

Group Compliance

External references applicable to this Policy:

Australian Standard AS 3806-2006

The obligations of this Policy:

1 Compliance objectives

A compliance program is an important element in the corporate governance and due diligence process of any organisation and has the objectives of:

- a) Identifying compliance obligations;
- b) Fostering continuous improvement in compliance processes to ensure obligations are met by establishing monitoring and reporting mechanisms that will assist in identifying instances of non-compliance and the remedial action taken;
- c) Promoting a culture of compliance within the Group through an awareness of the importance of compliance with specific obligations and as an organisational value;
- d) Maintaining the reputation of the Group in the marketplace and to demonstrate social and corporate responsibility.

2 Policy Application

This policy recognises that Community CPS Australia Ltd (Community CPS) has a number of subsidiaries including United Community a Division of Community CPS Australia Ltd, Eastwoods Group Pty Ltd, Eastwoods Wealth Management Pty Ltd, Eastwoods Accounting and Taxation Pty Ltd, Eastwoods Finance Brokers Pty Ltd and CPS Waymouth Pty Ltd. This policy applies to all entities and operations of the Group, where relevant.

3 References

- a) All applicable laws, regulations and codes
- b) Australian Standard AS 3806-1998
- c) Board strategic objectives
- d) Board risk policies and all other policies and process
- e) FSR - Nominated Responsible Officers and Authorised Representatives
- f) Community CPS [Compliance](#) Framework

4 Compliance Approach

The compliance approach at Community CPS will be structured according to the essential elements identified in Australian Standard AS 3806-2006. Those elements are:

- a) **Commitment** – through a commitment by the Board and management to effective compliance, alignment of compliance objectives with strategic business objectives, provision of appropriate resources and a process to identify and assess compliance obligations;
 - b) **Implementation** – responsibility for compliant outcomes is articulated and assigned, competence and training needs are identified and addressed, behaviours that create and support compliance are encouraged and those that compromise compliance are not tolerated and adequate controls are in place to manage the compliance obligations.;
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- c) **Monitoring and Measuring** – compliance performance is monitored, measured and reported and is adequately documented;
- d) **Continual Improvement** – the compliance program is regularly reviewed and continually improved.

5 Commitment

Board and management

The Board and management of the Community CPS Group are committed to ensuring the Group meets its compliance obligations. Compliance is concerned with not only externally imposed laws, regulations, codes and standards, but also with internal organisation standards, codes of conduct and ethics, and adoption of industry best practice.

Where appropriate key compliance objectives will be incorporated into the Strategic Plan and planning process.

Resources

Adequate resources will be provided to assist staff in meeting their compliance obligations and these resources may include:

- a) Access to detailed procedures and operational manuals on compliance matters and other relevant reference material;
- b) Appropriate training for staff to ensure understanding of and compliance with applicable laws, regulations, codes and organisational standards;
- c) System based tools to provide automated compliance controls and access to specific compliance information;
- d) Access to specialised external advice on compliance matters or for assistance with compliance procedure.

Identification of compliance matters

The Group will maintain a schedule of *external* laws, regulations and codes that are applicable to the Group in any of its operations. *Internal* compliance issues that apply as a consequence of organisational standards will be communicated to staff as appropriate but generally in the form of specified policy, procedure or codes of conduct.

Where it is considered necessary *compliance summaries* will be maintained of the scheduled external items, that identifies the key compliance issues and the primary compliance measures in place. The compliance summaries will be available for review by Group internal audit, the external auditors and relevant regulators as required.

The risk database maintained as a requirement of the Group Risk Management Policy of the Board will aim to identify the key internal and external compliance risks and any other compliance risks considered relevant for recording. The database should identify the related consequences of those risks and controls in place to mitigate those consequences.

6 Implementation

Responsibility

All staff are expected to maintain a high standard of compliance and to assist in the detection of instances of non-compliance, adoption of remedial action and recommendations for improvements in the compliance process.

All operational managers have a prime responsibility for monitoring compliance within their areas of responsibility. The Group will maintain a designated Risk and Compliance Division that reviews compliance from a Group perspective, assists operational areas in identifying compliance issues and in developing appropriate compliance programs, and aims to identify potential pending compliance issues from changes to, or proposals for, new legislation, regulations and codes.

As responsibility for compliance rests with line managers, non-compliance issues will be dealt with through the existing operational level management process, requiring reporting to senior management as appropriate. Remedial action will depend on the nature of the non-compliance issue and whether reporting to a regulatory body is mandated. Significant compliance issues are to be referred to the Board Risk Committee and, if required, to the Board Audit and Finance Committee.

The Group Internal Audit team will undertake regular reviews of adherence to compliance processes and their effectiveness, based on the assessed risk for specific compliance items and past non-compliance events.

Accountability

Job descriptions should include detail of the relevant compliance responsibilities within the Group.

Education and Training

Relevant and ongoing training on compliance issues and obligations will be a core component of the Group staff training program. The training process should commence at staff induction and utilise whatever methods are deemed appropriate to ensure staff are aware of their compliance obligations and have the necessary understanding and tools to meet those obligations.

Managers are to assist the Human Resources Division to identify aspects of compliance needing improvement. The Risk and Compliance Division will play a key role in assisting HR with staff awareness of risk management issues.

Compliance information is to be readily available to staff. External assistance may be sought in order to clarify uncertainty over compliance obligations or to resolve specific compliance matters.

Compliance procedures

Written procedures may be developed and maintained to assist staff in understanding and meeting their compliance obligations. Individual procedures are to be followed to ensure consistency in approach and may be deviated from only in accordance with approved deviations identified in the procedure. Specific detail and guidance to assist in meeting compliance obligations may be provided within specific compliance manuals or other documents.

Regular review of those procedures will be necessary to ensure they are current and reflect any applicable changes in laws, regulations and codes.

Management at its discretion may develop additional specific compliance policy and procedures to manage distinct regulatory or internal compliance obligations.

Controls

Where feasible and practical, appropriate preventative and corrective controls will be implemented to mitigate the consequences of identifiable compliance risks.

Liaison

Where it is deemed appropriate, management will appoint designated persons to undertake a liaison role with external regulators and other organisations to assist in the awareness and discussion of compliance issues and the effectiveness of the Group compliance process.

7 Monitoring, Measuring and Reporting

Monitoring

Monitoring of compliance activity is required to confirm controls are in place, controls are effective and applied, all compliance failures are reported and actioned and the level of compliance knowledge by staff is maintained at a high level.

Measurement-Complaint handling and dispute resolution

A complaint process will be implemented (using the basic principles in Australian Standard AS 4269) that will facilitate the receipt, recording and action taken on complaints and compliance failures received from staff, members, suppliers, regulatory authorities and other parties.

Risk and Compliance Database

To facilitate the process to identify compliance risks and assess their impact and mitigation, and to assess the qualitative and quantitative residual risk to which the Group is exposed, the Group will utilise a risk management software tool. The software should enable the development and maintenance of a comprehensive risk and compliance database and risk profiling capability within the framework of AS 4360-2004.

Identification and rectification of compliance failures

Compliance failures may be identified from a variety of sources including:

- a) The complaints register
- b) Notification by staff or other persons;
- c) Regulatory advice or notice;
- d) Internal audit and external audit reviews;
- e) Compliance reviews undertaken by Risk & Compliance;
- f) System based exception or other reports.

Recording and responding to compliance failures is a key element of a robust compliance process and a process is required to suitably identify and record compliance failures and the action taken to rectify the failure. Those records may include the development of breach registers where appropriate. Material compliance failures will be reported to the Board. Compliance failures will be reported as required to the relevant authorities.

Compliance failures should be examined and prioritised in accordance with the assessed consequential impact of the failure. Compliance failures of a systemic nature or with significant consequences must be identified and actioned as a matter of priority.

Rectification activity may require staff retraining, revision of current policy or procedure, revision to products or services.

Reporting

The compliance reporting framework will include the following elements:

- a) **Specific reporting** – each Division may develop specific reporting to facilitate management of compliance issues within their operational areas and reporting may be developed for specific compliance areas (eg, OH&S);
- b) **General Purpose** – general purpose reporting may be employed to report on common key compliance issues applicable to the Group or defined operational areas;
- c) **Material/systemic matters** – a monthly compliance report is to be prepared by all Division Heads highlighting any material or systemic risk or compliance matters and an attestation on material breaches of policy or procedure and to the adequacy of the internal control framework. The report is to be provided to the CEO with a copy to the Board. That reporting will form a key element of the annual risk and compliance attestation to APRA in accordance with APS 310;
- d) **Audit reviews** – The internal audit team will undertake regular reviews of activity within operational areas of the Group in accordance with the annual audit plan and risk assessment and those reviews may identify compliance risks, recommendations in relation to compliance controls and aspects of non-compliance;
- e) **Complaint handling** – an appropriate complaint handling process will be maintained and the complaint process may identify single or systemic issues of non-compliance;
- f) **Staff** – the ability is to be provided for staff to report compliance concerns, anonymously if necessary;
- g) **Breach/Incident registers** – breach registers will be maintained specifically for FSR, the Consumer Credit Code and AML/CTF matters and an incident register will be maintained for OH&S. Other registers may be established as deemed appropriate;

8 Continual Improvement

Regular assessment and review

The overall effectiveness of the compliance process will depend on a process of review to determine:

- a) Compliance with policy and procedure;
- b) The reasons for matters of non-compliance or systemic issues;
- c) The effectiveness of staff training programs; and
- d) The adequacy of the compliance process for the Group.

Accordingly a review of the compliance process should be undertaken by the Risk and Compliance Manager in conjunction with Internal Audit at least every two years (or a lesser period if deemed appropriate). The results of that review are to be considered by the Board.

Improvement

The compliance process is to be continuously improved where practicable, to meet current best practice standards, to standardise and simplify compliance procedures and to meet changes in current laws, regulations or codes or to meet expectations for proposed future compliance issues.

9 Compliance and Internal Audit

The Group Internal Audit team will undertake a key role in the risk management process through:

- a) Reviewing the qualitative and quantitative assessment of identified risks, consequences and controls and providing recommendations as considered necessary for modifications to those assessments based on the results of related audit reviews;
 - b) Providing information on potential or existing risks that have not been previously identified and assessed;
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- c) Provision of advice on additional internal controls, or variations to existing controls, that might be appropriate to lower residual risk;
 - d) Undertaking an independent risk assessment annually and examining the risk information from the Group risk database, to assist in formulating the annual Internal Audit Plan.
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