



## **Board Audit Committee Terms of Reference**

### **Purpose**

The Board Audit Committee (the “Committee”) is appointed by the Board to assist the Board in fulfilling its oversight responsibilities in relation to:

- the quality and integrity of the Group’s accounting policies, financial and narrative reports, and disclosure practices;
- the effectiveness of the Group’s internal control, risk management, and accounting and financial reporting systems;
- the adequacy of arrangements by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters;
- the independence and performance of the Internal and External Auditors.

### **Role & Responsibilities**

#### **1. Financial & Narrative Reporting**

Monitor the integrity of, and make recommendations to the Board concerning (i) the approval of the Group’s Annual Financial Report (“AFR”), including whether the AFR, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company’s performance, business model and strategy, (ii) the half-yearly financial report and (iii) related releases, reviewing significant financial reporting judgements contained therein, to ensure that they comply with the law and obligations under relevant Stock Exchange listing rules and relevant accounting standards.

#### **2. Internal Control**

Monitor and review the effectiveness of the company’s internal financial controls, accounting and financial reporting systems, and the company’s internal control frameworks and risk management systems. This shall include, but not be limited to, the adequacy and effectiveness of the Group’s three lines of defence model and internal control framework, ensuring appropriate separation of duties and independent reporting lines underpin effective internal controls, which shall be discussed with the Chief Risk Officer, in private session, at least annually.

#### **3. Code of Conduct & Speak Up Policy**

Monitor and review the effectiveness of the Group’s Code of Conduct and the arrangements by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, and to ensure that arrangements are in place for the proportionate and independent investigation of such matters for appropriate follow-up action.

#### **4. Internal Auditor**

Monitor and review the scope, nature and effectiveness of the work of the internal audit function, ensuring that the function has the necessary resources and access to information to enable it to fulfil its mandate, and is equipped to perform in accordance with appropriate professional standards.

## **5. External Auditor**

Monitor and review the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements.

Make recommendations to the Board, for it to put to the shareholders for approval in general meeting, in relation to the appointment of the external auditor and to approve the remuneration and terms of engagement of the external auditor.

Ensure the implementation of policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and to report to the Board in respect of any matters it identifies as requiring action or enhancement.

## **Committee Governance**

### **6. Subsidiary Oversight**

In addition to the information provided to the Committee in management reports, the Committee will receive, as and when they are issued, the minutes of all the subsidiary company audit committees. The Committee will meet the Chairmen of the subsidiary audit committees at least once a year, to receive reports on the scope of audit activity and significant issues emerging therefrom, except where the Chairman of the subsidiary audit committee is a Member of the (AIB) Committee. Such formal dialogue will not preclude continuing, informal dialogue between the committee Chairmen.

### **7. Authority**

The Board authorises the Committee to:

- investigate any matter falling within its terms of reference;
- sub-delegate any or all of its powers and authority as it sees fit, including, without limitation, the establishment of sub-committees to analyse particular issues or themes and to report to the Committee, to facilitate the effective carrying out of its responsibilities;
- ensure that appropriate liaison is maintained with, and feedback provided on proceedings in, the Executive Risk Committee;
- seek any information it requires from any employee of the organisation.

Where there is a perceived overlap of responsibilities between the Board Audit and Board Risk Committee, the respective Committee Chairmen shall have discretion to agree the most appropriate Committee to fulfill any obligation.

An obligation under the Terms of Reference of the Board Audit or Board Risk Committee will be deemed by the Board to have been fulfilled providing it is dealt with by either of the Committees.

### **8. Membership**

#### **8.1 Number of Members**

The Committee shall comprise at least four (4) Members, all of whom will be Independent Non-Executive Directors with an appropriate mix of skills and experience. The Chairman of the Board and the CEO will not be Members of the Committee.

At least one Member shall have recent and relevant accounting or related financial expertise. The Committee as a whole shall have competence relevant to the sector in which the Group operates.

To ensure co-ordination with the work of the Board Risk Committee, the Chairman of the Board Audit Committee should be a member of the Board Risk Committee.

## **8.2 Quorum**

The quorum for any meeting shall be three Members.

## **8.3 Members**

Membership of the Committee will be reviewed each year by the Nomination and Corporate Governance Committee, in consultation with the Chairman of the Committee, and changes as required will be recommended to the Board at that time.

## **8.4 Chairman**

The Chairman will be appointed by the Committee Members on the recommendation of the Nomination and Corporate Governance Committee. In the absence of the Committee Chairman the remaining Members present shall elect one of themselves to chair the meeting.

The Chairman will be responsible for leadership of the Committee and for ensuring its effectiveness in all aspects of its role. The Chairman should also facilitate the effective contribution of all Members.

## **8.5 Secretary**

The Secretary to the Committee shall be a senior representative of the Company Secretary's Office, whom the Committee shall formally appoint.

## **8.6 Attendees**

The Chief Financial Officer, the External Auditor, the Group Internal Auditor, and the Chief Risk Officer will normally attend meetings. In addition, the Committee may invite any Director, executive or any other person to attend any meeting(s) of the Committee as it sees fit.

The attendance at meetings by the CEO or Chairman of the Board shall be by invitation and shall be managed to ensure the independence of the Committee and the maintenance of appropriate relationships with other parties including external auditors.

## **8.7 Training**

The Committee shall 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. The Chief Financial Officer and the Company Secretary will be responsible for ensuring this training is provided, in consultation with the Committee Chairman.

## **9. Voting**

Where the Chairman calls upon Members to vote on any issue, decisions will be by way of simple majority. In the event of a split decision, the Chairman shall exercise a casting vote to determine the outcome.

## **10. Meetings & Minutes**

Meetings are generally held at least six times per year, at appropriate times in the reporting and audit cycle. Additional meetings may be held as the Chairman or the Committee deem necessary.

The Chairman of the Committee, members of the Committee or the Chairman of the Board may each request that a meeting be held at any time. The Chief Financial Officer, the Chief Risk Officer or Group Head of Internal Audit may each request the Chairman to convene a meeting at any time.

Draft Minutes of meetings will be circulated to the Committee Chairman within nine working days of the holding of each meeting for review and comment in advance of their formal adoption by the Committee.

## **11. Reporting**

### **11.1 Reporting to the Board**

The Chairman will report formally on the key aspects of the proceedings of the Committee to the subsequent full meeting of the Board and the minutes of the Committee should be tabled at the Board as soon as possible for noting and/or discussion as necessary. The Committee will report to the Board annually on how it has discharged its responsibilities and any other matters referred to it by the Board.

### **11.2 Reporting to the Shareholder**

The Committee shall compile a report describing its membership and its duties and activities during the year, to be included in the Group's Annual Financial Report. In compiling the report, the Committee should exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant but should include at least those matters that have informed the Board's assessment of whether the Company is a going concern.

## **12. Responsibility of Management**

The Committee shall be entitled to rely on the integrity and expertise of persons providing information to the Committee and on the accuracy and completeness of such information.

Management will ensure that all information relevant to the discharge by the Committee of its responsibilities is provided to the Committee. Management will also ensure that matters of material concern that are relevant to the Committee's responsibilities are brought to the attention of the Committee promptly.

## **13. Review of Operations**

The Committee shall conduct, in line with agreed Board policy and processes, an annual review of the Committee's effectiveness and Terms of Reference and make recommendations to the Board for changes where it deems them appropriate.

**Approved by the Board on 25 May 2017**

## **Board Approved Appendix to the Board Audit Committee Terms of Reference**

**Approved by the Board on 25 May 2017**

In carrying out its duties and responsibilities under the Board-approved Terms of Reference, the Board Audit Committee shall, inter alia, monitor, review and challenge, and approve, where relevant, the following matters:

### **Financial & Narrative Reporting**

- significant financial reporting judgements, alternative accounting treatments and assumptions made by management;
- the reported Profit & Loss and Balance Sheet credit provisions;
- new accounting policies and significant changes to existing policies prior to their implementation;
- the judgement by management as to the valuation of assets and liabilities, significant accounting accruals, reserves, including adequacy of the provisions for bad and doubtful debts, and other significant contingencies having a material impact on the financial statements;
- the minutes of the Group Disclosure Committee<sup>1</sup>,
- the clarity and completeness of disclosures in the financial statements;
- whether the Group has, in accordance with the relevant provisions of the Companies Acts, kept proper books of account;
- whether the Annual Financial Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy;
- whether or not to recommend to the Board that it should approve the annual report and financial statements of the Group.

### **Internal Controls**

- the adequacy and effectiveness of the Group's internal control framework and three lines of defence model, ensuring appropriate separation of duties and independent reporting lines underpin effective internal controls;
- the integrity of internal control systems and ensure that internal policies and procedures are managed effectively and contribute to a culture of discipline and control;
- periodic reports from management on key internal controls including in respect of fraud prevention and detection and the adequacy and effectiveness of IT and information security systems and processes;
- the manner in which management ensures and monitors the adequacy of the nature, extent and effectiveness of the finance and accounting systems;
- and approve, Directors' statements concerning internal controls to be included in the Annual Financial Report;
- the implementation of business integration or separation projects against agreed plans and timelines.

### **Code of Conduct and Speak Up Policy**

- reports on the operation of the Code of Conduct and Conflict of Interest Policy;
- the arrangements for dealing with concerns received from staff (including confidential, anonymous submissions) and from external sources regarding accounting, financial reporting, internal controls or other matters, and for addressing and overseeing their independent investigation and resolution as appropriate.

### **Internal Auditor**

- the scope, nature and effectiveness of the work of the internal audit function, which should include but not be limited to the following activities:
  - (i) confirm the independence of the Group Internal Audit function, and approve the appointment, job description, period of tenure and replacement of the Group Head of Internal Audit;

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<sup>1</sup> Group Disclosure Committee, which is chaired by the Director of Finance, is responsible for ensuring the compliance of financial information with legal and regulatory requirements prior to publication.

- (ii) consider and approve (a) the Group Internal Audit Charter, (b) the Annual Internal Audit Plan and (c) any material changes to the Plan during the year;
- (iii) review and consider the findings of internal audit reports and management's response, ensuring a timely response by management to all audit findings;
- (iv) ensure that the internal audit function is adequately resourced and has appropriate standing within the organisation and is free from constraint by Management;
- (v) to meet with the Group Head of Internal Audit, at least once a year without management being present, to review:
  - (vi) the objectives, policy, plans and effectiveness of the internal audit function;
  - (vii) the quality of internal audit personnel and training available to them;
  - (viii) the proposed and actual audit coverage; and
- (ix) reports on significant matters and the implementation or otherwise by management of related internal audit recommendations.

### **External Auditor**

- the performance of, and relationship with, the External Auditor should include but not be limited to the following activities:
  - (i) review and make recommendations to the Board, to be put to the shareholders for their approval in General Meeting, on the External Auditor's selection, appointment, re-appointment and removal;
  - (ii) review the scope of the statutory audit and its cost-effectiveness, including the degree of work co-ordination between the internal and external audit functions, and to recommend to the Board the External Auditor's remuneration;
  - (iii) agree the External Auditor's terms of engagement, and review activities, key accounting and audit judgements, findings, conclusions and recommendations and management's responses, ensuring a timely response is provided to any issues raised in the External Auditor's Management Letter;
  - (iv) review the External Auditor's audit work plan, including levels of materiality and proposed resources to execute, any changes to the work plan including changes to perceived audit risks and the work undertaken by the External Auditor to address those risks;
  - (v) review levels of errors identified during the audit and identified significant deficiencies and material weaknesses arising from internal controls over financial reporting, ensuring a timely response to any issues identified;
  - (vi) review and make recommendations to the Board regarding the Audit Representation Letter giving particular consideration to matters where representation has been requested that relate to non-standard issues;
  - (vii) review and monitor the independence and objectivity of the External Auditor, including (a) approving, within pre-determined limits approved by the Board, the range and nature of non-audit services provided and related fees, and (b) monitoring compliance with applicable ethical guidelines and professional best practice regarding the rotation of the Lead Audit Partner and the employment of former employees of the External Auditor;
  - (viii) ensure the implementation of a policy for how the Committee will assess whether non-audit services have a direct or material effect on the audited financial statements, how it will assess and explain the estimation of the effect on the financial statements and how it will consider the external auditors' independence.
  - (ix) monitor the effectiveness of the External Auditor through consideration of the work undertaken in that regard and the feedback received from management in respect of the audit process; and
  - (x) to meet with the External Auditor, at least once a year without Management being present, to:
    - (a) discuss the adequacy and effectiveness of the internal auditing, accounting, financial and operational controls, and risk management systems of the Group; and

(b) elicit any recommendations the Auditor may have for improvement of such control procedures or particular areas where new or more detailed controls or procedures are desirable.