

# *Teachers Assurance Terms of Reference for the Risk, Audit and Compliance Committee of Teachers Provident Society*

## **1. Purpose**

To provide a mechanism to the Board of TPS whereby they can receive comfort that control exists and operates effectively throughout the Society and its subsidiaries in pursuance of compliance with the Financial Services & Markets Act 2000 (FSMA) and in accordance with acceptable accounting practice and that risks are addressed and appropriate counter measures are put in place.

The Committee is authorised by the TPS Board to oversee the Group's risk management arrangements ensuring that risk appetite is appropriate and adhered to and that key risks are identified and managed.

The Committee is established for control purposes. As such it deals at a strategic level and only gets involved in operational matters by exception.

## **2. Composition**

The Committee comprises five non-executive directors appointed from the Board of TPS. At least one member should have recent and relevant financial experience. With the agreement of the Committee Chair, the Committee has discretion to invite the Chief Executive to attend.

[EN: The Committee of five consists of a professional non-executive director, a marketplace non-executive director plus three other non-executive directors.]

At the request of the Chair of the Risk, Audit and Compliance Committee, members of management and, in particular, representatives of the internal audit and compliance areas, will be in attendance at Committee meetings or for selected agenda items. Representatives of the external auditors will also be in attendance at certain meetings.

[EN: In particular there are meetings with the external auditors when only non-executives will be present.]

The Committee, through the Chair, may invite other members of the Board to attend meetings or parts of meetings from time to time.

The Risk, Audit and Compliance Committee is a Committee of the Board and as such has decision making authority except where otherwise indicated in these terms of reference or those of the main board.

[EN: Meetings are split into three sections to consider reports and matters related to Risk, Audit and Compliance separately. This approach means staff or management generally join the meeting for the specific sections relevant to their area of responsibility.]

## **3. Quorum**

The quorum necessary for the transaction of business is two.

Decisions are made by majority vote. In the event of equality of votes, the Chair has a casting vote.

#### 4. Frequency of Meetings

The Committee meets a minimum of four times a year. One of the meetings is scheduled to correspond with the preparation of the annual financial statements to provide the external auditors with the opportunity to comment.

[EN: we would generally expect to meet with the auditors twice a year.]

Such other meetings as are considered necessary will be called by the Chair of the Committee.

Where a Committee member(s) believes that it is necessary or useful to call for an additional meeting this should be done through the Chair.

#### 5. Key Responsibilities

To ensure that systems of control exist throughout the organisation to protect the interests of policyholders and the Society.

To ensure that systems of control exist throughout the organisation to comply with all statutory and regulatory matters affecting the Society.

To ensure that systems exist throughout the Society for the identification of risk and appropriate mitigation.

To monitor performance to ensure that these systems of control work effectively.

#### 6. Responsibilities

##### 6.1 Risk Responsibilities

To meet its responsibilities for risk management.

The Committee will assess the scope and effectiveness of the systems established by management to identify and assess all risks both financial and non-financial. This will include:-

- Recommending Teachers Assurance' Risk Strategy to the Board
- Receiving quarterly risk management reports
- Recommending Teachers Assurance' Business Assurance Report to the Board

To review the activities, findings, conclusions and implementation of the recommendations of the Head of Risk Management.

To ensure that the Head of Risk Management has the right of direct access to the Chair of the Risk, Audit and Compliance Committee and the Chairman of the Board at all times.

To monitor that the risk identification programme operates effectively and seek confirmation that appropriate mitigation measures have been put in place.

To receive and review reports (usually in summary form) from the risk area, and on occasion to commission assignments to be conducted on the Committee's behalf.

##### 6.2 Audit Responsibilities

To conduct an annual review of the effectiveness of systems of internal control.

To review the statutory accounts and other published financial statements and information including monitoring their independence and objectivity. And recommend approval to the Board [EN: Approval is reserved for the Board.]

To review the regulatory returns.

To monitor relationships with external auditors including monitoring their independence and objectivity and effectiveness of the audit process, [taking into consideration relevant UK professional and regulatory requirements].

To have primary responsibility for making and make recommendations on the external auditors appointment, reappointment, remuneration and termination.

To note the terms of appointment of the Internal Auditor.

To review the activities, findings, conclusions and implementation of the recommendations of the external auditors and the Internal Auditor.

To ensure that a representative of Internal Audit has the right of direct access to the Chair of the Risk, Audit and Compliance Committee and the Chairman of the Board at all times.

To review the scope and nature of the work of the Internal Auditing unit which shall be in accordance with *The Standards for Professional Practice of Internal Auditing* of the Institute of Internal Auditors.

To approve the annual internal audit monitoring programme.

To monitor the implementation of the annual Internal Audit Monitoring programme.

To receive and review reports (usually in summary form) from Internal Audit and on occasion to commission assignments to be conducted on the Committee's behalf.

To approve the Internal Audit Function Charter which identifies the purpose, authority and responsibility of Internal Audit (Appendix A).

[EN: The policy for the use of external auditors for non audit work is set out in Appendix D.]

### 6.3 Compliance Responsibilities

To review the activities, findings, conclusions and implementation of the recommendations of the Head of Compliance.

To review the arrangements established by management for compliance with regulatory and financial reporting requirements.

To ensure that a representative of Compliance has the right of direct access to the Chair of the Risk, Audit and Compliance Committee and the Chairman of the Board at all times.

To approve the annual compliance monitoring programme.

To monitor the implementation of the annual Compliance Monitoring programme.

To receive and review reports (usually in summary form) from compliance and on occasion to commission assignments to be conducted on the Committee's behalf.

To approve the Compliance Function Charter which identifies the purpose, authority and responsibility of (Appendix A).

### 6.4 Oversight Responsibilities

To examine the manner in which management ensures and monitors the adequacy of the nature, extent and effectiveness of accounting, compliance and internal control systems.

To ensure that there are no restrictions on the scope of the statutory audit or the internal audit or compliance monitoring functions.

To approve the appointment or removal of the persons holding controlled functions 10 Compliance Oversight and 14 Risk Assessment ("Head of Risk Management and Compliance") and CF15 (Audit).

To review the organisation's arrangements for Whistleblowing.

To require action to be taken by executive management as appropriate.

[EN: The policy adopted by the Society on whistle blowing is set out in Appendix E].

#### **7. Rules and Regulators Applicable**

The operation of the Society is subject to

Friendly Society Act 1992  
Financial Services and Markets Act 2000  
Financial Services Authority Handbook

#### **8. Subsidiary Boards and Committees**

Not applicable.

#### **9. Representation on Subsidiary Boards and Committees**

Not applicable.

#### **10. Delegated Responsibilities to Others**

Responsibility for day to day control of Risk and Compliance function rests with the Head of Risk Management and Compliance who reports to the Finance Director of the Executive Committee.

Responsibility for day to day control of Internal Audit rests with the Head of Business Services and Group Company Secretary who reports to the Operations Director of the Executive Committee.

[EN: The use of the term director as part of the Executive Committee does not mean they are automatically also directors of the Society.]

Both Internal Audit and Compliance are required to produce annual audit plans for approval by the Committee and to organise the work required to carry it out.

The Chief Executive is authorised to make decisions of an urgent nature that may arise in the normal course of business. He will inform the Chair of the Committee of the circumstances of such action at the earliest opportunity.

The Board are responsible for the preparation of the accounts, returns under the provisions of the Friendly Societies Act 1992, and the Financial Services and Markets Act 2000. It is the responsibility of the External Auditors to form an independent opinion, based on audit, on those documents and to report their opinion to the Board through the Risk, Audit and Compliance Committee.

#### **11. Reserved Matters**

Approval of appointment or termination of the Head of Risk Management and Compliance.

#### **12. Inward Reporting Received**

The Committee will receive quarterly reports from Internal Audit, Compliance and Risk Areas (including a number of annual reports).

Internal Audit and Compliance will provide Executive Summaries of each audit conducted within two weeks of completing such audit. (Full copies are available on request.)

The Committee will be notified promptly of the failure of any area to respond within the timescale for action agreed in each Report.

**13. Outward Reporting Required**

The Chair of the Risk, Audit and Compliance Committee will provide a quarterly report to the Board. This will include the provision of copies of the minutes of each meeting. The Committee will undertake an annual review of its Terms of Reference and recommend any necessary changes to the Board.

The Committee will undertake an annual review of its effectiveness and recommend any necessary changes to the Board

**14. Office Holders**

At its first meeting following the Society's AGM, the Committee shall elect from within its number a member to act as Chair of the Committee. In the event of a tied vote, the outgoing Chair is permitted a casting vote.

If at any meeting the Chair of the Committee is unable to be present, those members present shall elect from amongst themselves a Chair to enable the meeting to proceed.

The Secretary or an appropriate deputy will act as Secretary to the Risk, Audit and Compliance Committee.

**15. Other Matters**

- i) These Terms of Reference have been accepted by the Board of the Society and can only be amended by them.
- ii) Independent professional advice for members of the Committee in the discharge of their duties is available at the Society's expense.

Clearance is provided by the Chair of the Committee for the Secretary to instruct the adviser. The response is made available to the whole Committee.

[EN: Refer to the explanatory note in section 15 of Board Terms of Reference.]

- iii) Papers for all meetings of the Risk, Audit and Compliance Committee are circulated one week in advance. Papers for these meetings are also provided to those members of the Board of the Society who do not serve on the Risk, Audit and Compliance Committee to enable them to provide input through the Chair.
- iv) The agenda for meetings is decided in consultation with the Chair.

**16. Key Dates**

Appendix C sets out the deadline dates for returns that need prior approval by the Risk, Audit and Compliance Committee.