

British Friendly Society

Audit and Compliance Sub-Committee

Terms of Reference

1. Introduction

- a) The Audit and Compliance Sub-Committee is a sub-committee of the British Friendly Society (“the Society”)’s Board (“the Board”), which is the primary decision-making body of the Society. The Board and all of its sub-committees are established pursuant to the Society’s Articles of Association (“the Articles”) and, unless specifically stated otherwise, the terminology, words or expression used in these Terms of Reference have the same meaning as in the Articles.

2. Membership

- a) The Sub-Committee shall consist of its Chairman and three further Non-Executive Directors of the Board.
- b) The Board shall appoint one of its Non-Executive Directors (excluding the Chairman of the Board) to act as the Chairman of the Sub-Committee. The Chairman of the Sub-Committee or at least one other member of the Sub-Committee shall hold or have held a senior audit position at a relevant stage during his/her career.
- c) Only members of the Sub-Committee shall have the right to attend meetings. However, representative of the Senior Leaders Group, for example the Chief Executive Officer, Finance Director, Risk and Compliance Director and Head of Internal Audit and representatives of the external auditors will normally be expected to attend in an advisory capacity.

3. Duties of the Sub-Committee

The Duties of the Sub-Committee shall be to:

a) External Audit

- consider and make recommendations to the Board on the appointment, reappointment, dismissal and/or replacement of the external auditor;
- review and report to the Board on the audit fee and consider from time to time the cost effectiveness of the audit;
- report on all aspects of the Society’s statutory audit to the Board;
- review the adequacy of the Society’s accounting records and controls and ensure the External Auditor’s recommendations are set out in their management letter;
- receive reports from the External Auditors on the nature and extent of their work and on their resultant findings and recommendations as set out in their management letter;

- assess the competency of the External Auditors, negotiate the External Audit fee and make recommendations to the Board in respect thereof;
- review and monitor the External Auditor's independence and objectivity and the effectiveness of the audit process;
- monitor the integrity of the financial reporting and statements and review the Society's Annual Accounts and report of the Board prior to the approval by the Board; and
- develop and implement policy on the engagement of the External Auditors to supply non-audit services, taking into account relevant ethical guidance regarding the provision on no-audit services by the External Audit firm, and to report to the Board, identifying any matters in respect of which it considers action or improvement is needed and making recommendations as to the steps to be taken.

b) Financial Reporting

- review and advise the Board on the publication of any financial statements focusing, in particular, on:
 - any changes in accounting policies and practice;
 - major judgmental areas;
 - significant adjustments resulting from the audit;
 - the going concern assumption;
 - compliance with accounting standards (and in particular, any new accounting standards adopted in the financial year for the first time);
 - compliance with all regulatory and legal requirements; and
 - any related reports, such as the Chairman's Statement, Strategic Report, Corporate Governance Report and Statutory Director's Report.
- receive the draft annual report from the Chief Actuary and report to the Board;
- Consider the returns to be submitted to the Prudential Regulation Authority ("PRA") including the Solvency and Financial Conditions Report ("SFCR") and the Regular Supervisory Report ("RSR") and satisfy itself that the returns comply with the relevant regulations;
- monitor the integrity of the financial reporting and statements, and review the Society's Annual Accounts and report to the Board prior to approval by the Board;
- review BFS Member Services Ltd annual accounts; and
- to ensure outsourcing arrangements are robust and monitored effectively.

c) Internal Controls and Internal Audit

- monitor the effectiveness of the Society's internal quality control and risk management systems and its internal audit;
- review the Society's internal financial controls and report to the Board on the adequacy of the Society's systems of business control and ensure that Internal Auditors' recommendations are implemented;
- approve the documented Terms of Reference for the internal audit function;
- receive regular reports from Internal Audit;
- approve the internal audit plan;

- receive, consider and act on (if required) an annual report on any complaints made against the Society;
- assess the competence of the Internal Auditors, negotiate the Internal Audit fee and make recommendations to the Board in respect thereof; and
- consider such other matters as the Board may require.

d) Compliance

- has an appropriate system of governance, which shall include;
 - an effective compliance function;
 - a process to assess the impact of regulatory changes; and
 - assist the Board on any matter relative to the overall regulatory environment.

e) Whistle-Blowing/Fraud Prevention

- ensure that the Society have appropriate “whistle-blowing” arrangements in place by which employees may raise concerns about possible improprieties in connection with financial transactions or financial reporting. The Sub-Committee shall receive, consider and act as required on an annual report from the Society’s Whistleblowing Champion; and
- review and approve the Society’s policies for preventing or detecting fraud and bribery and corruption.

4. Meetings

- a) The quorum for each Sub-Committee meeting shall be two members.
- b) Any Board member may attend the Sub-Committee meeting as an observer.
- c) The Sub-Committee shall meet at least three times per annum, with scheduled meetings being held in February, June and October. If necessary, the Sub-Committee shall hold further meetings from time to time, as may be called by the Company Secretary of the Society or by any member of the Sub-Committee. The Society’s External Auditors may request a meeting of the Sub-Committee if they consider that one is necessary. At least once a year, the Sub-Committee shall have the opportunity to meet the Society’s External Auditors without the Executive Directors being present.
- d) Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, with all available supporting papers, shall be forwarded to each member of the Sub-Committee and any person required or invited to attend, no later than five working days before the date of the meeting.
- e) Appendix I details the schedule of regular agenda items for the Sub-Committee.
- f) The Chairman shall chair each meeting of the Sub-Committee. If the Chairman is absent the other Directors present shall choose one of their number as Chairman for the meeting.
- g) The Sub-Committee shall provide the Board with copies of the minutes of each meeting.

5. Authority

- a) The Sub-Committee is authorised by the Board to:
 - i. undertake any activity that falls within its terms of reference;
 - ii. seek any information that it may require from internal and external sources to carry out its role; and
 - iii. obtain independent external professional and/or legal advice at the Society's expense as necessary.

6. Reporting Procedures

- a) The Chairman of the Sub-Committee will make reports on the work of the Sub-Committee to the Board.
- b) The Sub-Committee shall make whatever recommendations to the Board it deems appropriate on any area within its terms of reference.
- c) A document detailing the actions arising from the meeting will be circulated to all members of the Sub-Committee within five working days of the meeting being held.

7. Miscellaneous

- a) The Sub-Committee shall have access to sufficient resources in order to carry out its duties.
- b) At least once a year the Sub-Committee shall:
 - i. review its own constitution and terms of reference to ensure it is operating effectively; and
 - ii. review its own performance and report on the review and any recommendations to the Board.

Adopted by the Board on

Appendix I

Schedule of regular agenda items for the Audit and Compliance Sub-Committee

For each regular meeting

Apologies
Declaration of any conflict of interest
Minutes of the previous meeting
Matters arising from the previous meeting
Dates and venues of future meetings of the Sub-Committee

March

Report and Financial Statements
Internal Audit Plan and Annual Report
Review of the SFCR and RSR
Review of the BFSMS interest rate (BFSMS Directors)

June

GDPR Review
External Auditor Review
Review the Audit and Compliance Sub-Committees constitution and performance
Review of Governance Manual
Review Threshold Conditions

October

External Audit Plan and Annual Report
Internal Audit Plan and Annual Report
Review of Terms of Reference
Review of FINREGS
Whistleblowing Policy
Whistleblowing Champions Report
Decide on Auditors for following year