

TERMS OF REFERENCE – GROUP AUDIT COMMITTEE

1. **Composition:** A minimum of three non-executive directors, of whom at least one should have recent and relevant financial experience.
2. **Quorum:** At least two members of the Committee.
3. **Attendees:** Chief Executive
Group Secretary (Committee Secretary)
Finance Director
Internal Auditor (by invitation)
External Auditors
4. **Frequency of Meetings:** Four times a year, the dates of which are agreed in advance to coincide where necessary with key dates in the Societies financial calendar. Additional meetings shall be convened by the Committee Secretary from time to time following receipt of a request from the Committee Chairman.
5. **Notices of Meetings:** Notices of meetings are issued not less than two clear days in advance of each meeting and state the business to be transacted at each Meeting.
6. **Meeting Minutes:** Minutes of all Committee meetings held are taken by the Committee Secretary and are presented to the next, or dependent upon timing, next appropriate Board meeting, for consideration by the Board of Directors.
7. **Principal Objectives:** To monitor the activities of the Internal Audit function and the Internal Audit function across all constituent parts of the Group and to make recommendations to the Board upon any issues of concern. To consider and review the findings arising from External Audit control and systems work undertaken and to review, prior to approval by the Board, the final Group Accounts, Directors Report and Summary Financial Statement.
8. **Matters Considered:** Consideration and review of progress reports prepared and submitted by the Internal Auditor which cover audits conducted during the period since the last report and significant points arising. Specific consideration of individual Internal Audit reports as and when submitted to the Committee by the Internal Auditor.

Review of reports arising from Investigations undertaken by the Internal Audit function.

Annual consideration and approval of the Internal Audit Plan. Annual appraisal of the effectiveness of the Internal Audit function including a review of its responsibilities, reporting arrangements and methods of operation.

Consideration of External Audit letters of comment, arising from their Interim or Final Audit visits and the relevant management responses, and final approval of the External Audit Fees.

To assess the effectiveness of the audit process.

To monitor the External Audit firm's compliance with the Ethical Standard, the level of fees that the Society pays in proportion to the overall fee income of the firm, and other regulatory requirements.

To assess the independence and objectivity of the External Auditor on an annual basis, taking into consideration relevant UK Law, regulation, the Ethical Standard and other professional requirements, including the obligation to annually seek from the audit firm information about policies and processes for maintaining independence and monitoring compliance with relevant requirements.

To approve the terms of engagement of the External Auditor and to review and monitor the External Auditor's independence and objectivity and to oversee the Society's relationship with the External Auditor.

Annual consideration of the Accounting Policies adopted by the Group.

Consideration of the Society, Subsidiary Company and Group Annual Accounts, the Society's Directors Report and the Society's Summary Financial Statement and the recommendation of any changes considered necessary prior to formal approval by the Board.

To monitor the integrity of the Society's financial statements and of any formal announcements relating to the Society's financial performance, reviewing significant reporting judgements contained in them.

To review the Society's internal financial controls and internal controls systems.

To oversee the Society's relationship with the Internal Auditor and to appoint and dismiss any Internal Auditor.

To develop and recommend to the Board the Society's policy on non-audit services by the Auditors, to monitor and/or approve any such work by the External Auditor or the Internal Auditor.

Provision to be made for confidential meetings between the Committee members and the External Auditors and the Internal Auditor to be arranged as required.

9. Advice & Support

The Committee may seek such expert advice and support as it deems necessary to meet its responsibilities effectively.

10. Annual Review

The Committee shall annually review its terms of reference and its own effectiveness and make recommendation to the Board of any necessary changes.