

Audit Committee: Terms of Reference

1. The Committee is established by the Board to consider and advise the Board on regulation and compliance, all audit related matters and adequacy of internal controls. The remit is reviewed at least annually by the Board.

Membership and Attendees

2. The Committee is appointed by the Board. All members of the Committee are independent non executive Directors of the Society. The Committee consists of not less than three members and a quorum is two members. The Chairman of the Board may be a member of, but may not chair the Committee. The Board should satisfy itself that at least one member of the Committee has recent and relevant financial experience.

3. The Chief Executive, Head of Finance and Secretary & Head of Compliance attend all meetings and other members of management may attend by invitation as required. Internal Audit attend all meetings and the External Auditor attends when appropriate.

Meetings

4. The Committee holds at least four meetings each year, to coincide with key dates in the financial reporting and audit cycle. Minutes are taken and the Chairman of the Committee reports to the Board at its next meeting. Additional meetings of the Committee may be held as and when required.

Responsibilities

Financial Reporting

5. To review and monitor the integrity of the financial statements of the Society and any formal announcements relating to financial performance, including significant financial reporting judgements contained in financial reports and corporate governance issues in relation to the financial statements and reports of the Society.

Internal Control and Risk Management

6. To review reports from management and internal audit on the effectiveness of the systems for internal control and risk management.

7. To review and monitor issues highlighted by management in completion of monthly risk certificates.

8. To review arrangements by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The objective of the Committee should be to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow up action.

Internal Audit

9. To review and approve the Audit Strategy and Annual Audit Plan and ensure that Internal Audit is adequately resourced.

10. To receive audit reports and to challenge both Internal Audit and Management on the content thereof.

11. To instruct Internal Audit to carry out an audit or special review of any area of operations causing concern to the Committee.

12. To ensure that Internal Audit has direct access to the Chairman of the Board and to the Audit Committee and is accountable to the Committee.
13. To review and monitor management's responsiveness to Internal Audit findings and recommendations.
14. To monitor and assess the role and effectiveness of Internal Audit annually.
15. To consider and make recommendations on the outsourcing of Internal Audit including appointment, reappointment and removal.
16. To ensure that the Society follows the guidance on *Effective Internal Audit in the Financial Services Sector* (issued by the Chartered Institute of Internal Auditors in July 2013) as appropriate.

External Audit

17. To oversee the Society's relations with the External Auditor, including approving the terms of engagement and remuneration.
18. To consider and make recommendations on the appointment, reappointment and removal of the External Auditor.
19. To assess annually the qualifications, expertise and resources, effectiveness and independence of the External Auditor.
20. To consider, at the start of each annual audit cycle, the nature and scope of the audit, and whether appropriate plans and resources are in place for the audit.
21. To review the audit representation letter and give particular consideration to any matters relating to non standard issues.
22. To review the audit findings, including any major issues that arose during the course of the audit.
23. To review and monitor the content of the External Auditor's management letter, and establish whether recommendations have been acted upon.
24. To ensure compliance with the Board's normal policy that the External Auditor should not provide non audit services other than on an exceptional basis. Any proposals for the External Auditor to provide non audit services should be considered by the Committee to ensure that any such work does not compromise their independence or objectivity, before making a recommendation to the Board on whether to proceed. The approval process should cover the nature and scope of the work, details of why the External Audit firm is the preferred supplier, appropriate confirmation from the External Audit engagement partner that the issue of independence has been considered, and details of fees (including comparison with the annual audit fee).

Regulation and Compliance

25. To consider and report to the Board the effect of any statutory, regulatory or financial reporting changes, or corporate governance issues, which may affect the content and presentation of the Society's accounts, its systems of control or any other matters relating to the way the Directors direct the Society.

26. To approve the annual Compliance Monitoring Plan and to monitor progress against plan.
27. To review and monitor the Compliance function, including considering reports to the Committee on routine Compliance monitoring or on specific items.
28. To instruct the Compliance function to carry out specific reviews of any area of operations causing concern to the Committee.
29. To review at least annually compliance with the Bribery Act, the Proceeds of Crime Act, Money Laundering Regulations and other relevant statutes.

Report to Board

30. To report annually to the Board on how the committee has discharged its responsibilities.

Communication

31. The Secretary of the Committee will normally circulate the agenda and papers for meetings at least three working days before the meeting.
32. All Board members are provided with Committee papers and subsequent formal minutes via the Board portal.

Date Remit last reviewed

29 July 2015