

CS Healthcare

Audit Committee Terms of Reference

1. Role

- 1.1. The Society's Audit Committee is responsible for the oversight of financial functions and internal control of the Society including statements made to the Society's members and regulators. The Audit Committee will report to the Board on the Society's financial reporting process and internal and external audit; and on related policies and practice.
- 1.2. The Audit Committee is independent of the executive management of the Society.

2. Membership

- 2.1. The Committee shall be made up of not less than two non-executive directors appointed by the Board from time to time. At least one of the Committee's members shall have a relevant financial or audit qualification.
- 2.2. The Chair of the Board shall not be a member of the Committee.

3. Chair

- 3.1. The Board shall appoint one of the non-executive members of the Committee to be Chair of the Committee, on the recommendation of the Nominations Committee, and shall determine the period for which he/she is to hold office.
- 3.2. The Chair of the Committee has responsibility for overseeing the performance of the Committee.
- 3.3. In the absence of the Chair of the Committee, and any nominated deputy, if there are sufficient members present to form a quorum they shall elect one of themselves to chair the meeting.

4. Secretary

- 4.1. The Company Secretary, or with the agreement of the Chair his/her nominee, shall be Secretary of the Committee unless the Committee determines otherwise.

5. Meetings

- 5.1. The Committee should meet as often as is required and in any case not less than 3 times a year.
- 5.2. Additional meetings may be called or the meeting timetable changed by the Chair of the Committee in consultation with members of the Committee.
- 5.3. In addition the Board may ask the Committee to meet to consider specific issues.

6. **Quorum**

6.1. The Board may determine the quorum for meetings of the Committee from time to time. In the absence of any such determination, the quorum will be two. Other than in exceptional circumstances, the quorum shall include at least one member with accountancy or other relevant financial qualification.

7. **Attendance**

7.1. Only members of the Committee are entitled to be present at the meetings of the Committee. Other Board members may attend all or part of a meeting with the agreement of the Chair of the Committee.

7.2. The Chair of the Committee shall decide if non-members should attend. It is expected that the following will normally attend, (where the position exists):

- Chief Executive
- Chief Accountant
- Chief Risk Officer

7.3. Other members of the Senior Management Team and employees of the Society will be expected to attend as required.

7.4. The Senior External Auditor shall be invited to attend and in any event shall attend at least twice a year to cover audit planning and deliver the annual audit report.

7.5. The Internal Auditor shall be invited to attend all meetings.

7.6. The Committee may invite external advisers to attend meetings where it considers this to be appropriate.

7.7. Attendance at meetings will usually be in person. The Chair of the Committee may agree that exceptionally a member, or an invitee, may attend some or all of the meeting by telephone or video link. The Chair of the Committee shall determine if such a member should count towards the quorum.

8. **Notice of Meeting**

8.1. Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Chair of the Committee.

8.2. Unless otherwise agreed, notice of each meeting confirming the venue, time and date of the meeting, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person expected to attend and to the external and internal auditors no later than 5 working days before the date of the meeting.

8.3. Supporting papers shall be forwarded to members of the Committee, to everyone attending the meeting and to the external and internal auditors no later than 5 working days before the meeting.

9. Minutes of Meetings

- 9.1 The Secretary, or with the agreement of the Chair of the Committee his/her nominee, shall minute the proceedings, discussions and resolutions of all Committee meetings including the names of those in attendance and any declarations of conflicts of interest.
- 9.2 The Secretary shall provide the Chair of the Committee with draft minutes of a meeting within 7 working days of the meeting. Draft minutes shall be circulated to other members of the Committee and the Chief Executive and (if they attended the meeting) the Senior External Auditor and the Head of Internal Audit within 15 working days of the meeting.
- 9.3 The Chair of the Committee may at his/her discretion choose to report to the Board on the meeting before agreeing the minutes.
- 9.4 The Secretary shall circulate agreed minutes of the meeting of the Committee to:
 - members of the Committee;
 - Chief Executive, Finance Director and Chief Risk Officer;
 - the internal auditors;
 - the external auditors; and
 - others as may from time to time are agreed by the Committee.
- 9.5 Final minutes of the meetings of the Committee, signed by the Chair of the Committee, should be maintained for the Society's records.

10. Conduct of Business

- 10.1 The Chair of the Committee shall submit a verbal report, normally based on previously circulated minutes, at the next meeting of the Board following each Committee meeting, and at other times as appropriate.
- 10.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is required.
- 10.3 The Committee shall meet with the external auditors to discuss the annual External Audit Plan. The Committee shall do so at least once a year.
- 10.4 The Committee shall meet separately with the internal auditors to discuss any matters which they or the auditors consider should be discussed privately. The Committee shall do so at least once a year.
- 10.5 The Senior External Auditor, Internal Auditor and the Chief Risk Officer shall have confidential access to the Chair of the Committee.
- 10.6 The Chair of the Committee will maintain a dialogue with key individuals involved in the Society's governance including the Chair of the Board; the Chair of the Risk, Compliance and Governance Committee; Chief Executive; Chief Accountant; the Head of Internal Audit and the Senior External Auditor.

October 2019

11 Responsibilities

Financial Statements

- 11.1 To monitor the integrity of the financial statements of the Society (including summary financial statements and returns to the Prudential Regulatory Authority) prior to their approval by the Board and to review:
- the significant financial reporting issues and judgments contained in the financial statements, taking into account the views of the external auditor;
 - all material information presented within the financial statements such as the directors' report, the operating and financial review and the corporate governance statement;
 - the clarity and completeness of disclosure in the financial statements and the context in which the statements are made;
 - whether the accounting policies of the Society are appropriate and in accordance with the statutory requirements and appropriate relevant accounting and financial reporting standards, and if any changes to them need to be made;
 - whether the viability statement is appropriate in terms of both scope and timescale.
- 11.2 The Committee should 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 to assess the Society's performance, business model and strategy.
- 11.3 To review the financial statements contained within the Society's Own Risk and Solvency Assessment (ORSA) and the Society's Financial Condition Report (SFCR).
- 11.4 To liaise with the Risk, Compliance and Governance Committee on the monitoring and review of the Society's internal controls.

Internal Audit

- 11.5 To develop and agree programmes of internal audit and to review these programmes, including the management response to, and implementation of actions agreed in respect of, all audit recommendations.
- 11.6 On the basis of internal audit reports, to monitor and evaluate the effectiveness of the Society's control systems.
- 11.7 To review annually, the performance of the Society's internal auditors.

External Audit

- 11.8 To review the external auditors' findings (including those contained in management letters) and management's response to them.
- 11.9 To review and monitor the external auditors' independence, objectivity, expertise, resources and effectiveness, taking into consideration relevant UK professional and regulatory requirements, including the provision of any non-audit services.

October 2019

- 11.10 To ensure that an appropriate audit plan is in place at the start of each annual audit cycle, and to assess the effectiveness of the audit at the end of the annual audit cycle.
- 11.11 If the external auditors resign, to investigate and to advise the Board on the circumstances of that resignation and the implications for the Society.

Auditors appointment

- 11.12 To advise the Board on the role and selection of the internal and external auditors; audit arrangements generally; and following competitive tender (at intervals of not more than 5 years) to make recommendations for appointment and the terms of that appointment.

12. Annual Review

- 12.1 The Chair of the Committee shall conduct an annual review of the appropriateness of the Committee's terms of reference and of the Committee's performance. After consideration by the Committee the results of that review shall be presented to the Board.

13. Authority

- 13.1 The Audit Committee is a Committee of the Board with the authority, powers and responsibilities set out in the Society's Rules and in these terms of reference.
- 13.2 The Committee shall have access to sufficient resources in order to carry out its duties.
- 13.3 The Committee shall be provided with appropriate and timely training including an induction programme for new members and ongoing training for all members upon request.
- 13.4 The Committee may take independent legal or other professional advice on any matter within its terms of reference when the Committee reasonably believes that it is necessary to do so.
- 13.5 As and when necessary the Committee may request the attendance of any employee of the Society or a representative of a provider of services to the Society at a meeting of the Committee.