

# RAILWAY ENGINEMEN'S ASSURANCE SOCIETY LIMITED

## **Audit & Risk Management sub-Committee**

### **Terms of Reference**

*Reference to the "Committee" shall mean the Management Committee.*

*Reference to the "sub-Committee" shall mean the Audit & Risk Management sub-Committee.*

#### **1. Membership**

- 1.1. Members of the sub-Committee shall be appointed by the Committee. The sub-Committee will consist of a minimum of three independent non-executives.
- 1.2. The Chair of the sub-Committee shall be appointed by the Management Committee, subject to regulatory approval. The Chair of the sub-Committee shall carry out the SIMF 11 Chair of Audit Committee function. In the absence of the sub-Committee Chair the remaining members present shall elect one of their number to chair the meeting.
- 1.3. Only members of the sub-Committee have the right to attend and vote at the sub-Committee meetings. However, other individuals may be invited to attend for all or part of the meeting, as and when appropriate.
- 1.4. Other members of the Committee may attend the sub-Committee meetings, as observers, by prior agreement with the Chair.
- 1.5. The Society's Internal Auditors shall be entitled to attend all meetings of the sub-Committee.
- 1.6. The Society's External Auditors shall be entitled to attend all meetings of the sub-Committee.
- 1.7. The Chief Executive, Finance Manager and General Manager will normally be in attendance at meetings. The sub-Committee will be able to meet without these officers present where appropriate.

#### **2. Secretary**

- 2.1. The Chief Executive, or other such person approved by the sub-Committee, shall act as secretary.

#### **3. Quorum**

- 3.1. The quorum necessary for the transaction of business shall be 2.

#### **4. Frequency of Meetings**

- 4.1. The sub-Committee shall meet at least twice a year and at such other times as the Chair of the sub-Committee shall require.

#### **5. Notice of Meetings**

- 5.1. Notice of each meeting confirming the venue, time and date shall be forwarded to each member of the Committee no later than 5 working days before the date of the meeting.

#### **6. Minutes of Meetings**

- 6.1. The proceedings and resolutions of all sub-Committee meetings shall be minuted.
- 6.2. Minutes of the sub-Committee meetings shall be circulated to all members of the Committee.

## **7. Duties**

The responsibilities of the sub-Committee are as follows:

### **7.1. Financial and Regulatory Reporting:**

a) to monitor the integrity and review the content of the Society's Financial Statements, including reviewing significant financial reporting issues and/or judgements contained therein.

b) to monitor the integrity and review the content of the Society's Solvency and Financial Condition Report and advise the Management Committee on whether it is compliant with applicable statutory and regulatory requirements and provides Members and other stakeholders with the necessary information to assess the Society's business performance, system of governance, risk profile, valuation for solvency purposes and capital management.

c) to review and, where appropriate, challenge:

i) the consistency of, or appropriateness of any changes to, accounting policies applied by the Society, from year to year.

ii) whether the Society has followed appropriate accounting standards and made appropriate estimates or judgements, taking into account the views of external audit.

iii) the completeness, accuracy and appropriateness of all material information presented with the financial statements, including the director's report, corporate governance report and remuneration report.

d) to assist the Management Committee by reviewing and, as appropriate, recommending any returns required to be submitted to the Prudential Regulation Authority, Financial Conduct Authority or any other regulatory body.

### **7.2. System of Internal Control:**

a) to keep under review the adequacy and effectiveness of the Society's system of internal control

b) to monitor any material weaknesses in the Society's internal controls as identified by internal audit or external audit and the implementation by management of appropriate remedial actions.

c) to review the adequacy of the Society's accounting records and accounting controls and make recommendations for improvement as appropriate

d) to review the adequacy of management information and other reports made available to the Management Committee.

### **7.3 Internal Audit:**

a) to review the effectiveness of the Society's internal audit function, including the scope of work undertaken by the Internal Auditors

b) to receive and review the reports from the Internal Auditors including: area(s) covered; significant matters arising; recommendations; and overall conclusions. Procedures should be monitored to ensure that any recommendations arising from such reports have been or will be implemented, or if not implemented, validly justified as to why they have not.

c) to ensure that the Internal Auditors have unfettered access to the sub-Committee or its Chair to discuss any matters arising from their work.

d) to review and approve the Internal Audit Strategy

#### **7.4 External Audit:**

a) to review and approve the Audit Plan to ensure that is consistent with the scope of the audit engagement

b) to review the significant findings and recommendations arising from the external audit; to review the audit findings report and management's response; to review any representation letter(s) requested by the external auditor before they are signed by management

c) to review the performance of the external auditor

d) to assess the independence and objectivity of the external auditor, including reviewing the range of services provided

e) to assist the Management Committee with the appointment and re-appointment of the external auditor

#### **7.5 Risk Management:**

a) to oversee the development, implementation and maintenance of the Society's risk management framework, including the Own Risk and Solvency Assessment and ensure that they are in line with regulatory requirements and corporate governance best practice

### **8. Reporting Responsibilities**

**8.1.** The sub-Committee Chair, or where appropriate his nominee, shall report formally to the Management Committee on its proceedings after each meeting on all matters within its duties and responsibilities.

**8.2.** The sub-Committee shall make whatever recommendations to the Management Committee it deems appropriate on any area within its remit where action or improvement is needed.

### **9. Other**

**9.1.** The sub-Committee shall, at least once a year, review its own performance, constitution and terms of reference to ensure it is operating effectively.