



## TERMS OF REFERENCE

### Audit Committee

Prepared By:	Society Secretary	Date:	20 February 2024
Approved By:	Board	Date:	20 February 2024
Version:	3.0	Effective Date:	20 February 2024
Previous version:	2.0	Approved:	8 September 2022

## THE CHANNEL ISLANDS CO-OPERATIVE SOCIETY LIMITED

### AUDIT COMMITTEE TERMS OF REFERENCE

Approved by the Board of Directors on 30 November 2021, revised on 8 September 2022 and updated on 20 February 2024

#### 1. MEMBERSHIP

The Audit Committee (the “**Committee**”) comprises at least three (3) elected or co-opted non-executive directors. Members of the Committee shall be appointed by the Board in consultation with the Chair of the Audit Committee.

At least one member shall have recent and relevant financial experience ideally with a professional accountancy qualification recognised by the Consultative Committee of Accountancy Bodies. The President of the Board cannot be a member of the Committee.

Appointments are for a period of one (1) year. Any member who becomes the President is automatically no longer a member of the Committee.

Only members of the Committee have the right to attend Committee meetings. However, the President, members of the Executive Leadership Team, colleagues holding Key Person roles, the external audit lead partner and other individuals may be invited to attend all or part of any meeting as and when appropriate.

The Board appoints the Committee Chair. If the Committee Chair is not present for a meeting, the other Committee members will elect one of themselves to chair the meeting.

In addition to the normal responsibilities and duties of the Committee Chair as set out in these terms of reference, it is the responsibility of the Committee Chair to maintain an informal dialogue with key individuals relevant to the work of the Committee, in particular the President, members of the Executive Leadership Team and the external audit partner.

#### 2. SECRETARY

The Society Secretary, or their nominee, acts as the Secretary of the Committee and ensures that members receive information and papers in a timely manner to enable full and proper consideration to be given to issues.

#### 3. QUORUM

Two (2) is the minimum number of Committee members that need to be present for the transaction of business.

#### 4. MEETINGS

The Committee meets at least three times a year and otherwise as required.

## **5. NOTICE OF MEETINGS**

Committee meetings are arranged by the Society Secretary at the request of the Committee Chair or any of its members, or at the request of the external audit lead partner.

Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, will be forwarded to each member of the Committee and anyone invited to attend no later than five working days before the date of the meeting. Supporting papers will be sent to Committee members and to other attendees, as appropriate, at the same time.

The Committee papers and minutes will be made available to all members of the Board of Directors of the Society.

## **6. MINUTES OF THE MEETINGS**

The Society Secretary will minute the proceedings and decisions of all Committee meetings, including recording the names of those present and in attendance.

Draft minutes of Committee meetings will be promptly circulated to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board and included in the next Committee papers.

## **7. DUTIES**

The Committee has the main duty of overseeing for the Board:

- a) the Society's Financial Reporting to the Board and its Members,
- b) internal financial controls,
- c) anti-fraud measures,
- d) external audit functions; and
- e) any matters it considers necessary to oversee in order to advise the Board properly in relation to the duties set out above and the duty of reporting to the Board any matter on which it remains unsatisfied.

### **7.1 Financial Reporting**

- a) The Committee oversees for the Board, the integrity of the Society's financial statements, including its annual reports, interim management statements, budgets, forecasts and any other formal announcement relating to the Society's financial performance. The Committee shall also review and report to the Board on significant financial reporting issues and the judgements they contain, having regard to matters communicated to it by the External Auditor.
- b) The Committee shall review and challenge where necessary:
  - i. the application of, or any change to, the Society's accounting policies;
  - ii. the methods used to account for significant or unusual transactions, where different approaches are possible;

- iii. the Society's adherence to appropriate accounting standards and whether it has made appropriate estimates and judgements, considering the views of the External Auditor;
- iv. provide oversight to the valuation of property assets to ensure the application of valuation approaches, methodologies and techniques meet market requirements and best practice and have independently verified as appropriate;
- v. the clarity and completeness of the Society's disclosure in its financial statements and the context in which disclosures are made; and
- vi. all material information presented with the financial statements, such as the business review and the corporate governance statements relating to the audit and internal control.

## 7.2 Narrative Reporting

The Committee shall review the content of the annual report and accounts and advise the Board on whether, taken as a whole, the document is fair, balanced, and understandable and provides the information necessary for Members to assess the Society's financial performance, business model and strategy.

## 7.3 External Audit

The Committee shall:

- (a) consider and make recommendations to the Board, to be put to Members for approval at the Annual Meeting of Members, in relation to the appointment, re-appointment and removal of the Society's External Auditor;
- (b) at least once every ten (10) years the Committee shall consider whether or not to put the audit services contract out to tender to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent Auditor with those of other audit firms; and in respect of such tender oversee the selection process and ensure that all tendering firms have such access as is necessary to information and individuals throughout the duration of the tendering process;
- (c) ensure that the lead partner appointed by any External Auditor shall not hold that responsibility for more than five (5) years;
- (d) if an External Auditor resigns, investigate the circumstances leading to that resignation and to identify any actions to be taken by the Board and/or the Committee in consequence;
- (e) oversee the relationship with the External Auditor including but not limited to:
  - i. recommending the External Auditor's remuneration for both audit non-audit services, ensuring always that the level of fees is appropriate to enable an effective, high quality audit to be conducted;
  - ii. approving the External Auditor's terms of engagement, including any Letter of Engagement issued at the start of each audit and the scope of the audit;
  - iii. assessing their independence and objectivity annually, considering relevant professional and regulatory requirements and the relationship with the External Auditor as a whole, including the provision of any non-audit services;
  - iv. satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the External Auditor and the

Society, which could adversely affect the External Auditor's independence and objectivity;

- v. agreeing with the Board a policy on the employment of former employees of the External Auditor, and monitoring the implementation of this policy;
- vi. monitoring the External Auditor's compliance with relevant ethical and professional guidance on the rotation of External Auditor's lead partners, the level of fees paid by the Society compared to the overall fee income of the firm, office and partner and other related requirements;
- vii. assessing annually the External Auditor's qualifications, expertise and resources and the effectiveness of the audit process, which shall include a report from the auditor on its internal quality procedures;
- viii. evaluating the risks to the quality and effectiveness of the financial reporting process and consideration of the need to include the risk of the External Auditor's withdrawal from the market in that evaluation;
- ix. meet regularly with the External Auditor (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 External Auditor's remit and any issues arising from the audit;
- x. review and approve the Annual Audit Plan and ensure that it is consistent with the scope of the Audit Engagement Letter, having regard to the seniority, expertise and experience of the audit team;
- xi. review the findings of the audit with the External Auditor. This shall include but not be limited to, the following:
  - a. a discussion of any major issues which arose during the audit;
  - b. key accounting and audit judgements;
  - c. levels of errors identified during the audit; and
  - d. the effectiveness of the audit process.
- xii. review any Letter of Representation requested by the External Auditor before they are signed by the Executive;
- xiii. review the External Auditor's Findings Report;
- xiv. review the Executive's response to the External Auditor's Findings Report; and
- xv. develop and implement policy on the supply of non-audit services by the External Auditor (e.g. for tax and advisory services), considering any relevant ethical guidance on the matter.

## **8. REPORTING RESPONSIBILITIES**

The Committee Chair will report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also report to the Board on how it has discharged its responsibilities to include but not limited to:

- (a) the significant issues that it considered in relation to the financial statements and how these were addressed;
- (b) its assessment of the effectiveness of the Society's audit process and its recommendation on the appointment or reappointment of the External Auditor;
- (c) its assessment of the effectiveness of the Society's risk management strategy and its performance in identifying and mitigating risk;

- (d) any other issues on which the Board has requested the Committee's opinion, and
- (e) the Committee's recommendations to the Board in relation to any matter within its remit where action or improvement is required.

The Committee will compile a report on its activities to be included in the Society's annual report to include but not limited to:

- (a) an explanation of how the Committee has addressed the effectiveness of the Audit process; and
- (b) the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the Auditor. The Committee shall also report on the Society's risk management strategy and its performance in identifying and mitigating risk.

In compiling the reports to the Board and to the Society's Members, the Committee should exercise judgement in deciding which of the issues it considers to be significant but should as a minimum include those matters that have informed the Board's assessment as to whether the Society is and can be expected to remain a going concern. The report to Members need not repeat information disclosed elsewhere in the annual report and accounts but should provide cross-references to that information.

## **9. OTHER MATTERS**

The Committee will:

- a) Have access to sufficient resources in order to carry out its duties, including access to the Society Secretary's support team 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 applicable to the Society;
- d) Oversee any investigation of activities which are within its terms of reference;
- e) Work and liaise as necessary with all other Board Committees, ensuring interaction between Committees and with the Board is reviewed regularly, taking particular account of the impact of risk management and internal controls being delegated to different Committees
- f) Ensure that a periodic evaluation of the Committee's performance is carried out
- g) At least annually, review its 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.

## **10. AUTHORITY**

The Committee is authorised by the Board of Directors of the Society to:

- a) Investigate any activity within its terms of reference;
- b) Obtain any information it requires from any employee of the Society in order to perform its duties;
- c) Obtain, at the Society's expense, independent legal, accounting or other professional advice on any matter if it believes it necessary to do so;
- d) Call any employee to be questioned at a meeting of the Committee as and when required.

- e) In the event that there are any issues that cannot be resolved between:
- i. the members of the Committee, the matter shall be referred to the Board for resolution; and/or
  - ii. the and the Board, the Board may refer the matter to the Society's Members in its annual report and accounts.