

The Civil Service Motoring Association

Audit and Risk Committee

Terms of Reference as at June 2021

Introduction

These terms of reference apply to the Audit and Risk Committee that acts on behalf of all companies within the CSMA Group.

Membership

1.1 The Committee and its Chairman shall be appointed by the CSMA Board from amongst the non-executive directors or the Vice Presidents of the Association and shall comprise three members. The CSMA board also has the authority to remove and replace members of the committee. At least two members will be current CSMA non-executive directors. The Board will satisfy itself that at least one member of the Committee has recent and relevant financial experience. If a committee member is unavailable to attend a meeting the board may, at its discretion, appoint a board member to be a temporary committee member. The Chairman of the board shall not be a member of the committee.

1.2 A quorum will be two members.

Attendance at Meetings

2.1 The Chief Financial Officer and Compliance consultant will attend on invitation of the Chairman. Representative(s) from the Executive may be asked to attend when appropriate. The Committee shall inform the Association's auditors of the dates set for the Committee's meetings and may invite the Company's auditors to attend such meetings or such parts of its meetings as it sees fit. The Committee shall be entitled at any time to meet with the external auditors without executive Board members present.

2.2 Any Board Member may attend any Committee meeting with the prior consent of the Chairman of the Committee.

2.3 The Company Secretary or their nominee shall act as the secretary of the committee.

Frequency of Meetings

3.1 Meetings shall be held not less than twice a year. Meetings will be scheduled to coincide with key dates within the reporting and audit cycle covering financial and control matters. The Committee will meet on a more regular basis as required to consider any specific control matters. The external auditors may request a meeting if they consider that one is necessary.

3.2 Papers will be prepared and sent to all Committee members and will be issued no later than one week prior to the meeting to allow the members of the Committee sufficient time to read and consider their content. Copies of the papers will also be issued to those members of management expected to attend the meeting.

Authority

4.1 The Committee is authorised by the Board to investigate any activity within its terms of reference and to seek any information it requires from any employee. All employees are directed to co-operate with any request made by the Committee.

4.2 The Committee shall have access to all board minutes, accounting, compliance and internal control records of the Group and any internal or external reports relating thereto. It is also free to request any further information it requires to enable it to discharge its obligations and duties.

4.3 The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

4.4 The Committee is authorised by the Board to obtain appropriate training, at the Company's expense, on an ongoing basis. Such training may comprise attendance at formal courses and conferences, internal Company talks and briefing by external auditors.

Skills, experience and training

5.1 The Board recognises that the need for a degree of financial literacy among the Committee members is necessary and that experience of corporate financial matters is desirable.

5.2 Training is provided, as required, to members of the Committee on an ongoing and timely basis, in order to allow the Committee to perform its duties.

Terms of Reference (Duties)

Regulatory and Business Risk Management

- 6.1 To review the strategic, regulatory and operational risk management processes within the group ensuring the processes are relevant, proportional and fit for purpose.
- 6.2 To review with management any regulatory report or letter addressing the compliance environment or monitoring activities and management's responses.
- 6.3 To review management's reports on the effectiveness of systems for internal financial control, financial reporting and risk management.

Financial Reporting

- 6.4 To review the accounting principles, policies and practices adopted in the preparation of the annual accounts, including any off balance sheet activities, of the Association.
- 6.5 To satisfy itself that the annual financial statements meet all the relevant statutory requirements and Financial Reporting Standards.

The financial control and compliance process

- 6.6 To consider with the auditors and management the adequacy of the Association's accounting, financial and operating controls and the overall control environment. To be advised on any departure from the standards of business practice and ethics that the Board has set.
- 6.7 To review the Compliance function's remit, ensure that the Compliance function is adequately resourced and has appropriate standing within the group, and monitor and review its effectiveness.
- 6.8 To approve the appointment, changes to the role or termination of the Compliance Consultant.
- 6.9 To consider the major findings of internal investigations and management's response.

The external audit process

- 6.10 To consider and make recommendations to the Board in relation to the appointment, re-appointment and removal of the external auditor, the terms of engagement, the audit fee, and

any questions of resignation and dismissal following appointment by the members in a general meeting. If the Board does not accept the Committee's recommendation, it will, in the annual report and in any paper recommending appointment, re-appointment or removal, include a statement from the Committee explaining the recommendation, together with reasons why the Board has taken a different position.

Independence, including the provision of non-audit services

6.11 Approval of the appointment of consultants to undertake budgeted or unbudgeted work in line with the requirement to ensure the auditors independence is not compromised.

6.12 Where the auditors supply non-audit services, the Committee shall keep the nature and extent of such services under review, seeking to ensure independence and balance the maintenance of objectivity and value for money. The annual report will explain how such objectivity and independence is safeguarded.

Audit/ monitoring results

6.13 To ensure that there are no unsettled issues of significance between management and the auditors which could affect the accuracy and fairness of the statements and to report to the Board thereon prior to any public announcement relating thereto.

6.14 To discuss problems and reservations arising from the annual audits or compliance and internal control reviews and any matters the auditors may wish to discuss (in the absence of management where necessary).

6.15 To consider with management the principal points raised by the auditors in their management letter and the management response thereto and to consider management's comments on working relationships with the auditors.

6.16 To make recommendations to the Board on any actions necessary to address any issue identified from the monitoring and review activities performed as a cause for concern or areas where there is scope for improvement.

General

6.16 To review annually the terms of reference of the Committee and its own effectiveness as a Committee in conjunction with the Board and, where appropriate, recommend or make changes.

6.17 To consider other topics, as defined.

Reporting procedures

7.1 The Secretary shall table the minutes of the Committee at the next following Board Meeting.

7.2 The Company's auditors and all members of the Committee shall receive minutes of each meeting. The Chairman of the Committee shall approve the minutes of each meeting and thereafter report to the Board on the proceedings of the Committee.