

Saffron Building Society

Terms of Reference Audit Committee



Document Title:	<i>Audit Committee Terms of Reference</i>
Approval Authority:	<i>The Board of Directors</i>
Document Owner:	<i>Society Secretary</i>
Version Number:	<i>Version 1.0</i>
Approval Date:	<i>7th December 2021</i>
Effective Date:	<i>7th December 2021</i>

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1. Purpose, Scope and Authority

The Board hereby resolves to establish a committee of the Board, to be known as the Audit Committee (“the Committee”) to assist the Board in fulfilling its oversight responsibilities relating to accounting, financial reporting and internal control including financial crime and whistleblowing arrangements.

The Committee is authorised by the Board to obtain, at the Society’s expense, outside legal or other professional advice on any matters within its terms of reference such as independent external legal, accounting or other professional advice and training as it considers necessary.

This Committee’s remit covers Saffron Building Society Group, comprising of Saffron Building Society and its subsidiary companies including Crocus Home Loans Limited and Saffron Mortgage Finders Limited and will carry out its responsibilities for the parent entity, major subsidiary undertakings and the group as a whole, as appropriate.

2. Membership

Role	Status	Deputy
Non-Executive Director	Chair - Member	<i>Non-Executive Director</i>
Non-Executive Directors	Member	N/A
Chief Executive Officer	Non-Voting Attendee	N/A
Chief Financial Officer	Non-Voting Attendee	N/A
Chief Risk Officer	Non-Voting Attendee	N/A
Chief Commercial Officer	Non-Voting Attendee	N/A
IT Director	Non-Voting Attendee	N/A
Society Chairman	Non-Voting Attendee	
Representative from External Audit	Non-Voting Attendee	N/A
Representative from Internal Audit	Non-Voting Attendee	N/A
Assistant Society Secretary	Secretary	N/A

The Chair of the Committee shall be an independent non-executive director. The Board shall appoint the Committee Chair. In the absence of the Committee Chair and/or an appointed deputy at a Committee meeting, the remaining members present shall elect one of themselves to chair the meeting.

The Committee shall comprise a minimum of three independent non-executive director members. The Board should satisfy itself that at least one member of the committee has recent and relevant financial experience and that the audit committee as a whole has competence relevant to the sector in which the Group operates.

The Chairman and Members of the Committee shall be appointed from the independent non-executive directors by the Board on the recommendation of the Nominations Committee; the Chairman of the Risk Committee shall be a member of the Committee.

Only members of the Committee have the right to attend Committee meetings. However, anyone can be invited to attend all or part of any meeting as and when appropriate

3. Secretary

The Assistant Society Secretary shall act as the Secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

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

Draft minutes of Committee meetings shall be circulated by the Secretary to all members of the Committee.

Meetings of the Committee shall be called by the Secretary at the request of the Committee Chair or any of its members.

4. Quorum

Meetings of the Committee shall be quorate where attended by a minimum of three members.

5. Meetings

5.1 Frequency of Meetings

Meetings shall be held on a minimum of *four* times a year with relevant output feeding into future Board Meetings.

5.2 Notice of Meetings

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

6. Rapid Decision Protocol

The purpose of the Rapid Decision Protocol is to facilitate decision making outside of the scheduled meetings. Any use of the Rapid Decision Protocol must be agreed with the Chair of the Committee (or in their absence, the Deputy Chair) prior to its use, and circulated by the Committee Secretary (or in their absence, a nominated deputy).

Quorum requirements detailed above apply to any decisions with members, either meeting in person, by telephone conference or responding via email.

Any decisions or approvals made using this protocol are to be submitted to the next scheduled Committee meeting, accompanied by a summary of events and the final decision, for inclusion in the minutes.

7. Approvals and Responsibilities

7.1 Approvals

The following documents are submitted to the Committee for approval at the prescribed frequency.

Responsibility	Details
Annual Internal Audit Plan	Review and approve the annual Internal Audit plan to ensure it is aligned to the key risks of the business and receive (but not approve) regular reports on work carried out
Role of Internal Audit	Review and approve the role and mandate of Internal Audit. Annually approve the Internal Audit Charter
Whistleblowing Report	The Whistleblowing champion will submit an annual report to the Committee for review and approval. An update will be provided to Board.
External Auditor Remuneration	Approve the remuneration, including both fees for audit and non-audit services, and ensure that the level of fees is appropriate to enable an effective and high-quality audit to be conducted
External Auditor Terms of Engagement	Approve the terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit

7.2 Recommendation for Approvals

The following documents are submitted to the Committee at the prescribed frequency for review and recommendation to Board for approval.

Responsibility	Details
Financial Reports	Review and recommend for approval to the Board the Annual Report and Accounts, SFS and results announcements.
Recommendation relating to appointment/ removal of External Auditors	Consider and make recommendations to the Board, to be put to members for approval at the AGM, in relation to the appointment, re-appointment and removal of the Society's External Auditor

	Recommend to the Board the Society's formal policy on the provision of non-audit services by the External Auditor, including prior approval of non-audit services by the Committee and specifying the types of non-audit service to be pre-approved, and assessment of whether non-audit services have a direct or material effect on the audited financial statements
Terms of Reference	To Review the Committee's Terms of Reference prior to submission to the Board for approval.
Pillar III	Review and recommend to Board for approval.
Whistleblowing Policy	Review and recommend to Board

7.3 Responsibilities

Responsibility	Details
Financial Reporting	<p>The Committee shall monitor the integrity of the financial statements of the Group and the Society and review and report to the Board on significant financial reporting issues and judgements which those statements contain having regard to matters communicated to it by the Auditor</p> <p>In particular, the Committee shall review and challenge where necessary:</p> <ul style="list-style-type: none"> the application of significant accounting policies and any changes to them the methods used to account for significant or unusual transactions where different approaches are possible whether the Society has adopted appropriate accounting policies and made appropriate estimates and judgements, taking into account the External Auditor's views on the financial statements Whether the disclosures made in the financial statements are fair, balanced and understandable all material information presented with the financial statements, including the strategic report, Directors report and other corporate governance reports That the Society has been compliant for taxation purposes <p>The Committee shall prepare a report on its role and responsibilities and the actions it has taken to discharge those responsibilities for inclusion in the Annual Report and Accounts. Such a report may include:</p> <ul style="list-style-type: none"> A summary of the role of the Committee;

	<ul style="list-style-type: none"> • The names and qualifications of all members of the Committee during the period; • The number of Committee meetings and attendance by each member; and, • The way the Committee has discharged its responsibilities. <p>Where disagreements between the Committee and the Board cannot be resolved, the Committee shall report the issue to the members as part of the report on its activities in the Group's Annual Report.</p> <p>The Committee Chair shall attend the AGM and shall answer any questions, through the Chairman of the Board, on the Committee's activities and their responsibilities</p> <p>Review annually the Society's compliance with taxation reporting and assessments to include corporation tax, VAT and member related tax deduction and reporting.</p>
Narrative reporting	The Committee should review the content of the Annual Report and Accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for the Society's members to assess the performance, business model and strategy and whether it informs the Board's statement in the annual report on these matters that is required under the Code.
Internal controls and risk management systems	The Committee shall keep under review the Society's internal financial control systems that identify, assess, manage and monitor financial risks, and other internal control and risk management systems
Internal audit	<p>The Committee shall:</p> <ul style="list-style-type: none"> • ensure Internal Audit has unrestricted scope, the necessary resources and access to information to enable it to fulfil its mandate, ensure there is open communication between different control functions and that the Internal Audit function evaluates the effectiveness of these functions as part of its Internal Audit plan, and ensure that the Internal Audit function is equipped to perform in accordance with appropriate professional standards for internal auditors • ensure the Internal Auditor has direct access to the Board Chair and to the Committee Chair, providing independence from the executive and accountability to the Committee • carry out an annual assessment of the effectiveness of the Internal Audit function and as part of this assessment

	<ul style="list-style-type: none"> • receive a report on the results of the Internal Auditor's work • determine whether it is satisfied that the quality, experience and expertise of Internal Audit is appropriate for the business • review the actions taken by management to implement the recommendations of Internal Audit and to support the effective working of the Internal Audit function • monitor and assess the role and effectiveness of the Internal Audit function in the overall context of the Society's risk management systems and the work of Compliance, Finance and the External Auditor • review the effectiveness of its work, ensuring it is appropriate for the current needs of the organisation
External Audit	<p>The Committee shall:</p> <ul style="list-style-type: none"> • develop and oversee the selection procedure for the appointment of auditors in accordance with applicable Code and regulatory requirements, ensuring that all tendering firms have access to all necessary information and individuals during the tendering process • if an External Auditor resigns, investigate the issues leading to this and decide whether any action is required • assess annually the External Auditor's independence and objectivity taking into account relevant law, regulation, ethical standards and other professional requirements and the Group's relationship with the Auditor as a whole, including any threats to the Auditor's independence and the safeguards applied to mitigate those threats including the provision of any non-audit services • assess annually the qualifications, expertise and resources, and independence of the External Auditor and the effectiveness of the external audit process, including the guidance on the rotation of audit partner and staff which shall include a report from the External Auditor on their own internal quality procedures. This should also consider information from other independent sources (e.g. FRC) • seek to ensure appropriate coordination of the external audit with the activities of the internal audit function

	<ul style="list-style-type: none"> • 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, meet with the external auditor without Management being present, to discuss the Auditor's remit and any issues arising from the audit • discuss with the External Auditor the factors that could affect audit quality and review and approve the annual audit plan, ensuring it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team • Review the findings of the audit with the External Auditor. • review any representation letter(s) requested by the External Auditor • review the Management Letter and Management's response to the External Auditor's findings and recommendations • review the effectiveness of the audit process, including an assessment of the quality of the audit, the handling of key judgements by the Auditor, and the Auditor's response to questions from the Committee
Audit Committee Effectiveness	Committee to review its effectiveness against its Terms of Reference and report any findings and recommendations to the Board.

8. Other Matters

The Committee shall:

Have access to sufficient resources in order to carry out its duties, including access to the Society Secretary for advice and assistance as required.

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.