

Board Audit & Risk Committee Terms of Reference

1. The composition of the Committee

The Audit & Risk Committee is composed of non-executive Directors to ensure independence. It is suggested that the Committee should comprise Directors not sitting on the Credit Committee.

In line with the Code of Practice for the Governance of State Bodies, the duration of Audit & Risk Committee membership shall be 3 years, which can be extended for a maximum of a further 3 years if required. The Code also recommends that at least one member of the Committee shall have recent and relevant financial experience.

Given the considerable financial and other relevant experience on the Board, a suitable Audit & Risk Committee shall be appointed from amongst its members.

A standard letter of appointment shall be issued to all appointed members of the Audit & Risk Committee following the Committee's renominations.

The Chairperson of the Audit & Risk Committee will rotate between members of the Committee, if a chairperson is not appointed by the Board.

The quorum for meetings of the Committee shall be three members thereof, present in person/remotely via Microsoft Teams.

2. Frequency of meetings

The current Code of Practice for the Governance of State Bodies requires that the Audit & Risk Committee shall meet four times a year.

3. Authority

The Committee is authorised by the Board to consider any activity within its terms of reference. The detailed duties of the Committee are set out in paragraph 4 below.

Individual members of the Audit & Risk Committee must pay particular attention to the avoidance of conflicts (or potential conflicts) of interests in approving or recommending loans. Should potential conflict arise, the Audit & Risk Committee should be informed.

The Committee, with Board approval, can obtain outside independent professional advice and secure the attendance of consultants with relevant experience and expertise, if it considers this to be necessary.

No resolution shall be deemed passed at any meeting of the Audit & Risk Committee unless each member thereof present at such meeting shall have voted in favour of such resolutions.

The provisions of Article 95 of the HFA Constitution (relating to resolutions in writing) shall apply mutatis mutandis.

4. Duties

The duties of the Audit & Risk Committee shall be to:

- i. assist in the review of Management Accounts and Financial Statements;
- ii. review cost of funds and variable interest rates charged;
- iii. review the Internal Audit function;
- iv. ensure compliance with legal and other regulatory obligations;
- v. consider and report, to the Board, on such related matters as may be referred to it by the Board from time to time;
- vi. oversee the HFA's Risk Register and report to the Board thereon, in conformity with Section 8.1 of the Code of Practice for the Governance of State Bodies;
- vii. undertake a review of internal controls and the approval of any changes in accounting policies as part of annual review of the HFA's Financial Statements;
- viii. where requested by the Board, provide advice on whether the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the HFA's performance, business model and strategy;
- ix. have the authority to investigate any matter within its terms of reference and the resources and information which it needs. (The Committee, with Board approval, can obtain outside independent professional advice and secure the attendance of consultants with relevant experience and expertise, if it considers this to be necessary.);
- x. monitoring compliance with the General Data Protection Regulation and the Irish Data Protection Acts
- xi. observe the requirement for value for money;
- xii. review its own effectiveness on an annual basis; and,
- xiii. report to the Board on how it has discharged its responsibilities.

Liaison with the External Auditors

That the Committee should ensure that:

- i. the External Auditors are made aware of corporate governance issues outlined in the Code of Practice for the Governance of State Bodies;
- ii. it meets with External Auditors at least once a year, without any executives present and act as a channel of communication between the Board and the external audit;
- iii. it participates in the engagement/re-engagement of the External Auditor;
- iv. if the External Auditor provides non-audit services, an explanation of how Auditor objectivity and independence is safeguarded;
- v. it acts as a channel of communication between the Board and the external auditor; and,

vi. the Annual Report contains a separate section of the Audit & Risk Committee including:

- the significant issues that it considered in relation to the Financial Statements, and how these issues were addressed; and,
- an explanation of how it has assessed the effectiveness of the external audit process and the approach taken to the appointment or reappointment of the External Auditor, and information on the length of tenure of the current audit firm and when a tender was last conducted;

5. Reporting procedures

The Secretary of the Committee should circulate the minutes of meetings to all members of the Committee and the Board, at the next Board meeting. The Board publishes the names of the members of the Audit & Risk Committee in the HFA's Annual Report and Accounts.

Approved by HFA Board,

25 April 2024