AUDIT AND COMPLIANCE COMMITTEE [ACC] - TERMS OF REFERENCE

1. INTRODUCTION

1.1. These Terms of Reference reflect the requirements of the PRA's Policy Statement 16/16 (Implementing audit committee requirements under the revised Statutory Audit Directive) and best practice guidance provided by the Financial Reporting Council.

1.2. These Terms of Reference will be reviewed annually by the Audit and Compliance Committee prior to them being recommended to the Board for approval.

2. OBJECTIVES

2.1. The primary objective of the Board Audit and Compliance Committee is to have an oversight of:

- External audit arrangements
- Financial reporting
- Internal audit arrangements
- Compliance arrangements
- Reporting procedures

3. MEMBERSHIP

3.1. The Committee shall be appointed by the Board from amongst the Non-Executive Directors.

4. COMPOSITION

4.1. The Board Audit and Compliance Committee shall comprise a minimum of three Non-Executive Directors, who must be deemed independent as defined by UK Corporate Governance Code guidance.

4.2. At least one member, ideally the Chair of the Committee, must have competence in accounting and/or auditing including recent and relevant financial experience and, where possible, a professional qualification from one of the professional accountancy bodies.

4.3. The Committee as a whole must have competence relevant to the financial services sector and to the Building Society sector where possible.

4.4. The Chair of the Committee must be deemed independent as defined by UK Corporate Governance Code guidance, must be appointed by Committee members and should not also be the Chair of the Board. 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.

4.5. The current composition of the Committee and meeting attendees is as follows:

MEMBERS/ATTENDEES	STATUS	JOB TITLE	QUALIFICATIONS
Lucy McClements	Chair	Non-Executive Director	FCCA
Carolyn Porretta	Member	Non-Executive Director	ACCA
Sarah Binstead	Member	Non-Executive Director	ACA
Jeff Picton	Attendee	Non-Executive Director and Chair of Board	ACA
Paul Wheeler	Attendee	Chief Executive	FCA
Dan Jones	Attendee	Chief Financial Officer	FCA
Jim Stevens	Attendee and Committee Secretary	Chief Risk Officer	AMCT, Dip.Comp
Robyn Martin	Minute Secretary	Governance Assistant	-
Internal Audit Representative(s)	Attendee(s)	-	-
External Audit Representative(s)	Attendee(s)	-	-

5. QUORUM

5.1. A Quorum shall be a minimum of at least two out of the three Non-Executive Directors in attendance, with at least one Non-Executive Director having relevant financial experience.

6. FREQUENCY OF MEETINGS

6.1. Meetings shall be held not less than 4 times a year. External Auditors and Internal Auditors may request an additional meeting if they consider that one is necessary.

7. ATTENDANCE

7.1. In addition to the members of the Committee and standard attendees, other attendees may be invited to the proceedings. Any member of the Committee may ask the Chair for specific individuals to attend a meeting. Representatives of the Internal and External Auditors shall attend. There will be at least one meeting a year, or part thereof, where the External and Internal Auditors attend without Executive Directors or management present.

8. AUTHORITY

8.1. The Committee is authorised by the Board to take such independent external professional advice as necessary and such advisors may attend the meeting as necessary.

8.2. The Terms of Reference of the Committee and any material amendments must be approved by the Board.

9. SECRETARIAT

9.1. The Chief Risk Officer will act as Secretary for the Committee and is responsible for maintaining Committee meeting minutes and ensuring that all follow up actions are appropriately assigned, monitored and reported.

9.2. The Governance Assistant will act as Minute Secretary.

10. AGENDA AND MINUTES

10.1. The agenda and meeting papers for the Committee meeting will be made available 5 calendar days prior to the meeting.

10.2. Draft minutes will be provided for review to the Committee Chair within 14 working days following the meeting. Following the Committee Chair's review the draft minutes will be made available to the Board and all attendees prior to formal agreement at the next ACC meeting. The Committee Chair will report verbally to the Board on such matters as are appropriate.

11. RESPONSIBILITIES

11.1. EXTERNAL AUDIT:

- To make recommendations to the Board concerning the selection, appointment, re-appointment and removal of the External Auditors; and, in relation to a possible change of External Auditors, to oversee the selection process.
- To annually consider the scope and planning of the external audit including a review and approval of the Auditors' Engagement Letter.
- To annually review the performance of the External Auditors in order to assess whether they continue to meet the necessary requirements, and report this to the Board.
- To approve the audit fee and pre-approve any fees in respect of non-audit services provided by the External Auditors and ensure the suitability of the provision of non-audit services and that this does not impair the External Auditors' independence or objectivity.
- To agree the provision of non-audit services of a value greater than £10,000 (pre-VAT) per annum (with the Committee having approved a mandate for Management of up to £10,000 (pre VAT) per annum).
- Annually, to review the External Auditors' independence, objectivity, skills and resources. Independence in this context embraces family ties, financial, employment and investment links.
- Annually, to discuss with the External Auditors their policies and processes with regard to relevant ethical and other regulatory requirements concerning the conduct of their work.
- At the end of the annual audit cycle, to assess the effectiveness of the external audit process and confirm that no constraints have been encountered by them regarding the nature and extent of their audit work for any reason.
- To review the nature and extent of cooperation between the External and Internal Audit teams.
- To review the findings and recommendations of the External Auditor and the Society's response thereto.
- To review the audit representation letter before acceptance by the Board.
- The Audit Director/Partner shall be given the right to direct access to the Chair of the Board and the Committee.

11.2. FINANCIAL REPORTING

- To review annually, and otherwise as required, the Society's accounting policies prior to approval by the Board.
- To review the annual financial statements of the Society and any formal announcements relating to the Society's financial performance, for compliance with financial reporting requirements, accounting policies and judgemental audit issues before submission to the Board for approval.
- To review annually, and otherwise as required, the Society's assessment that it has the necessary resources to continue in business as a going concern.
- Make a recommendation to the Board annually that material internal controls are effective including those covering financial reporting, and in line with Provision 29 of the Corporate Governance Code (although the Society is only required to have due regard to this, adopting a comply or explain approach to compliance)
- Review the Society's systems and processes for internal financial controls and make any recommendations for improvement with reference to both Internal and External Audit review outputs.
- Review annually the statutory reporting of financial statements including the performance of the External Auditors and the effectiveness of the Society's internal processes.

11.3. INTERNAL AUDIT

- Approve the terms of reference for Internal Audit and the scope of the annual plan.
- Review and assess progress against the plan.
- Review and approve the Internal Audit Charter.
- Approve the appointment or dismissal of the Internal Auditors.
- Where the tenure of the Internal Audit Partner/Director exceeds 7 years assess their independence and objectivity on an annual basis.
- Approve the remuneration/budget for the Internal Auditors/provision of Internal Audit services.
- To conduct an annual review and assessment of the effectiveness of Internal Audit in the overall context of the Society's risk management framework and against performance expectations/objectives. This assessment should also include the work performed, the nature and timing of reports, the adequacy of resources, the adequacy of the knowledge and skill set available, its independence and its compliance with Standards for the Professional Practice of Internal Auditing set by the Chartered Institute of Internal Auditors and with the Internal Audit Financial Services Code of Practice.
- Consider the findings of each audit report and review progress made by management in the implementation of agreed actions.
- The Internal Audit Partner/Director shall be given the right of direct access to the Chair of the Board and the Committee.

11.4. COMPLIANCE

- To approve the scope and planning of the Compliance Monitoring Programme for each year.
- Ensure that the Monitoring Programme and Second and Third line control arrangements are sufficiently focussed on the assessment of Customer Outcomes in accordance with Consumer Duty.
- To review progress against the Programme during the Compliance monitoring cycle.
- To consider the findings from the Compliance monitoring reviews and branch inspections.
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11.5. REPORTING PROCEDURES

- The Committee Chair will provide a report to the Board following each Committee meeting regarding key areas of discussion and decisions taken.
- Review the Society's compliance against the UK Corporate Governance Code.
- Following the annual Committee meeting to discuss the statutory Annual Report and Accounts and External Audit findings, the Committee Chair will provide a report to Board and will recommend the final report and accounts for Board approval.
- At least once a year, Committee members shall review its own performance noting its conclusions in minutes, with a formal review submitted to the Nominations Committee.
- Committee members shall conduct an annual review of the Committee Terms of Reference and associated Standing Orders and make any recommendations to the Board.
- An overview of the Committee's roles and responsibilities will be included in the Society's Annual Report and Accounts.