**TERMS OF REFERENCE FOR THE AUDIT AND RISK COMMITTEE**

The function of the Audit and Risk Committee is to provide a forum for oversight of the risk management across the society and any subsidiaries. The Committee shall be formed from members of the Committee of Management, and shall consist of at least three non-executive members and such Executive as deemed fit, the committee membership will be reviewed each year by the Management Committee. The Committee of Management will nominate one of the Non-Executive members of the Committee as Chair of the Committee.

The Audit and Risk Committee shall recommend to the Committee of Management independent persons with suitable skills for appointment by them as the Society’s Internal Auditor, with or without assistance from the Society’s Auditor.

The Audit and Risk Committee shall meet as frequently as necessary, but at least three times per year. The Internal Auditor shall be contracted for as many days work as is commensurate with the inspection and reporting schedule as agreed by the Committee. The Audit and Risk Committee shall report to the Committee of Management.

Minutes of the meetings will be taken by the Company Secretary or such other person as the Chair nominates, and will then be circulated to Committee members and to Committee of Management members prior to the next meeting.

The Committee has the authority to inspect the records of the society and may seek information from any of its employees. Independent professional advice may be sought if this is required for it to fulfil its duties and responsibilities.

The role and responsibilities of the Audit and Risk Committee, with the assistance of the Internal Auditor, are to:

1. Monitor the integrity of the financial statements of the society and any formal announcements relating to the society’s financial performance, reviewing significant financial reporting judgments contained in them;
2. To review the society’s internal financial controls and , unless expressly addressed by a separate board risk committee composed of independent directors, or by the board itself, to review the society’s internal control and risk management systems;
3. To monitor and review the effectiveness of the society’s internal audit function;
4. To make recommendations to the Committee of management, for it to put to the members for their approval in general meeting, in relation to the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor;
5. To review and monitor the external auditor’s independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
6. To develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm, and to report to the Committee of Management, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken; and
7. To report to the Committee of management on how it has discharged its responsibilities.
8. To review and consider the management of the risks that the Society faces.
9. To review arrangements by which staff of the society may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters;
10. To review any other matter as requested by the Committee of management.
11. To report to the Committee of Management on any matters that pertains to the Committee of Management signing of the annual report under Rule 3.1. IPRU (FSOC).

At least annually the Chair of the Committee will enquire whether the Senior Independent Director has anything that he/she considers should be reported to the Committee.

Frequency of meetings – at least three times per year or as often as considered necessary.

Quorum 3 members are required to constitute a quorum. No business will be conducted in the absence of a quorum. A meeting will terminate as soon as it becomes inquorate.

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