

The Audit and Risk Committee: Terms of Reference

The Audit & Risk Committee ('The Committee') is responsible for monitoring the integrity of the financial statements of the CGIUKI division and its subsidiary companies ('the Group') keeping under review the effectiveness of the Group's internal controls and risk management systems; considering and making recommendations to the CGIUKI Board (The Board) concerning the reappointment of the Group's external auditor; oversight of the internal audit function; and overseeing the selection processes for the engagement of external and internal auditors when required.

1. Membership

- 1.1. The Committee shall have a minimum of four members. These can be Fellows, Associates and Affiliated members of the Institute and non-members. However, the proportion of Board members must always be at least two thirds of the membership.
- 1.2. At least one member of the Committee shall have recent, relevant financial experience.
- 1.3. Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the Chair of the Audit and Risk Committee.
- 1.4. Appointments to the Committee shall be for a period of up to three years, which may be extended, subject to Board approval, for up to an additional three-year period.
- 1.5. Only members of the Committee have the right to attend Committee meetings. However, the Chief Executive, the Finance Director, the Financial Controller, external and internal auditors shall be invited to attend meetings of the Committee on a regular basis. Other individuals might be invited to attend all or part of any meeting as and when appropriate.
- 1.6. The CGIUKI President shall be invited to attend all Committee meetings.
- 1.7. The Chair of the Committee shall be appointed by the Board for a period of three years which may be extended, subject to Board approval, for up to an additional three-year period.

2. Secretary

- 2.1. The Head of Secretariat or her/his deputy shall be secretary to the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

3. Quorum

- 3.1. The quorum of the Committee at any meeting shall be two members.
- 3.2. If the Chair of the Committee is not present, then those present will decide which of their number is to take the chair to the conclusion of that meeting only.
- 3.3. A duly convened meeting of the Committee at which the quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

4. Meetings

- 4.1. The Committee shall meet at least twice a year at appropriate times in the financial reporting and audit cycle.
- 4.2. Meetings can be held by electronic means.
- 4.3. Decisions can be made by the Committee by written resolution.

5. Notice of meetings

- 5.1. Meetings of the Committee shall be called by the secretary of the Committee at the request of any of its members or at the request of the CGIUKI President, the external or the internal auditors.
- 5.2. Unless otherwise agreed, notice, agenda and papers shall be forwarded no later than five working days before the date of the meeting.

6. Minutes of meetings

- 6.1. The secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those in attendance.
- 6.2. The Chair and Committee members shall disclose the existence of any conflicts of interest, at the beginning of each meeting, and the secretary shall minute them accordingly.
- 6.3. Minutes of the Committee meetings shall be circulated within five working days to the Chair of the Committee and within ten working days to all members of the Committee.

7. Annual General Meeting

- 7.1. The Chair of the Committee shall attend the division's annual general meeting, present a report to the members and be prepared to respond to any questions on the Committee's activities.

8. Duties

The Committee should carry out the duties below for the Group as appropriate.

8.1. Financial reporting

The Committee shall:

- 8.1.1. Monitor the integrity of the financial statements of the Group including its annual reports, reviewing significant financial reporting issues and judgments that they contain having regard to matters communicated to it by the external auditor.
- 8.1.2. Recommend the selection of suitable accounting policies for adoption by the Board.
- 8.1.3. Oversee the application of significant accounting policies both on a year on year basis and across the Group and any changes to them.
- 8.1.4. Review and challenge where necessary:
 - 8.1.4.1. Whether the Group has followed appropriate accounting standards and made appropriate estimates and judgments, taking into account the views of the external auditor.
 - 8.1.4.2. The clarity of disclosure in the financial reports and the context in which statements are made.

- 8.1.5. Review all the material information presented with the Annual Report and financial statements, such as the Governance Review (insofar as it relates to the audit and risk management), as well as the report describing the work of the Committee including:
 - 8.1.5.1. Significant issues that the Committee considered in relation to the financial statements and how these issues were addressed
 - 8.1.5.2. An explanation as to how the Committee has assessed the independence and effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, information on the length of tenure of the current audit firm, when a tender was last conducted and advance notice of any retendering plans.
 - 8.1.5.3. An explanation of how auditor independence and objectivity are safeguarded if the external auditor provides non-audit services, having regard to matters communicated to it by the auditor.

8.2. Internal controls and risk management systems

The Committee shall:

- 8.2.1. Keep under review the Group's internal control systems that identify, assess, manage and monitor risks.
- 8.2.2. Review and approve the statements to be included in the annual report concerning internal control and risk management, including the assessment of the principal risks and uncertainties.
- 8.2.3. Review the Declaration of Interests by members of the Board and its sub-committees in order to determine whether there any related party considerations.

8.3. Internal Audit

The Committee shall:

- 8.3.1. Approve the appointment or termination of appointment of the internal auditor.
- 8.3.2. Ensure the internal auditor has direct access to the CGIUKI President and to the Chair of the Committee , and is accountable to the Audit and Risk Committee.
- 8.3.3. Review and approve the annual internal audit plan to ensure it is aligned to the key risks and it is appropriate for the current needs of the Group, and receive regular reports on work carried out.
- 8.3.4. Oversee management's response and implementation of the auditor's recommendations.
- 8.3.5. Meet with the internal auditor at least once a year without the presence of management.
- 8.3.6. Monitor and review the effectiveness of the Group's internal audit function, in the context of the group's overall risk management system.

8.4. Speaking up and fraud

The Committee shall:

- 8.4.1. Review the Group's whistleblowing policy which includes arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action
- 8.4.2. Receive reports on any fraudulent activity within the Group and note actions taken by management.

8.5. External Audit

The Committee shall:

- 8.5.1. Consider and make recommendations to the Board, to be put to members for approval at the AGM, in relation to the appointment, re-appointment and removal of the Group's external auditor.
- 8.5.2. Oversee the selection process for new auditors and, if the auditor resigns, the Committee shall investigate the issues leading to this and decide whether any action is required.
- 8.5.3. Oversee the relationship with the external auditor including (but not limited to):
 - 8.5.3.1. Approval of their remuneration, whether fees for audit or non-audit services, and ensure that the level of audit fees is appropriate to enable an adequate audit to be conducted.
 - 8.5.3.2. Approval of their terms of engagement, including the audit planning letter issued prior to the start of each audit and the scope of the audit.
 - 8.5.3.3. Annual assessment of their independence and objectivity taking into account relevant UK professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services.
 - 8.5.3.4. Satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Group (other than in the ordinary course of business).
 - 8.5.3.5. Monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners.
- 8.5.4. Oversee adherence to the policy for non-audit fees
- 8.5.5. Review and approve the annual audit plan for the Group and its entities and ensure that this is consistent with the scope of the audit engagements.
- 8.5.6. Review the findings of the audit with the external auditor. This shall include (but not limited to), the following:
 - 8.5.6.1. A discussion of any major issues which arose during the audit.
 - 8.5.6.2. Any accounting and audit judgements.
 - 8.5.6.3. Levels of errors identified during the audit.

8.5.7. The Committee shall also:

- 8.5.7.1. Review the effectiveness of the audit.
- 8.5.7.2. Review any representation letter(s) requested by the external auditor before they are signed by the Chair of the Committee.

- 8.5.7.3. Review the management letter and management's response to the auditor's findings and recommendations.
- 8.5.7.4. Meet with the external auditor at least once a year without the presence of management. The Chair of the Committee shall meet the external auditor twice a year, once at the planning stage before the audit and once after the audit at the reporting stage.

8.6. Reporting responsibilities

The Chair of the Committee or their alternate shall:

- 8.6.1. Report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 8.6.2. Make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

8.7. Other matters

The Committee shall:

- 8.7.1. Have access to sufficient resources in order to carry out its duties, including access to staff as reasonably required.
- 8.7.2. Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.
- 8.7.3. Give due consideration to laws and regulations as appropriate.
- 8.7.4. Ensure that conflicts between the finance function and external auditors are resolved.
- 8.7.5. Oversee any investigation of activities which are within its terms of reference
- 8.7.6. Resources shall include an agreed provision to facilitate at least once a year, a review of the Committee's own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

9. Authority

The Committee acts under delegated authority from the Board and is authorised to:

- 9.1. Seek any information it reasonably requires from any employee of the Group in order to perform its duties.
- 9.2. Obtain, at the Group's expense, outside legal or other professional advice on any matter within its terms of reference. Any expenditure required should to be agreed with the Chief Executive and/or the CGIUKI President