



**Anglo-Saxons Friendly Society Ltd**

**Audit and Risk Committee**

**Board Sub-Committee**

**Terms of Reference**

## 1. Introduction

- 1.1 The Anglo Saxons Friendly Society Audit & Risk Committee is established under the Delegated Authority of the Board to assist the Board in:
  - 1.1.1 exercising its responsibilities for compliance with statutory auditing requirements and the integrity of its annual report and accounts
  - 1.1.2 taking the lead in assessing how well the Society is operating the policies, standards, systems and controls required of it by the business and by regulatory bodies
  - 1.1.3 delivering oversight of the risk environment in which the Society operates
- 1.2 The Audit & Risk Committee provides a forum for independent oversight of the Executive team in :
  - 1.2.1 execution of financial control and regulatory compliance
  - 1.2.2 management of identified material risks (current and emerging)
  - 1.2.3 Embedding consumer duty principle to deliver good outcomes, avoid foreseeable harm, and support the Society's members
- 1.3 The Audit & Risk Committee will always seek to deliver its responsibilities within the framework of guidance and regulations provided by The Financial Reporting Council via the Combined Governance Code, and the applicable parts of the Prudential Regulation Authority and Financial Conduct Authority rulebooks.

## 2 Membership

- 2.1 The Committee will be appointed by the Board and will consist of three independent Non-Executive Directors. The Board will nominate one of the Non-Executive Directors to be Chairperson of the Committee.
- 2.2 Neither the Chairperson of the Board or any former Executive Directors of the Society may serve as Members of the Audit Committee.
- 2.3 At least one Member of the Committee must be qualified in a financial discipline and have the necessary recent career experience to lead the Sub-Committee based on his or her technical knowledge.

## 3. Meetings

- 3.1 Meetings will be held a minimum of four times a year. In case of need, the Chairperson may call a special meeting of the Committee.
- 3.2 The agenda will be prepared by the Company Secretary and agreed with the Chairperson of the Committee.
- 3.3 Two members are required to constitute a quorum. No business will be conducted in the absence of a quorum. A meeting will terminate as soon as it becomes inquorate.

- 3.4 The agenda and supporting papers will be circulated to all members and invited attendees at least seven days before the next meeting.
- 3.5 Minutes of the meetings will be taken by the Company Secretary or such other person as the Chairperson may nominate and will then be circulated to Committee members and to Board members prior to the next meeting.
- 3.6 The Chairperson may request any invited attendees to leave the meeting in order that the Committee members can discuss matters confidentially.
- 3.7 The Committee should meet at least once a year with each of the internal and external auditors in the absence of executive Board members or management. The Chairperson may request a private meeting with the external or internal auditors at any other time.
- 3.8 The Committee may inspect any records of the Society and seek information from any of its Employees in the furtherance of its purposes.
- 3.9 The Committee members may seek external legal and professional advice if this is required for it to fulfil its duties and responsibilities.
- 3.10 The Chairperson will be responsible for summarising the Committee deliberations and any recommendations to the subsequent Board meeting.

## 4. Purposes

- 4.1 To provide information, guidance and recommendations to the Board on matters affecting the Society's annual Report and Financial Statement. In so doing aim to advise the Board that it considers the annual Report and Financial Statement, taken, is fair, balanced and understandable, and provides the information necessary for readers to assess the Society's financial performance, system of governance, business model and strategic direction.
- 4.2 To evaluate independently assurances, however given, from management, the compliance function, internal audit and external audit in respect of the financial statements, governance standards, compliance with regulations and the systems of internal control.
- 4.3 To ensure the "lines of defence" deployed are of a high standard and where relevant the resources are sufficiently skilled and professional.
- 4.4 To champion the importance of successful Risk Management within the Society and assist in developing a culture that encourages good stewardship of risk and which demonstrates the benefits to all stakeholders of a risk based approach to internal control and management of the business.
- 4.5 To provide information, guidance and recommendations to the Board in relation to current and future risk appetite, risk measurement and mitigation. In so doing contribute to assessing that capital management reflects the level of current and future enterprise wide risk taking and protects the solvency of the Society.

- 4.6 To evaluate independently, assurances given, from management, the compliance function, internal audit and external audit in respect of the risks facing the Society and how effectively they are being mitigated.

## **5. Specific responsibilities**

### **5.1 Independent Auditors**

- a) Monitor the performance of the external and internal auditors and make recommendations to the Board for the appointment, re-appointment or removal of the internal and external auditors.
- b) Review and recommend to the Board any selection criteria, contract terms and responsibilities (audit & non-audit) of any internal or external audit providers and ensure the processes are in place to monitor and review performance and independence.
- c) Recommend the level of remuneration and any other contractual fee arrangements paid to auditors.

### **5.2 Financial Reporting and Regulatory Reporting**

- a) Review and agree the financial accounting policies of the Society, with any significant changes being recommended to the Board.
- b) Review significant financial reporting judgments contained in the Report and Financial Statement, raising any areas of concern to the Board.
- c) Consider the Annual Management Letter and Letter of Representation from the External Auditors highlighting key issues to the Board.
- d) Review the integrity of the Report and Financial Statement, seek auditor assurance that they give a “true and fair view” and recommend to the Board whether to approve them.
- e) Ensure that reports supporting the Report and Financial Statement (in so far as they relate to audit and risk management) are fair and consistent and compliant with The Corporate Code and other relevant legal requirements
- f) Monitor any formal announcements relating to the Society’s financial performance.
- g) Obtain assurance that any Regulatory Reports have been submitted in a timely and accurate manner and confirm, when needed, that the Board may sign them if required to do so.
- h) Obtain assurance that reporting of compliance with the AFM Corporate Code 2019 has been explained fully in the Directors Report in the Annual Report and Financial Statements, and gives an understanding of how the corporate governance processes operate and achieve the desired outcomes.

### **5.3 Internal Audit, Compliance and Systems of Internal Control**

- a) Oversee the development and implementation of a prioritised work plan for internal audit and agree the ongoing Internal Audit Plan.
- b) Ensure an ongoing Compliance Monitoring Programme is in place which complements the work of the Internal Audit function.

- c) Obtain assurance that the systems of internal control and risk management systems are fit for purpose and operating effectively.
- d) Receive and review Reports received from Internal Audit and the compliance function and monitor Executive Management's responses and implementation of any agreed corrective actions.

#### 5.4 Risk Management

- a) Oversight of the design and functionality of the Society's Risk Management Policy and its associated systems and controls.
- b) Review the effectiveness of the Society's approach to identifying current and emerging risks and regularly review the risks identified as material in nature.
- c) Ensure that all identified risks are appropriately graded to decide the level at which the risks will be managed in the Society and that a control system exists to monitor and mitigate risks at appropriate management levels.
- d) Ensure that timely and adequate management information is available for review in respect of the identified risk universe.
- e) Maintain a global view of the universe of risks affecting the Society and advise the Board of situations which may provide a material threat to reputation or solvency.

#### 5.5 Risk Appetite

- a) Lead and facilitate, not less than annually, a review with the Board of the Society's risk appetite and encapsulate this in a formal Risk Appetite Statement. Risk appetite means "the amount and type of risk that an insurer is willing to take in order to meet its strategic objectives" (PRA definition). The Statement will include risk tolerance limits for the various risks and the levels of capital to be maintained in reasonably foreseeable market conditions to support the risk appetite.
- b) Ensure the Board agreed risk appetite is disseminated throughout the Society to achieve enterprise wide understanding and an embedded risk management culture.
- c) Regularly receive formal management information reports indicating if the Society is operating within its risk appetite. Where adverse variances appear, make appropriate recommendations to the Board so corrective actions may be identified and implemented.

#### 5.6 Strategy and Business Planning

- a) Contribute to strategic and business plans by ensuring risks emerging from proposed strategies are fully quantified and mitigation procedures are in place.
- b) Identify if capital resources are sufficient to meet the risk appetite and determine if the medium term strategic direction and the shorter-term business plans present a threat to solvency.

#### 5.7 Other

- a) Receive and review the annual Money Laundering Officers Report and report any material concerns to the Board.

- b) Receive and review any “Whistleblowing” events and manage, in a confidential manner, their resolution.
- c) Receive and review summary Complaints Reports to identify if any systemic conduct risk failings are emerging.
- d) Receive and review a report from the Executive to confirm that the Society is meeting the PRA/FCA Threshold Conditions for Business on a continuing basis.
- e) Review tax compliance and tax planning initiatives

## **6 Relationships**

- 6.1 Any internal auditor, external auditor or Head of the Compliance Function will have access to the Chairman of Audit Committee, without the presence of Executive Management, should they wish to do so.
- 6.2 The Committee will seek the considered input from Executives to clarify matters raised as concerns by any of the above (with the exception of Whistleblowing events affecting the Executives).
- 6.3 The Committee will seek input from Executives to clarify any matters of concern and will maintain a close working relationship with the Executive designated to manage risk within the Society.
- 6.4 The Committee will receive quarterly reports from the Risk and Compliance Group (RACG) on the Society’s risks, current regulation and legislation and the work of the Internal Auditor

## **7 Performance appraisal**

On an annual basis the Audit & Risk Committee will appraise its performance and minute how it has met its Terms of Reference. The Chairman of the Board will review the outcomes with the Chairperson of the Audit Committee.

Approved by the Board on 20 July 2023