

Committee	Audit Committee
Document	Terms of Reference

1 Membership

- 1.1 The Audit Committee shall comprise at least three members. All members of the Committee shall be independent Non-Executive Directors and at least one of whom shall have recent and relevant financial experience, and one of whom will be appointed by the Board to chair the Committee. The Chair of the Board shall not be a member of the Committee.
- 1.2 Members of the Committee shall be appointed by the Board, on the recommendation of the Nominations Committee in consultation with the Audit Committee Chair.
- 1.3 The Company Secretary, or their nominee, shall act as the secretary of the Committee.
- 1.4 Any Non-Executive Director may attend a Committee meeting as an observer. However only members of the Committee have the right to participate in, and contribute to, the meeting.
- 1.5 Regular attendees will include the Chief Executive, the Finance Director, Chief Risk Officer and the internal audit function.
- 1.6 The external auditor will be invited by the Audit Committee Chair to attend the Committee on a regular basis.
- 1.7 Appointments to the Committee shall normally be for a period of up to three years, which may be extended to such further periods as may be agreed.

2 Quorum

- 2.1 The quorum of the Committee is two members, both of whom will be Non-Executive Directors. In the absence of the Audit Committee Chair, the remaining members shall elect one of themselves to chair the meeting.
- 2.2 At least one of the Non-Executive Directors, who form the quorum, will have relevant and up to date financial accounting experience.

3 Frequency of meetings

- 3.1 The Committee shall meet at least four times a year, including on at least one occasion to receive the Society's financial statements. The Audit Committee Chair may convene a special meeting of the Committee as required.

4 Objectives and duties

4.1 Financial reporting

- 4.1.1 The Committee shall monitor the integrity of the Society's financial statements, including its annual accounts and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain.

4.2 Internal Audit ('Third Line') and Compliance ('Second Line') functions

The Committee shall:

- 4.2.1 approve senior management appointment with overall responsibility for arrangements in relation to adherence to internal systems and controls;
- 4.2.2 approve the remit of the internal audit and compliance functions and ensure that they have adequate resources;
- 4.2.3 review and approve the annual plans for the internal audit and compliance functions;
- 4.2.4 ensure that both functions are independent and free from management influence or other restrictions, and have unrestricted access to all information necessary;
- 4.2.5 monitor the outcome of the internal audit and compliance functions' work and progress against their annual plans, and monitor management's progress with implementing agreed recommendations;
- 4.2.6 consider and recommend to the Board whether the internal audit function should be 'outsourced' or delivered 'in house' and, if outsourced, recommend to the Board the appointment and removal of the internal auditors;
- 4.2.7 meet alone with senior management of the internal audit function at least annually to discuss issues arising during the internal audit work; and
- 4.2.8 ensure that the internal audit and compliance functions are given the right of direct access to the Board Chair and to the Committee.

4.3 External Audit

The Committee shall:

- 4.3.1 Oversee the Society's relationship with the external auditor including, but not limited to:
 - 4.3.1.1 the recommendation of their remuneration and fees for audit or non-audit services, assessing whether they are reasonable and appropriate for conducting the year-end financial audit;
 - 4.3.1.2 the approval of any engagement letters issued at the start of the audit year;
 - 4.3.1.3 the annual assessment of their independence and objectivity taking into account relevant UK professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services; and
 - 4.3.1.4 satisfying itself that any relationships are declared (such as family, employment, investment, financial or business) between the auditor and the Society (other than in the ordinary course of business).
- 4.3.2 consider and make recommendations to the Board on the appointment, reappointment or removal of the external auditor and oversee any selection process for a new auditor;
- 4.3.3 review and approve the annual external audit plan;
- 4.3.4 meet regularly with the external auditor, including once each at the audit planning and reporting stages, and alone at least annually to discuss issues arising during the external audit work;
- 4.3.5 review the findings of the audit with the external auditor, including, but not limited to:
 - 4.3.5.1 the discussion of any major issues which arose during the audit;
 - 4.3.5.2 any accounting and audit judgments;
 - 4.3.5.3 the levels of errors identified during the audit; and
 - 4.3.5.4 the effectiveness of the audit.
- 4.3.6 review any representation letters requested by the external auditor before they are signed by management; and
- 4.3.7 review the management letter and management's response to the auditor's findings and recommendations.

4.4 Financial Crime and Whistle blowing

The Committee shall:

- 4.4.1 approve senior management appointment with overall responsibility for the establishment and maintenance of effective financial crime systems and controls and approve the appointment of a Money Laundering Reporting Officer (MLRO) (FCA SMF17);
- 4.4.2 ensure that this individual has the appropriate authority and independence, and approve the appointment of a nominated officer to process disclosures;
- 4.4.3 review the adequacy and effectiveness of the Society's anti money and anti-fraud systems and controls;
- 4.4.4 review the adequacy and confidentiality of the Society's whistle blowing arrangements and ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action; and
- 4.4.5 monitor the money laundering and fraud activity that affects the Society through the annual Financial Crime report.

5 Reporting responsibilities

- 5.1 The Committee's secretary shall circulate draft minutes promptly to all members of the Committee.
- 5.2 The Audit Committee Chair shall prepare a report to the Board after each meeting summarising whatever recommendations it deems appropriate on any area within its remit.
- 5.3 The Committee shall review and approve the statements to be included in the Society's annual accounts concerning its activities and the Society's system of internal controls.
- 5.4 The Audit Committee Chair should attend the Annual General Meeting to answer member questions on the Committee's activities.

6 Other matters

The Committee shall:

- 6.1 have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required;
- 6.2 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;
- 6.3 give due consideration to relevant laws, regulations and standards of good practice;
- 6.4 oversee any investigation of activities which are within its terms of reference;
- 6.5 arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

7 Authority

The Committee is authorised to:

- 7.1 seek any information it requires from any employee of the Society in order to perform its duties;
- 7.2 obtain, at the Society's expense, third party legal or other professional advice on any matter within its terms of reference;
- 7.3 to call in any employee to present at a meeting of the Committee as and when required; and
- 7.4 have the right to publish in the Society's annual accounts details of any issues that cannot be resolved between the Committee and the Board.