

## TERMS OF REFERENCE FOR THE AUDIT COMMITTEE

To be read in conjunction with the SHG Rules, The Group's Financial Regulations and the UK Corporate Governance Code

### Role

The Audit Committee has delegated authority from the Boards of Southern Housing Group Ltd (SHGL) and all its subsidiaries for overseeing the Group audit function, monitoring the integrity of the financial statements of the companies, reviewing the Group's internal controls and risk management system and any other matters as directed by the Group Board. All acts and proceedings of the Committee shall be reported to the relevant Board(s).

### Membership

- The Committee shall have a minimum of three members. The Committee may co-opt further members if required.
- The membership of the Committee must include at least one board member or co-optee of the Group Board and one person not on the Board of SHGL or any of its subsidiaries.
- Each member will have skills relevant to the work of the Committee.
- The Chair of the Committee shall be a member of the SHGL Board.

### Quorum and meeting arrangements

Two members if there are three or four members of the Committee or three if there are five or more members; at least one to be a Board member or co-optee of the SHGL Board. (other than any ex-officio).

The Committee meets four times a year. Additional meetings may be held if required.

### Secretary

The Company Secretary or his or her nominee shall act as the secretary of the Committee

### Authority

The Committee will have access to such information and advice, at the expense of the Company, both from within the Company and externally, as it deems necessary.

Duties	
<b>Ensuring that the systems of control employed by the Group are satisfactory and work effectively.</b>	Reviewing the internal auditor's reports and annual report and any other evidence of compliance to gain a view on the effectiveness of the Group's internal controls for the Board.
<b>Appointment of Auditors</b>	Reviewing the terms for the selection and remuneration of the internal auditors and of the external auditors for the Group in accordance with good practice. Recommending to the Board the appointment or reappointment of the Internal Auditors and/or the External Auditors, as appropriate.

<b>Audit Programmes, Strategy and plans</b>	Review and agree the annual Internal Audit strategy and plans, ensuring co-ordination with the external auditors, the Audit Committee and Group members. Monitoring implementation of action points. Discuss with the external auditor, before the audit commences, the nature and scope of the audit of the financial statements.
<b>Management Letter</b>	Reviewing the external auditors' annual management letter and responses. Ensuring that the letter is conveyed to the Regulator and that action is taken to address any areas of concern.
<b>Reports From Auditor</b>	Receiving annual compliance statement and reports on the programme from the auditors at least twice a year. Reviewing recommendations made, responses to the reports, and the progress of their implementation and making an annual report to the Board on the control environment.
<b>Auditors' Performance</b>	Reviewing annually the performance of the internal and the external auditors.
<b>Additional Audit</b>	Commissioning any additional external and/or internal audit exercises, reviews or investigations it considers necessary. Discussing with internal and external auditors whether they noted any instances of employee fraud, bribery, questionable or illegal payments, or violations of laws or regulations.
<b>Non - Audit Services</b>	Agreeing the policy and procedures for contracting for non audit services provided by the internal or the external auditors.
<b>Risk Strategy &amp; Risk Monitoring Arrangements</b>	Agreeing a framework for Group Risk Strategy and recommending approval of the Strategy by the SHGL Board. This should be reviewed every 3 years, unless a significant change in business direction requires an early review.  Reviewing arrangements for the management of risk and monitoring their effectiveness.
<b>Insurance</b>	Receiving an annual rationale for and summary of Group insurance arrangements.
<b>Internal Controls Compliance Statement</b>	Considering the Chief Executive's annual statement and ensuring that comments are reported to the Board of SHGL before submission to the Regulator.
<b>Fraud and Allegations reporting and action</b>	Ensuring compliance with the Regulator's requirements on the reporting of fraud and bribery. Monitoring all entries made in the Group fraud and bribery registers. Ensuring that any allegations are thoroughly investigated and that any recommendations are implemented.
<b>Whistle Blowing</b>	Reviewing and approving the Group Whistle Blowing Policy. Approving action and receiving reports where there are

	serious probity or financial issues that are likely to bring the Group into serious disrepute.
<b>Group Financial Stability and Accounting Consistency</b>	Monitoring the financial stability of subsidiaries within the Group; ensuring the consistency and appropriateness of accounting policies throughout the group; and recommending remedial action, where necessary, to the SHGL Board.
<b>Budget Proposals</b>	Reviewing budget proposals and ensuring comments are reported to the Boards of SHGL and the subsidiaries.
<b>Financial/Budgetary Performance &amp; Management Accounts</b>	Monitoring financial and budgetary performance against business plans within the Group and considering the latest management accounts at each meeting; reporting and making recommendations on any action to be taken to the relevant Board.
<b>Timetable and format for Annual Financial Statements</b>	Examining and agreeing the format and content of the annual Financial Statements; recommending approval by the relevant board; and ensuring preparation and submission within the statutory timetable.
<b>Regulatory &amp; Inspection reports</b>	Receiving regulatory and inspection reports, where appropriate. Ensuring that responses and agreed outcomes are co-ordinated. Ensuring that remedial action is taken as appropriate.
<b>Write Offs</b>	Approving write offs of bad debts (for non-tenant related arrears) from £20,000 to £100,000 and reporting write offs to the relevant Boards.  Approving write offs great than £100,000 and reporting these to the relevant Boards.
<b>Changes to Terms of Reference for the Committee</b>	Recommending to the SHGL Board changes to the Terms of Reference.
<b>Complaints</b>	Monitoring complaints made relating to the work of the Committee and/or the Audit function.