



## **Terms of Reference Audit Committee**

### **1 Membership and quorum**

- 1.1 The Committee is appointed by the Board.
- 1.2 The Committee comprises three non-Executive Directors
- 1.3 The Committee membership must include a non-Executive Director with recent and relevant accounting and/or auditing experience.
- 1.4 The Committee membership as a whole must have competence relevant to financial services.
- 1.5 The majority of the Committee members must be classified as independent.
- 1.6 Current Committee membership is:
  - Ron Simms (Chair)
  - John Parker
  - Will Roberts
- 1.7 In the absence of the Committee Chair the remaining members present shall elect one of themselves to chair the meeting.
- 1.8 A quorum comprises two committee members.

### **2 Attendees**

- 2.1 In addition to the committee members the following are in attendance
  - Chief Executive
  - Finance Director
  - Operations and Sales Director
  - Head of Compliance
  - Head of Risk
  - Head of IT
  - Internal Auditors
  - External Auditors
- 2.2 The Society Secretary is the Head of Compliance. In the event of the Society Secretary being unavailable, the Chair will ask one of the attendees to be the Secretary for the meeting.
- 2.3 Other persons may attend all, or part, of any meeting at the invitation of the Committee Chair.

### **3 Frequency of meetings**

- 3.1 Meetings are held four times a year, normally December, March, June, October.
- 3.2 The Chair can convene additional meetings if they consider it necessary.
- 3.3 A quorum is required for decisions to be made.

#### **4 Notice of meetings**

- 4.1 Meetings shall be scheduled annually in advance.
- 4.2 Ad hoc meetings shall be convened by the Society Secretary at the request of the Chair.
- 4.3 Supporting papers shall normally be circulated, by the PA to the Executive Directors, one week in advance of the meeting.

#### **5 Minutes**

- 5.1 The Society Secretary will take the minutes of the meeting.
- 5.2 Draft minutes will be provided to the Chair and once approved will be circulated to the other attendees.

#### **6 Reporting**

- 6.1 Audit committee reports into the Board committee.

#### **7 Authority**

- 7.1 The Committee is authorised to request any information it requires and to seek independent advice where it believes this is necessary to discharge its primary purpose and responsibilities.

#### **8 Responsibilities**

- 8.1 The Committee is responsible for providing appropriate oversight, independently of the Executive, to ensure that the interests of members and the Society's other key stakeholders are properly protected in relation to financial reporting, internal control, regulatory compliance and conduct. The Committee achieves this by:
  - Reviewing the processes followed to produce, and validate the integrity of, the financial statements including:
    - reducing the risk of material misstatement (including fraud) through the use of appropriate accounting standards
    - approving, on advice, the most appropriate accounting policies and ensuring they are consistently applied
    - satisfying itself that the disclosures made are clear, fair, balanced and understandable.
  - Reviewing the Society's annual accounts and significant judgements in them prior to recommending Board approval.
  - Carrying out a review on an annual basis of the adequacy and effectiveness of the Society's internal systems and controls (including the quality and content of management information provided to it), particularly with regard to Compliance, Conduct and Operational and Reputational risk, and reporting the overall conclusion to the Board.
  - Reporting (via the Audit Committee Chair) all material issues arising from the committee's review of audit related risks to the next Risk Committee along with any recommendations of actions the Society should undertake.
  - Approve the IT Security policy.

8.2 The Committee has specific responsibility for reviewing and monitoring the independence, expertise, objectivity, performance and effectiveness of the Society's internal and external auditors. In so doing the Committee will:

- Make recommendations to the Board in relation to the appointment, re-appointment and removal of the external and internal auditors as required (ensuring the external audit contract is put out to tender at least once every ten years and that the tenure of the external auditors does not exceed 20 years).
- Approve the auditors' audit plans, budgets and engagement letters, including fees.
- Consider reports and recommendations from the auditors, and progress against these.
- Have a private meeting with the auditors at least annually.
- Ensure there are no impediments restricting the independence of the auditors.
- Examine any differences of opinion between the auditors and the Society's management, ensuring there are no restrictions on the right of the auditors to raise or challenge material issues.
- Assess the effectiveness of the internal audit inspection system in the context of the Society's overall risk management framework, and ensure that internal audit does not place undue reliance on the work of the compliance, risk management and finance functions.
- Discuss any major issues arising as a result of the external audit, review any representation letters requested by the external auditor, and assess the management letter and management's responses to the external auditor's findings and recommendations.
- Review and approve any proposals above defined thresholds (currently £10k) to engage external auditors in the supply of non-audit services, taking into account relevant ethical guidance.

8.3 The Committee also has the following general duties:

- Consider reports and recommendations from the Head of Compliance.
- Review the adequacy of the Society's business continuity arrangements.
- Ensure appropriate whistle blowing arrangements are in place.
- Consider industry guidance on Corporate Governance.
- Approve the Compliance Plan, ensuring that it is aligned with, but does not affect the independence of, the Internal Audit Plan.
- Review the policies and procedures to ensure they are sufficient to allow the Society to comply with its obligations under the regulatory system and for countering the risk of financial crime. In doing so the committee assesses whether the Compliance function has the necessary authority, resources, expertise and access to all relevant information and that members of the Compliance function do not perform roles or activities they monitor.

## **9 MI Reports**

9.1 The following reports shall be provided for each meeting:

- Compliance report (Head of Compliance)
- Internal audit report (Internal auditor)
- External audit report (External auditor)

## 10 Rolling agenda

10.1 The Chair determines the agenda for each meeting, in conjunction with a relevant member of the Executive team.

10.2 In addition to the MI reports detailed above, there is a rolling agenda as follows:

<b>Specific topics</b>	
<b>Dec</b>	<ul style="list-style-type: none"><li>▪ Final accounts – recommendation for approval</li><li>▪ Compliance and Internal audit – effectiveness review</li><li>▪ Management information review</li><li>▪ Meeting with the auditors without the Executives present</li></ul>
<b>Mar</b>	<ul style="list-style-type: none"><li>▪ Committee review and terms of reference</li><li>▪ External Audit fee proposal</li></ul>
<b>Jun</b>	<ul style="list-style-type: none"><li>▪ Operation and effectiveness of whistle blowing arrangements</li><li>▪ External audit strategy proposal</li><li>▪ IT Security policy</li></ul>
<b>Oct</b>	<ul style="list-style-type: none"><li>▪ Business continuity plan</li><li>▪ IT risks and controls</li><li>▪ Corporate governance disclosures</li><li>▪ Accounting policies</li><li>▪ External interim audit</li><li>▪ Internal Audit plan</li><li>▪ Internal Audit engagement letter</li><li>▪ Compliance plan</li></ul>