from the Finance and Audit Committee.
1.4.2	The Finance and Audit Committee shall approve minor amendments and additions to the Financial Regulations as recommended by the Director of Finance, ICT and Governance.
1.5.2	The Director of Finance, ICT and Governance shall report all breaches to the Finance and Audit Committee, and the Board where necessary, together with any remedial action being undertaken as a consequence.
1.6.1	There will be no dispensations from Financial Regulations except in the circumstances set out (<i>in section 1.6</i>). Any action so taken must be recorded in the Register of Dispensations held by the Company Secretary and reported to the next meeting of the Finance and Audit Committee.

	Anti-Fraud and Corruption
2.12.9	The Company Secretary shall maintain a register of all instances of fraud and irregularities occurring within the Company or impacting on it. The Fraud Register shall be a standing agenda item of the Finance and Audit Committee and the Company Secretary is responsible for bringing new entries to the attention of Members at subsequent Committee meetings.
	Internal & External Audit
2.8.1	The Director of Finance, ICT and Governance will propose arrangements for internal audit which in turn will be considered and approved by the Finance and Audit Committee and Board respectively.
2.8.2	The process leading up to appointment or re-appointment of the internal auditors will include a review of performance by the Finance and Audit Committee which takes account of guidance issued by relevant and regulatory bodies.
2.8.4	The Finance and Audit Committee will establish the scope and content of the internal audit work in consultation with the Director of Finance, ICT and Governance. The Committee will approve and review the annual internal audit work programme & will report annually to the Board on internal audit and internal control.
2.9.1	The appointment of the Company's external auditors shall be approved at the Company's Annual General Meeting in accordance with s485(4) of the Companies Act 2006. The process leading up to appointment will include an annual review of performance by the Finance and Audit Committee which takes account of guidance issued by relevant and regulatory bodies.
2.9.3	The Chief Executive will arrange for the Management Letter to be sent to the Chair of the Board and Chair of the Finance and Audit Committee by the external auditors, which will highlight areas of concern identified by the external auditors, or recommendations for improved efficiency and control.
2.9.4	The external auditors may, if they wish, meet the Board or the Finance and Audit Committee without any Company staff being present, to discuss issues that may have arisen during their work, or highlight areas of concern.
	Statutory Accounts
2.6.2	The Director of Finance, ICT and Governance will ensure that the draft accounts are considered by the Finance and Audit Committee in advance of the Board.
	Financial Reporting
2.11.5	Progress with the monitoring, performance review and agreement of SLAs as well as the results of VFM reviews will be reported to Executive Management Team & Finance & Audit Committee on a quarterly basis.
2.11.6	SLAs with an annual charge of less than £250,000 require the sign off of the Chief Executive. SLAs with an annual charge in excess of £250,000 must be approved by the Finance and Audit Committee.

APPENDIX A - OTHER RESPONSIBILITIES
(Examples of Committee best practice)

General Governance
To identifying suitable candidates for Committee membership where Committee Membership is not deemed to have the appropriate skills and relevant experience.
To consider all irregularities in relation to cash, property, the proper use of resources of the Company or any suspected irregularity in the exercise of the functions of the Company brought to the Committee's attention by the Company Secretary.
To receive, as appropriate, regular reports on any governance, regulatory or compliance issues which may affect the operation of the Committee or the scope or extent of its responsibilities
To monitor the implementation and operation of Company's Employee Expenses Policy and annually recommend a schedule of employee and Board Member allowances for approval by the Board.
Internal Control Framework
To oversee the embedding and maintenance of an effective system of internal control and ensure that any significant weaknesses identified are remedied and reported to the Board.
To commission special investigations into matters of particular concern relating to internal control.
Anti-Fraud and Corruption
Ensure there is a fraud policy in place that describes the actions required in the event of either suspected or actual fraud or impropriety.
To review arrangements by which all staff of the company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.
To review the proportionality, independence and appropriateness of the organisation's Anti-Fraud and Corruption Framework and whistle-blowing policy and follow-up action.
Internal & External Audit
To establish the scope and content of the internal audit work including the review and approval of the annual internal audit plan to ensure that the function is properly resourced and there is coordination with the work of external audit.
To receive reports on the completion of work as timetabled in the annual internal audit plan.
To report annually to the Board on internal audit, the audit programme and internal control in general through the Committee's Annual Report and make recommendations as appropriate.
To discuss with the external auditors the nature and scope of their annual accounts work in advance of the audit.

Internal & External Audit - continued
To consider the external auditor's management letter which will highlight areas of concern identified by the external auditors and identify recommendations for improved efficiency and control.
To annually review the performance of the Company's internal and external auditors, taking account of guidance issued by relevant and regulatory bodies, and monitor their independence, objectivity and the general effectiveness of the audit process.
Statutory Accounts
To review the audited annual accounts in conjunction with the associated external auditor report(s) in advance of submission to, and approval by, the Board.
To monitor and review significant accounting policies and judgements.
To monitor arrangements for, and the achievement of, compliance with statutory and other requirements governing financial reporting.
To review any annual returns required by the Financial Services Authority or by any other agency or Government body empowered to require such returns.
Financial Reporting
Monitor the budget by reviewing management accounts and out turn forecasts at each meeting and report any significant potential variances to the Board.
To consider and make recommendations to the Company on its overall financial strategy, including allocation of resources and budget priorities.
To oversee the preparation of detailed estimates of income and expenditure in accordance with the overall financial strategy and recommend approval of these budgets before the beginning of each financial year.
To recommend adjustments to the capital programme involving the addition or deletion of capital schemes for approval by the Board.
To review all financial procedures and policies and make recommendations for approval to the Board.
Value for Money
To review the Company's Value for Money Strategy in advance of approval by the Board.
To monitor the financial performance of the Company with respect to the achievement of Value for Money (VFM).
To annually review both target and actual efficiency savings achieved by the Company in advance of reporting them to the City Council.
To monitor Value for Money reviews of services and report to the Board.

Risk Management
To confirm the Committee's acceptance of the constituent risks and the actions in place to manage those risks included in the Corporate Risk Register and to recommend changes and amendments on an ongoing basis.
To consider what constitutes an acceptable level of risk for the Company on an ongoing basis, i.e. the Company's risk appetite, and monitor the impact of new risks to ensure risk levels remain within acceptable limits.
To review the Risk Management Framework to ensure that it remains up to date, fit for purpose and reflects what is happening across the organisation.
Standing Orders & Financial Regulations
To recommend amendments to the Standing Orders' Part 2: Financial Regulations and Part 3: Tender and Contract Procedure Rules for Board approval.
To monitor compliance with the Financial Regulations.
To receive reports on dispensations from the Financial Regulations and suspensions of the Standing Orders, from the Company Secretary.
To ensure that there is an effective and consistent framework of financial regulations and procedures, and that they are regularly and comprehensively reviewed.
To submit to the board for approval a proposed scheme of financial delegation to the Chief Executive and officers.