

Audit and Risk Committee Terms of Reference

Objective and Purpose

1. The role of this committee is to exercise independent scrutiny and challenge to provide assurance to the Board on the systems of internal control, risk management and the internal and external audit functions to ensure that they are effective and comply with legal and regulatory requirements.
2. This committee also takes the lead role in providing assurance to the Board that legal, regulatory and risk management requirements are being met in the areas of procurement, probity, safeguarding, data protection and IT security and resilience.
3. The Committee has unfettered right of access to all information and people necessary to meet its responsibilities.

Membership

4. Between three and five members, including up to two places for independent members.
5. The Committee will comprise of members with skills appropriate to its purpose including significant financial expertise.
6. The Chair of the Board cannot be a member of this Committee.
7. Employees are not permitted to be members of this Committee.

Quorum

8. Three members, at least two of which must be Board members.

Meeting Arrangements

9. The Audit and Risk Committee will meet at least four times a year.

Lead Officer

10. Executive Director of Finance

Specific duties of the Audit and Risk Committee

External Audit

11. Approve the objectives, scope, and timing of arrangements for external audit of the financial statements. This includes the review and approval of the annual audit plan to ensure that it is consistent with the scope of the audit engagement.
12. Recommend the approval of the appointment/dismissal of external auditors to the Board.
13. Oversee the selection process for the external auditor, and if the external auditor resigns investigate the issues leading to the resignation and decide whether any action is required.
14. Scrutinise the performance of the external auditors at least annually, ensuring they meet

independence, ethical and performance standards and provide value for money. Ensure that there are no restrictions placed on the scope of the statutory audit or matters which could hinder their effectiveness, in particular the provision of non-audit services and report on recommendations to the Board.

15. Scrutinise the annual external statutory audit of the financial statements, including subsidiary accounts, and recommend approval of the financial statements, accounts, and letter of representation to the Board. This includes responses to audit management letters, reports, or investigations and to monitor implementation of any follow up actions.
16. Undertake a detailed review of the Statutory Accounts and Strategic Report before submission to the Board, focusing particularly on:
 - Accounting policies and practices;
 - Major judgmental areas;
 - Significant adjustments resulting from the audit;
 - The going concern assumption;
 - Compliance with accounting standards; and
 - Compliance with legal requirements.
17. Meet with the external auditors without any employees present at least annually.
18. Ensure co-ordination with the activities of the internal audit function.

Internal Audit

19. Approve the appointment/dismissal of internal auditors and undertake the annual review of their effectiveness and value for money.
20. Approve a rolling three-year internal audit strategy and an annual programme of internal audit across the organisation. Agree the outline scope of each audit prior to the start of the audit. Commission additional work by the internal auditors or other consultants as necessary.
21. Scrutinise all internal audit reports and qualitative audit reports, agree any further actions to be taken and monitor implementation of recommendations to ensure that identified weaknesses in control are corrected and deadlines are met.
22. Meet with the internal auditors without any employees present at least annually.

Risk and Internal Controls

23. Ensure LHP has an effective and comprehensive Risk Management Framework, Strategy and Policy and review the effectiveness of each annually, recommending any significant changes for approval to the Board.
24. Review the Risk Appetite Statement annually, recommending approval to the Board.
25. Reflect on key risk areas as required and scrutinise the Risk Register on a quarterly basis and undertake a thorough review annually. This includes providing assurance to

the Board on risk management controls, ensuring that adequate controls and mitigations are in place, escalating any significant changes in risk profile to the Board or appropriate committee.

26. Scrutinise the proposed stress tests for the annual review of the Business Plan to ensure they reflect LHP's risk profile.
27. Scrutinise the annual Assurance Report (including internal controls assurance) and recommend approval to the Board. This includes ongoing review during the year by the Committee to gain assurance that the appropriate internal controls are in place and maintained, with particular emphasis on controls relating to the key risks within the business.
28. Scrutinise the Asset and Liability Policy and Register annually to gain assurance on the integrity of the Register including data quality, prior to the submission to Board.
29. Ensure that appropriate arrangements are in place for business continuity and disaster recovery and that they are tested regularly.
30. Scrutinise reports on the performance of the IT infrastructure in terms of security and resilience and scrutinise and approve the IT Systems Security Policy annually.
31. Review the nature, volume and costs of insurance claims and advise on coverage in relation to LHP's insurance arrangements at least annually to ensure policies are in place to minimise exposure to potential losses and claims.
32. Benefits, risks and relationships with subsidiaries to be reviewed annually ensuring they remain fit for purpose, recommending any changes to the Company Structure to Board for approval.

Strategy, Risk and Performance

33. Review and scrutinise the performance indicators and risks relevant to the Committee quarterly from a point of ownership and escalate any major risks to delivery, compliance, or regulation to the Board concerns or confirm assurance to Board.

Probity Matters

34. Approve the Probity Policy, Anti-Fraud & Corruption Policy, Anti-Bribery Policy, Anti-Money Laundering Policy, and Whistleblowing Policy.
35. Receive routine reporting on probity and compliance matters, ensuring appropriate arrangements for colleagues and contractors to raise concerns in confidence and proportionate and independent investigation, any identified weaknesses in internal controls are addressed, reports to the Board and Regulator are made as appropriate and high standards of probity are promoted. This should include: exemptions to the Code of Conduct, Declarations of Interest, Gifts and Hospitality, Whistleblowing, Frauds and Losses.

Compliance

36. Scrutinise and review annually the Procurement Policy to ensure it is effective and meets legislative and value for money requirements.
37. Review the Procurement Strategy, recommending approval to the Board and scrutinise procurement activity, including the procurement plan, on at least an annual basis. This is to ensure that compliance with procurement rules and value for money is being achieved and high standards of probity are maintained.
38. Scrutinise the outcomes and actions from the annual self-assessments against the Governance and Viability and Value for Money Standards providing a summary as part of the Annual Assurance Statement to Board, noting any areas and actions to deal with non-compliance. The review will enable the Board's certification of compliance with the Governance & Financial Viability Standard for inclusion within the Annual Financial Statements.
39. Scrutinise self-assessments against new legislation and assurance on compliance with all relevant law.
40. Approve the Data Protection Policy, ensuring it complies with legislation and good practice and receive regular reports on compliance, including assurance on the integrity of performance information and key data.
41. Scrutinise reports on safeguarding activities and performance on an annual basis to identify any areas of risk and agree follow up actions.
42. Undertake a self-assessment of the Audit and Risk Committee performance and Terms of Reference at least annually and regularly evaluate training needs.
43. Review the Standing Orders, Terms of Reference, Delegations and Financial Regulations annually recommending any significant changes to the Board.
44. Scrutinise the annual report on the use of the Seal.
45. Review the Health & Safety Policy and performance, scrutinising arrangements for health and safety in relation to property, customers and colleagues at least annually to ensure management of these areas meet statutory requirements and are sufficiently resourced, recommending approval to the Board.

Note: In the case of dispute, a Board decision must override that of a Committee. The Chair of the Audit and Risk Committee has the right to report such decision to the External Auditors after discussion with the Board regarding this course of action.