

Terms of Reference for the Audit Committee

As adopted by the Board on 24 September 2012

The following words shall have the meanings shown:

“Committee” shall mean the Audit Committee.

“Council” shall mean the CII's Representative Council.

“Board” shall mean the CII's governing Board.

1. Membership

- 1.1 The Board shall appoint the Committee Chair on the recommendation of the Nominations Committee. In the absence of the Committee Chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.
- 1.2 Members of the Committee shall be appointed by the Chair of the Audit Committee. The Committee shall be made up of at least 3 but not more than 6 members.
- 1.3 At least one of the Committee members shall have recent and relevant financial experience. The Chair of the Committee shall be a member of Council. The President, Deputy President, employees of the Institute and any person who works for a firm which provides the Institute with banking, insurance, financial, investment, audit or other professional services, may not be appointed a member of the Committee.
- 1.4 Notwithstanding 1.3 above, the President or the Deputy President and the Chief Executive are invited to attend all Committee meetings to address any matters raised.
- 1.5 Only members of the Committee have the right to attend Committee meetings. Other individuals may be invited to attend all or part of any meeting as and when appropriate.
- 1.6 The external auditors will be invited to attend meetings of the Committee on a regular basis.
- 1.7 Appointments to the Committee shall be for a term of up to three years, which may be extended for one further three year term, subject to reappointment by the Chair following a satisfactory performance appraisal and provided the member remains eligible throughout that period.

2. Secretary

- 2.1 The Company Secretary, or his nominee, shall act as the Secretary of the Committee.

3. Quorum

- 3.1 The quorum necessary for the transaction of business shall be 3 members.
- 3.2 A duly convened meeting of the Committee, at which a 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. Frequency of Meetings

- 4.1 The Committee shall meet at least three times a year, at appropriate times in the reporting and audit cycle and otherwise as required by the Chair.
- 4.2 If any member of the Committee fails to attend three consecutive meetings, without good cause, they may be removed from the Committee by the Chair in consultation with the Board.

5. Notice of Meetings

- 5.1 Meetings of the Committee shall be summoned by the Secretary of the Committee at the request of any of its members or at the request of external auditors if they consider it necessary.
- 5.2 Unless otherwise agreed, notice of each meeting, confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend, no later than 5 working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

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 present and in attendance.
- 6.2 Minutes of Committee meetings shall be circulated promptly to all members of the Committee.

7. Annual General Meeting

- 7.1 The Chair of the Committee shall attend the Annual General Meeting and provide an annual report to Members. This will subsequently be posted on the CII website.

8. Duties

The Committee carries out the duties below in relation to the CII, the CII's subsidiary undertakings and the group as a whole, as appropriate.

8.1 Financial Reporting

- 8.1.1 The Committee shall monitor the integrity of the financial statements, including the annual and any interim reports.
- 8.1.2 The Committee shall review and challenge where necessary:
- 8.1.2.1 the consistency of, and any changes to, accounting policies both on a year on year basis and across the CII/group;
 - 8.1.2.2 the methods used to account for significant or unusual transactions where different approaches are possible;
 - 8.1.2.3 whether the CII has followed appropriate accounting standards and made appropriate estimates and judgments, taking into account the views of the external auditor;
 - 8.1.2.4 the clarity of disclosure in the financial reports and the context in which statements are made; and
 - 8.1.2.5 all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement, insofar as it relates to the audit and risk management.

8.2 Internal Controls and Risk Management Systems

The Committee shall:

- 8.2.1 keep under review the effectiveness of the internal controls and risk management systems;
- 8.2.2 agree the policy for authorising claims for expenses from the Chief Executive and President and
- 8.2.3 review and approve the statements to be included in the annual report concerning internal controls and risk management.

8.3 Whistleblowing

The Committee shall review the arrangements for CII 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 External Audit

The Committee shall:

- 8.4.1 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 external auditor. The Committee shall oversee the selection process for new auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;
- 8.4.2 oversee the relationship with the external auditor including (but not limited to):
 - 8.4.2.1 making recommendations as to remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an adequate audit to be conducted;
 - 8.4.2.2 approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - 8.4.2.3 assessing annually 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;
 - 8.4.2.4 satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the CII (other than in the ordinary course of business);
 - 8.4.2.5 agreeing with the Board a policy on the employment of former employees of the auditor, then monitoring the implementation of this policy;

- 8.4.2.6 monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the CII compared to the overall fee income of the firm, office and partner and other related requirements; and
- 8.4.2.7 assessing annually their qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures;
- 8.4.3 meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet the external auditor at least once a year, without management being present, to discuss their remit and any issues arising from the audit;
- 8.4.4 review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
- 8.4.5 review the findings of the audit with the external auditor. This shall include but not be limited to, the following;
 - 8.4.5.1 a discussion of any major issues which arose during the audit,
 - 8.4.5.2 any accounting and audit judgments, and
 - 8.4.5.3 levels of errors identified during the audit.

The Committee shall also review the effectiveness of the audit.

- 8.4.6 review any representation letter(s) requested by the external auditor before they are signed by management;
- 8.4.7 review the management letter and management's response to the auditor's findings and recommendations; and
- 8.4.8 develop and implement a policy on the supply of consultancy services or a material nature and especially non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter.

8.6 Other Matters

The Committee shall:

- 8.6.1 have access to sufficient resources in order to carry out its duties, including access to the secretariat for assistance as required;
- 8.6.2 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;
- 8.6.3 give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code;
- 8.6.4 note any significant pending legal actions against or by the Institute and to note any material breaches of compliance, regulations or legislation;
- 8.6.5 be available to advise the President, Council or the Board on any questions relating to the financial affairs of the Institute on which advice might be sought.

9. Authority

The Committee is authorised:

- 9.1 to seek any information it requires from any employee or officer of the CII in order to perform its duties;
- 9.2 to seek reports from such of the Institute's Committees as it requires;
- 9.3 to obtain, at the CII's expense, outside legal or other professional advice on any matter within its terms of reference; and
- 9.4 to call any employee or officer to be questioned at a meeting of the Committee as and when required.

10. Reporting Responsibilities

- 10.1 The Committee Chair shall report to the Board at least annually on the proceedings of the Committee.
- 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 needed.
- 10.3 The Committee shall make a statement in the annual report about its activities.

11. Other

- 11.1 The Committee shall, at least once a year, 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.