TERMS OF REFERENCE OF THE:
AUDIT & RISK COMMITTEE (ARC)

Committee:	Audit & Risk
Version date:	Version 3 - October 2024
Approved:	October 2024
Review date:	October 2027

1.0 Membership

Up to four Members who shall be appointed by Cobalt Housing's Board on a skills and competency basis. The majority of Committee Members will always be Board Members. Executives cannot be members of this committee. The Chair of the Committee will be appointed by Cobalt Housing's Board. At least one member of the committee (preferably the Chair) should be a professionally qualified accountant and the Chair will always be a Board member and not a co-optee or independent member. The Chair of the Board may not chair the Committee or be a member of the Committee. The Board may appoint co-optees, as set out in the Rules, to assist in technical or specialist areas, where additional expertise may be needed.

2.0 Quoracy

3 Members to be present (2 of which must be Board Members).

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

3.0 Frequency of meetings

At least four meetings per year. Additional meetings may be convened if required by the Chair, the Company Secretary or Committee members.

Meetings can be held in person or virtually as agreed by the Committee.

4.0 Purpose

The Audit & Risk Committee (ARC) has been established to focus on providing effective governance of compliance with the RSH Economic Standards, specifically Cobalt's Risk Management framework, Internal Controls, approach to audit and assurance and undertake initial review of business plan assumptions and stress testing scenarios for further scrutiny by the Board. The Committee will not limit its scope of work to Cobalt itself but also to each of its subsidiary companies. All its findings/work relating to a particular subsidiary shall be reported to the Board of Cobalt and to the Board of that subsidiary as well.

The Audit and Risk Committee will report directly to Board.

The Committee will carry out the following functions.

5.0 Roles and responsibilities of the Committee

1. To advise Cobalt's Board on whether there is an appropriate culture of control throughout the organisation.
2. Ensure that there is a transparent procedure in place for the selection and periodic review of the appointment of external and internal auditors, along with professional advisors in relation to corporate legal matters, insurance advisors and insurers.
3. Recommend to Board the appointment of insurance advisors and insurers, along with both the external and internal auditors, subject to any ratification required at the Annual General Meeting.

External and internal audit

4. Discuss with the external auditor, the nature and scope of the audit and agree this prior to its commencement.
5. Discuss problems and reservations arising from any interim and final external audit, and any matters the external auditors may want to discuss (in the absence of management if necessary). To agree any remedial actions as appropriate and ensure these are escalated to the Board's attention.
6. Consider and agree the Accounting Policies of Cobalt and recommend their adoption by the Board.
7. Review the Annual Financial Statements from the perspective of compliance with Accounting Policies, Standards, law and regulations, and their consistency with prior reporting of financial results during the year, advising the Board on any matters of discretion available within the Annual Financial Statements.
8. Agree the Internal Audit Plan with the internal auditors, agree the scope of individual reviews with the executive team and the internal auditors and monitor the performance and progress against that Plan.

9. Agree Management Action Plans from agreed Internal and External Audit recommendations (or similar), and constantly monitor their implementation.
10. Review the External Auditors' management letters and management's response and submit them to Board for consideration.
11. Ensure co-operation and co-ordination between internal and external auditors.
12. As a matter of principle and to ensure that their independence is not compromised, the Committee should meet with the internal and external auditors at least once a year without any staff being present.

Internal controls

13. Establish and oversee systems of delegation and internal control and make recommendations to Board for approval.
14. Keep under constant review the effectiveness of those internal control systems and have responsibility for recommending to the Board the Annual Statement of Internal Control.
15. To commission, where necessary and with the approval of the Board, special investigations into matters of particular concern relating to internal controls.
16. 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.
17. To receive reports relating to any matters of whistleblowing or alleged or actual fraudulent activity that may have an effect upon the organisation (or any of its subsidiaries) and ensure that any necessary reports about fraud are made to the Regulator.

Risk

18. Establish policies, strategies and procedures for the identification and management of risk so as to minimise and take appropriate action in respect of those risks which will adversely affect Cobalt's ability to meet its business objectives and deliver services successfully and recommend these to Board for approval.
19. Continuously monitor Cobalt's Risk Map including for the identification of new risks and for the changing context of risks already identified.
20. Review Cobalt's strategy for addressing insurable risk, including the maintenance of adequate insurance cover, ensuring Cobalt's assets and resources are subjected to agreed acceptable levels of insurable risk and make recommendations to Board for their approval.
21. Establish and review Cobalt 's Business Continuity Plan (including the disaster recovery plan) and make recommendations to Board for their approval.
22. Review stress testing scenarios and assess the parameters and methodology of stress testing, making recommendations to Board.

Other

23. Consider any proposals to change Officer Standing Orders and Financial Regulations and make recommendations to Board for approval.
24. Ensure that systems are in place to ensure compliance with funding contracts and assurance issued to Board.
25. Review the assets and liabilities register and make recommendations to maximise the use of assets to the Board.
26. Ensure that adequate systems are in place to ensure the Board fulfils its duties under RSH Regulatory Framework, and receive from ELT an annual report of compliance with the Regulatory Standards and provide the required compliance assurance to Board, allowing the Board to be able to certify compliance with the Regulatory Standards in its annual statutory accounts.
27. Review all Cobalt policies regarded by Board as policies which are relevant to these Terms of Reference.
28. To review the declaration of interest register annually.
29. To review Cobalt's gifts and hospitality register at least once per year.
30. To review the fraud register for the prior financial year prior to submission to the RSH via NROSH before 30th September each year.
31. To review Cobalt's contracts and procurement register at least once per year.
32. Tasked with overseeing the delivery of specific projects or programmes approved by the Board, ensuring alignment with ARC's strategic objectives and Cobalt's broader risk management framework. This oversight will

be conducted in a manner that maintains the committee's independence and effectiveness, with the Board supporting the ARC through the provision of technical or specialist advice as needed.

33. Oversees the Treasury Management Policy and practices.
34. To ensure that Cobalt's mandatory training programme has appropriate coverage for Executive and Non-Executives in relation to risk mitigation and to ensure any requirements are fed through to the Board.

Authority and access to information

35. The Committee may meet with the external auditors without any employee or the internal auditors being present, and may meet with the internal auditors without any employee being present.
36. The Committee is authorised by the Board to obtain outside legal or other independent professional advice up to a value agreed by the Board and to secure the attendance of outsiders with relevant expertise and experience if considered necessary.
37. The Committee Chair will report the exercise of this authority to the Board Chair together with the advice received. Unless the Board Chair is of the opinion that to reveal the advice would compromise any investigation or to do so would be contrary to the interests of the Cobalt, all relevant facts relating to the advice will be reported to the Board at its next meeting or as soon as appropriate thereafter.
38. The Committee has right of access to information within its terms of reference and shall receive the co-operative of Cobalt's staff so as to be able to carry out its responsibilities.

Accountability

39. The Committee is accountable to Cobalt Board for the fulfilment of the responsibilities delegated to it as set out in this Terms of Reference.
40. All committee members share responsibility for its decisions and should act only in the interests of Cobalt and not on behalf of any constituency or interest group.
41. Cobalt will obtain assurance on the committee's work via minutes and regular verbal feedback from the Committee Chair on all of the Committee meetings.
42. The Chair of the Committee will ensure that key issues are promptly brought to the attention of Cobalt Board.
43. The Committee will report formally on its work to Cobalt Board on an annual basis.

Review

44. The Cobalt Board has approved these terms of reference and they will bind the Committee from October 2024.
45. At least every three years, the Committee shall review its structure, delegated responsibilities, reporting arrangements and its terms of reference and report its conclusions to Cobalt Board, including any recommendations for change.