

CEPI Audit and Risk Committee Terms of Reference

1. Appointment and membership

The Audit and Risk Committee (“ARC”) and the Chair of the ARC is appointed by the Board from the members of the Board.

A quorum shall be three members for any meeting at which the ARC’s delegated powers are to be exercised and otherwise two members. The chair of the board may nominate alternative board delegates if one or two of the members cannot attend a meeting.

All appointments shall be made with due regard to the need to understand CEPI’s objectives, structure and culture, and other legislative and accountability contexts within which it operates. ARC members will collectively possess knowledge and skills in accounting, risk management, audit, financial governance and technical issues relevant to the business and strategic management of CEPI.

The term of service for ARC members will be for 2 years or the duration of service remaining. This will customarily be extendable for up to 2 further years at the discretion of the board.

The ARC shall be entitled to co-opt additional members for a period not exceeding a year to provide specialist skills, knowledge and experience, with approval of the board. These members will be reimbursed for their service.

The Secretary to the ARC is the CEO of CEPI.

2. Attendance of non-members at meetings

The CFO shall attend meetings and a representative of the external auditor shall attend meetings at the invitation of the ARC. Other members of management may also be invited or required to attend meetings or to act as minute taker on the CEO’s behalf.

The Committee shall meet with the external auditor at least once a year without the presence of management.

3. Frequency of meetings

Meetings shall be held at least two times a year and, where appropriate, will coincide with key dates in the firm’s financial reporting cycle.

Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of the items to be discussed and any relevant papers shall be sent to ARC members and all other persons required to attend, no later than 5 working days before the date of the meeting.

In addition to its scheduled meetings, further meetings of the ARC shall be called by the secretary at the request of any of the chair, two members, or the external auditor.

4. Delegated Authority

The ARC is authorised by the Board to investigate any activity within these terms of reference and, within its scope of responsibilities, to seek any information it requires and to ensure the attendance of management representatives at meetings as appropriate.

The ARC has the authority to obtain outside legal or independent professional advice.

5. Reporting procedures

Draft minutes of the meetings shall be circulated within 10 working days of the meeting taking place to the chair of the ARC and then to all members and attendees of the ARC.

The approved minutes of meetings of the ARC shall be circulated to all members of the Board.

The ARC shall, from time to time, review its 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.

The chair will provide an annual report to the board and the Members meeting, summarising its conclusions from the work it has done during the year.

6. The ARC's Responsibilities

The responsibilities of the ARC shall be:

6.1. External audit

- a. to assess annually the qualification, expertise and resources, and independence of the external auditor;
- b. to assess annually the effectiveness of the audit process and ensure the objectivity and performance of the auditor;
- c. to develop and implement a policy on the supply of non-audit services by the external auditor and to agree with management a policy on the employment of former employees of the firm's external auditor and monitor its implementation;
- d. to discuss with the external auditor, before the audit commences, the nature and scope of the audit and to review the auditor's quality control procedures and steps taken by the auditor to respond to changes in regulatory and other requirements;
- e. to make appropriate recommendations, if considered necessary, to the designated members regarding the continuation of the external auditor, to oversee the selection process for new auditors and, if an auditor resigns, to investigate the issues leading to this and decide whether any action is required;
- f. to consider the need to include the risk of withdrawal of the external auditor from the market in the ARC's risk assessment process; and
- g. to review the external auditor's management letter and management's response.

6.2. Internal controls and internal audit

- a. to review the effectiveness of internal controls;
- b. to seek such assurance as it may deem appropriate that there is scope for independent audit;
- c. to consider management's response to any recommendations made by the external auditor or internal audit and review with internal audit and the external auditor any fraudulent or illegal acts, deficiencies in internal control or other similar issue, including reviewing the results of management's investigation and follow up of any fraudulent acts.

6.3. Risk and risk management

- a. in addition to the 6 monthly presentations to the Board, to receive quarterly risk reports and to consider the major risks identified by management and how they are controlled and monitored;
- b. to review the status, monitoring of and procedures for dealing with troublesome practice matters and the insurance arrangements;

- c. to review tax compliance
- d. to review the firm's arrangements for regulatory compliance and consider any material findings from regulatory reviews.

6.4. Annual financial statements

The ARC shall review CEPI's proposed budget in advance of each financial year and report its opinion to the board prior to the budget being signed off.

The ARC shall monitor the integrity of the financial statements of the CEPI, including quarterly/six monthly reports on CEPI's financial performance, reviewing significant financial reporting issues and judgements which they contain.

The ARC shall satisfy itself that the annual financial statements represent fairly the financial position of the CEPI.

In particular, the ARC shall review and challenge where necessary

- the consistency of, and any changes to, accounting policies
- whether the accounting policies in place comply with relevant requirements
- the methods used to account for significant or unusual transactions where different approaches are possible
- whether CEPI has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor where these have been sought or provided
- the clarity of disclosure in CEPI's financial reports and the context in which financial statements are presented
- all material information presented with the financial statements (insofar as it relates to the financial statements or to audit and risk management)
- that there has been a robust process in preparing the financial statements and annual report

6.5. Compliance, whistleblowing and fraud

The ARC shall:

- a. review management's statement on internal control systems prior to endorsement by the Board, the effectiveness of CEPI's internal control systems and procedures for compliance and whether management has discharged its duty to have an effective internal control system;
- b. Review the adequacy and security of CEPI's arrangements for its employees or contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters.
- c. Review the operation of relevant CEPI policies such as whistleblowing, anti-corruption, and external complaints.
- d. Review the systems and controls for the prevention of bribery and receive reports on non-compliance.
- e. Receive regular reports of any alleged instances of fraud, theft, whistleblowing or bribery occurring amongst CEPI staff, board or committee members, contractors or any other individuals acting on its behalf and regularly review the operation of relevant policies.
- f. Receive reports of any breaches of data protection.

6.6. Other

To perform other oversight functions, as requested by the Board