

THE CIVIL SERVICE MOTORING ASSOCIATION LTD

TERMS OF REFERENCE OF: THE AUDIT & RISK COMMITTEE

Definitions

1. In this document:

“Articles”	means the Articles of Association of the Association
“the Association”	means the Civil Service Motoring Association Ltd
“the Association Chair”	means the person appointed as Chair of the Association
“the Board”	means the Board of Directors of the Association
“the Code”	means the UK Corporate Governance Code
“Director”	means a person who is a Director of the Association
“Governors”	means individuals who are Governors of the Association
“Group”	means the group of companies of which the Association is the holding company

Responsibilities and other matters

2. The Committee has the responsibilities set out in the Appendix to these Terms of Reference. The Committee has oversight of the Group as a whole in relation to Audit & Risk and (unless required otherwise by law or regulation) carries out the duties in the Appendix for the Association and its subsidiaries and the Group as a whole, as appropriate.
3. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed, and adequate time shall be made available for Board discussion, when necessary.
4. When making a decision or recommendation the Committee shall have due regard to the ethos, values and traditions of the Association.
5. The Committee shall:
 - (a) Have access to sufficient resources in order to carry out its duties, including access to the Association secretariat for advice and assistance as required.
 - (b) 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.
 - (c) Give due consideration to all relevant laws and regulations and the Code and associated guidance.

- (d) Ensure that a periodic evaluation of the Committee's own performance is carried out.
- (e) At least every two years, review the Committee's terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

Programme of Priorities

- 6. On annual basis the Committee will set out a programme of priorities for the following year which will inform the agenda for its meetings.

Professional Advice

- 7. The Committee is authorised by the Board to obtain, at the Association's expense, external legal or other professional advice on any matters within its terms of reference, subject to prior approval by the Association Chair or the Chief Executive. (For the avoidance of doubt, an individual member of the Committee is not entitled to be reimbursed in respect of the cost of legal advice taken personally, rather than by the Committee collectively.)

Membership

- 8. Appointments to the Committee are made by the Board.
- 9. The Committee shall comprise not less than three non-executive directors of the Association¹. The Board will satisfy itself that at least one member of the Committee has recent and relevant financial experience.
- 10. Appointments shall be made for such period as the Board shall decide.

People attending meetings of the Committee

- 11. Only members of the Committee have the right to attend meetings of the Committee. However, other individuals (including employees and external advisers) may be invited to attend meetings for all or part of any meeting, as and when the Committee Chair deems appropriate.
- 12. The Chief Executive and the Chief Financial Officer shall normally be invited to attend meetings of the Committee but shall leave meetings when matters concerning themselves are to be discussed.

Notice of Meetings

- 13. Meetings of the Committee shall be called by the Company Secretary, at the request of the Committee Chair or any other member of the Committee.
- 14. The Committee Chair shall convene a meeting of the Committee, if the auditors request a meeting with the Committee.

¹ A non-executive director is a director who is not employed by the Association.

15. Unless otherwise agreed by all of the Committee, notice of each meeting (including an agenda of items to be discussed) shall be given to each member of the Committee and any other person invited to attend no less than five days before the date of the meeting.

Quorum

16. The quorum necessary for the transaction of business shall be two members of the Committee.

Committee Chair

17. The Board shall appoint a non-executive director of the Association with relevant financial qualifications and/or experience to be the Committee Chair.
18. Meetings of the Committee shall normally be chaired by the Committee Chair. However, in the absence of the Committee Chair, the remaining members of the Committee present shall elect one of themselves to chair the meeting.
19. The Committee Chair shall report to the Board at its next meeting on the nature and content of its discussions, recommendations and actions to be taken.

Frequency of meetings

20. The Committee shall meet sufficiently regularly to discharge its duties effectively. It is expected that the Committee shall normally meet at least twice a year. Meetings will be scheduled after taking into account key dates within the reporting and audit cycle. Ad hoc meetings of the Committee may be convened where required to discuss any specific control issues.

Video calls etc

21. As stated in the Articles, a Director may participate in a meeting of the Committee by means of a video or audio conference call or any other electronic facility which allows all persons participating in the meeting to hear one another. Such a participant shall be deemed to be present in person at the meeting and shall be entitled to vote and be counted in a quorum accordingly. The meeting shall be deemed to take place where the largest group of those participating is assembled or (if there is no such group) where the person chairing the meeting then is.

Decision-making

22. Questions arising at a meeting of the Committee shall be decided by a majority of votes. In the case of an equality of votes, the person chairing the meeting shall have a casting vote.
23. As stated in the Articles, a resolution in writing signed or confirmed electronically by not less than three quarters of the Committee entitled to receive notice of a meeting of the Committee (subject to a minimum of three Directors) shall be as valid and effectual as if it had been passed at a meeting of the Committee duly convened and held and may consist of several documents in the like form, each signed or confirmed electronically by one or more of the Directors.

Conflicts of Interest

24. A member of the Committee must disclose before the beginning of a meeting if he/she has a material personal interest in any matter that is going to be discussed by the Committee at the meeting.
25. As stated in the Articles:
 - (a) If a proposed decision of the Directors is concerned with an actual or proposed transaction or arrangement with the Association in which a Director is interested, that Director is not to be counted as participating in the decision-making process for quorum or voting purposes unless the Director's interest cannot reasonably be regarded as likely to give rise to a conflict of interest or the Director's conflict of interest arises from arrangements pursuant to which benefits are made generally available to employees and directors.
 - (b) If a question arises at a meeting of a committee of Directors as to the right of a Director to participate in the meeting (or part of the meeting) for voting or quorum purposes, the question may, before the conclusion of the meeting, be referred to the person chairing the meeting whose ruling in relation to any Director other than himself/herself is to be final and conclusive. If any question as to the right to participate in the meeting (or part of the meeting) should arise in respect of the person chairing the meeting, the question is to be decided by a decision of the Directors at that meeting, for which purpose the person chairing the meeting is not to be counted as participating in the meeting (or that part of the meeting) for voting or quorum purposes.

Administration

26. The Company Secretary (or their nominee) shall act as the secretary of 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.
27. The Company Secretary shall minute or arrange for the minuting of the proceedings of all Committee meetings, including recording the names of those present and in attendance.
28. Draft minutes of Committee meetings shall be circulated to all members of the Committee. Once approved, minutes shall be circulated to all other members of the Board unless exceptionally it would be inappropriate to do so (for example, when matters personal to an individual director were discussed).

Date approved by the Board:

2023

THE APPENDIX

RESPONSIBILITIES OF THE AUDIT & RISK COMMITTEE

The Committee shall:

Financial Reporting

1. Review the accounting principles, policies and practices adopted in the preparation of the annual accounts of the Association (including any off balance sheet activities). In particular, the Committee shall review and challenge where necessary:
 - (a) the application of significant accounting policies and any changes to them;
 - (b) the methods used to account for significant or unusual transactions where different approaches are possible;
 - (c) whether the Association has adopted appropriate accounting policies and made appropriate estimates and judgements, taking into account the auditors' views on the financial statements;
 - (d) the clarity and completeness of disclosures in the financial statements and the context in which statements are made;
 - (e) all material information presented with the financial statements, including the strategic report and the corporate governance statements relating to the audit and to risk management.
2. Review any other statements requiring Board approval which contain financial information.
3. Report its views to the Board if the Committee is not satisfied with any aspect of the proposed financial reporting by the Association.
4. On the Board's request, review the content of the annual report and accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for members of the Association to assess the Association's performance, business model and strategy.
5. Satisfy itself that the annual financial statements meet all the relevant statutory and regulatory requirements and Financial Reporting Standards.

Financial controls

6. Keep under review the Association's internal financial controls systems that identify, assess, manage and monitor financial risks, and other internal control and risk management systems.
7. Review and approve the statements to be included in the annual report concerning internal control, risk management, including the assessment of principal risks and emerging risks, and the viability statement.

8. Consider with the auditors and management the adequacy of the Association's accounting, financial and operating controls and the overall control environment. The Committee will be advised of any departure from the standards of business practice and ethics that the Board has set.

Policies

9. Review and (on behalf of the Board) approve Group financing, banking and treasury policies.
10. Review and (on behalf of the Board) approve proposed significant change in accounting policies or practices.

Auditors and the audit process

11. Consider and make recommendations to the Board in relation to the appointment or removal of the Group's auditors.
12. Oversee any tendering process for the appointment of the auditors, ensuring that all tendering firms are given all necessary information during the tendering process.
13. If the auditors resign, investigate the issues leading to this and decide whether any action is required.
14. Review and approve the auditors' remuneration (on behalf of the Board).
15. Assess annually the auditors' independence and objectivity taking into account relevant law, regulation, the FRC Ethical Standard and other professional requirements and monitor the auditors' processes for maintaining independence.
16. Assess periodically the effectiveness of the external audit process.
17. Where the auditors supply non-audit services, keep the nature and extent of such services under review, seeking to ensure independence and balance the maintenance of objectivity and value for money.
18. Meet regularly with the auditors (including once at the planning stage before the audit and once after the audit at the reporting stage) and, at least once a year without management being present, to discuss the auditors' remit and any issues arising from the audit.
19. Discuss with the auditors:
 - (a) the factors that could affect audit quality and review and approve the annual audit plan and review the plan post audit, ensuring it is consistent with the scope of the audit engagement; and
 - (b) (in that context) the seniority, expertise and experience of the audit team.
20. Review the findings of the audit with the auditors. This shall include but not be limited to, the following:
 - (a) A discussion of any major issues which arose during the audit;

- (b) The auditors' explanation of how the risks to audit quality were addressed;
 - (c) Key accounting and audit judgements;
 - (d) The auditors' view of their interactions with senior management; and
 - (e) Levels of errors identified during the audit.
21. Review any representation letter requested by the auditors before it is signed on behalf of the Board.
 22. Review the management letter and management's response to the auditors' findings and recommendations.
 23. Review the effectiveness of the audit process, including an assessment of the quality of the audit, the handling of key judgements by the auditors, and the auditors' response to questions from the Committee.
 24. Ensure that there are no unsettled issues of significance between management and the auditors which could affect the accuracy and fairness of the statements.
 25. Consider with management the principal points raised by the auditors in their management letter and the management response thereto and management's comments on working relationships with the auditors.
 26. 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.

Risk Management

27. Monitor and review the effectiveness of the strategic, regulatory and operational risk management processes within the Group ensuring the processes are relevant, proportional and fit for purpose.
28. Review with management any regulatory report or letter addressing the compliance environment or monitoring activities and management's responses.
29. Review management's reports on the effectiveness of systems for internal financial control, financial reporting and risk management.
30. Review the Association's procedures to manage or mitigate principal risks and to identify emerging risks, to assist in the Board's assessment of principal and emerging risks.
31. Review and assess the Association's risk appetite and associated stress testing.
32. Evaluate the Association's principal risks, to be taken into account by the Board when assessing the Association's prospects.
33. Review and approve the statements to be included in the annual report concerning internal controls and risk management.

34. Oversee and seek suitable assurance from senior management regarding:
- (a) The risk exposures of the Association, including risk to the Association's business model, and solvency and liquidity risks.
 - (b) The adequacy and effectiveness of the Association's processes and procedures to manage risk and the internal control framework, including the design, implementation and effectiveness of those systems.
 - (c) The ability of the Association's risk management and internal control systems to identify the risks facing the Association and enable a robust assessment of principal risks.
 - (d) The Association's capability to identify and manage new and emerging risks.
 - (e) The effectiveness and relative costs and benefit of particular controls.
 - (f) The effectiveness of management's processes for monitoring and reviewing the effectiveness of risk management and internal control systems and ensuring corrective action is taken when necessary.
 - (g) The Association's ability to reduce the likelihood of principal risks materialising and the impact on the business of risks that do materialise.
 - (h) The appropriateness of the Association's values and culture and reward systems for managing risk and internal controls, and the extent to which the culture and values are embedded at all levels of the Association.

Compliance

35. 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.
36. Approve the appointment, changes to the role or termination of any Compliance Officer employed or engaged by the Group.
37. Consider the major findings of internal investigations that are relevant to Audit & Risk and management's response.
38. Review the adequacy and security of the Association's arrangements for its employees, contractors and external parties 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.
39. Review the Association's procedures for detecting fraud.
40. Review the Association's systems and controls for the prevention of bribery and receive reports on non-compliance.