



## **UNITY TRUST BANK PLC (“the Bank”)**

### **BOARD AUDIT COMMITTEE**

#### **Terms of Reference**

##### **1. Constitution**

The Board Audit Committee (the Committee) was established by a resolution of the Board on 5 April 2019. The Terms of Reference were last revised and approved by the Board on 26 April 2019.

##### **2. Membership**

2.1 The Committee shall be appointed by the Board and shall normally consist of no less than three Non-Executive Directors, a majority of whom shall be independent. The Board Chair should not be a member.

2.2 At least one member of the Committee shall have recent and relevant financial experience with competence in accounting and/or auditing.

2.3 The Chair of the Committee shall be appointed by the Board. In the absence of the Committee Chair, the remaining members present shall elect one of themselves to chair the meeting.

2.4 The Secretary, or such person as the Secretary may recommend to the Board, shall be the Secretary of the Committee.

##### **3. Quorum**

A quorum shall be two members, at least one of whom must be a director determined by the Board to be independent.

##### **4. Attendance at meetings**

4.1 No one other than the Committee Chair and its members shall attend meetings of the Committee, unless at the invitation of the Chair. All directors are invited to attend.

4.2 The Committee shall have the opportunity to meet with the Internal Auditor or the External Auditor privately.

##### **5. Frequency of Meetings**

Meetings shall be held no fewer than four times a year or more frequently as circumstances require.

##### **6. Authority**

6.1 The Committee is authorised by the Board to investigate any activity within its terms of reference and seek information that it requires from any employees of the Bank, all of

whom are directed to co-operate with any request made by the Committee.

6.2 The Committee is authorised to engage any firm of professionals to provide independent advice within any budgetary restraints imposed by the Board.

6.3 The Committee has the right to publish in the Bank's annual report, details of any issues that cannot be resolved between the Committee and the Board.

## 7. Responsibilities

The responsibilities of the Committee are set out below:

### Financial Statements and Annual Reports

7.1 Monitor the financial reporting process, the integrity of the financial statements of the Bank and any other formal announcement relating to its financial performance, reviewing and reporting to the Board on significant financial reporting issues and judgements which they contain having regard to matters communicated by the External Auditor.

In particular, the committee shall review and challenge where necessary:

- the going concern assessment;
- any changes to significant accounting policies;
- the methods used to account for significant or unusual transactions where different approaches are possible;
- whether the Bank has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the External Auditor;
- the clarity and completeness of disclosure in the Bank's financial reports and the context in which statements are made; and
- all material information presented with the financial statements, such as the strategic report and any corporate governance statements relating to the audit and to risk management;

7.2 Where requested by the Board, 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 shareholders to assess the company's performance, business model and strategy;

### Internal Control

7.3 Keep under review the effectiveness of the Bank's internal controls including:

- the annual review of the internal control system prior to consideration by the Board;
- regular assurance reports from management, Internal Audit, and External Audit, including internal control self assessments, on the operational effectiveness and adequacy of controls within risk appetites; and
- the timeliness of, and reports on, the effectiveness of corrective action taken by management;

7.4 Review and recommend to the Board the Whistleblowing Policy;

### External Auditor

7.5 Make recommendations to the Board to be put to the members for approval at the Annual General Meeting in relation to the appointment, re-appointment and removal of the external auditor.

7.5.1 Its recommendation must identify its first and second choice candidates for appointment, give reasons for the choices so identified, confirm that the

recommendation is free from influence by a third party, and that no contract has been imposed on the Bank which restricts the members' choice of auditor.

- 7.5.2 If the Board does not accept the Committee's recommendation, it should include in the annual report, and in any papers recommending appointment or re-appointment, a statement from the Committee explaining the recommendation and should set out reasons why the Board has taken a different position;
- 7.6 Ensure that at least once every ten years the audit services contract is put out to tender to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms;
- 7.7 Assess annually the qualification, expertise, resources, effectiveness and independence and objectivity of the External Auditor including the provision of non-audit services, which shall include a report from the External Auditor on their own internal quality procedures;
- 7.8 Approve the terms of engagement and the remuneration to be paid to the External Auditor in respect of the audit services provided;
- 7.9 Satisfy itself that the level of fees payable in respect of the audit service are appropriate and that an effective audit can be carried out for such a fee;
- 7.10 Monitor the External Audit firm's compliance with applicable UK ethical and professional guidance relating to rotation in partners, fees in proportion to the overall fee income of the firm, office and partner;
- 7.11 Discuss with the External Auditor the nature and scope of the audit;
- 7.12 Receive annual declarations from the External Auditor regarding any family, financial, employment, investment or business relationship with the Bank, and their policies on maintaining their independence and objectivity;
- 7.13 If the External Auditor resigns, investigate the issues giving rise to such resignation and consider whether any action is required;
- 7.14 Agree and monitor the application of the Bank's formal policy for non-audit work and the employment of former employees of the External Auditor;
- 7.15 At least once a year meet with the External Auditor without management present;
- 7.16 Monitor the statutory audit of the annual accounts and review the findings of the audit with the External Auditor. This shall include but not be limited to, the following:
- a discussion of any major issues and material weaknesses which arose during the audit;
  - key accounting and audit judgements;
  - levels of errors identified during the audit; and
  - the effectiveness of the audit process;
- 7.17 Review any representation letter(s) requested by the External Auditor before they are signed by management;
- 7.18 Review the management letter and management's response to the auditor's findings and recommendations;

### **Internal Audit**

- 7.19 Consider if Internal Audit is to be outsourced and approve the Internal Audit outsourcing arrangements and contractual agreements, including provider selection;
- 7.20 Review the tenure of any outsourced Internal Audit provider;
- 7.21 Review and approve Internal Audit's scope of work and its annual audit plan;
- 7.22 Review and discuss with Internal Audit the issues identified as a result of internal audit work and how management is addressing these issues;
- 7.23 Receive reports on management's response to audit recommendations;
- 7.24 Consider and approve the remit of the Internal Audit function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Committee shall also ensure the function has adequate standing and is free from management or other restrictions which may impair the independence of Internal Audit;
- 7.25 Ensure Internal Audit has direct access to the Board and Committee Chairs, and is accountable to the committee;
- 7.26 Review co-ordination between the Internal and External Auditors and the Risk function;
- 7.27 Meet with Internal Audit at least once a year without the presence of management;
- 7.28 Monitor and assess the role and effectiveness of the Internal Audit function in the context of the overall risk management system, including the efficiency and effectiveness of the outsourcing arrangement;
- 7.29 Consider the major findings of any relevant internal investigations into control weaknesses, fraud or misconduct and management's response (in absence of management where necessary);

### **Chief Financial Officer**

- 7.30 Recommend to the Board the appointment and/or removal of the Chief Financial Officer;
- 7.31 Review promptly all reports from the Chief Financial Officer;
- 7.32 Review and monitor management's responsiveness to the findings and recommendations of the Chief Financial Officer;
- 7.33 Ensure the Chief Financial Officer is given the right of direct access to the Chair of the Committee;

## **8 Other Matters**

The Committee shall:

- 8.1 Have access to sufficient resources in order to carry out its duties, including access to external advisers and Secretariat for assistance as required;
- 8.2 Ensure that appropriate and timely training is provided, both in the form of an induction programme for new members and on an ongoing basis for all members;

- 8.3 Give due consideration to laws and regulations, as appropriate;
- 8.4 Oversee any investigation of activities which are within its Terms of Reference; and
- 8.5 Ensure there is regular review of its performance and Terms of Reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary for approval by the Board;
- 8.6 In order to support the Committee in discharging its responsibilities in accordance with these Terms of Reference, maintain and regularly review the annual schedule of agenda items.

## **9 Reporting responsibilities**

- 9.1 The Chair of the Committee shall report on how it has discharged its responsibilities to the Bank Board. This report shall include, at appropriate times:
  - detail of issues that it considered in relation to the financial statements;
  - those matters that have informed the assessment of whether the company is a going concern;
  - its assessment of the effectiveness of the external audit process;
  - the approach taken to the appointment or reappointment of the External Auditor, length of tenure of audit firm, when a tender was last conducted and advance notice of any retendering plans; and
  - any other issues on which the Board has requested the Committee's opinion, and such recommendations as the Committee may deem appropriate;
- 9.2 The minutes of the meeting shall be provided to the Board;
- 9.3 The Chair of the Committee shall attend the Annual General Meeting and be prepared to respond to any shareholder questions on the Committee's activities.