

1. Membership

- 1.1 The Committee shall be appointed by the Board. The Committee shall be made up of four non-executive members.
- 1.2 The Board shall appoint a Chair.
- 1.3 The Chair of the Society shall not normally be a member of the Committee.

2. Quorum

- 2.1 The quorum for a meeting of the Committee shall be two members.

3. Frequency of Meetings

- 3.1 The Committee shall meet quarterly, or more frequently as considered appropriate.
- 3.2 The Chair of the Committee shall meet regularly with the Head of Internal Audit/Compliance, without the presence of executives officers.

4. Attendance at Meetings

- 4.1 The Chief Executive, the Head of Compliance and Risk, the Internal Audit Manager, External Auditors and Mutual One representative may be invited to attend meetings. In addition, members of the executive team and other Board members may be invited to attend any meeting as and when appropriate.

5. Minutes of Meetings

- 5.1 The Internal Audit Manager or his/her nominee shall be responsible for recording the minutes of the meeting.

6. Duties

The Committee shall in respect of:

- 6.1 Financial Reporting
 - 6.1.1 Review and challenge where necessary the actions and judgements of management in relation to the Society's annual accounts prior to approval by the Board.
- 6.2 Internal Control
 - 6.2.1 Monitor the integrity of the Society's internal controls.
 - 6.2.2 Review internal audit's reports on the effectiveness of the systems for the management of internal controls, financial reporting and risk management.
 - 6.2.3 Obtain reports from internal audit on major audit findings where management has decided to assume the risk.
- 6.3 Internal Audit
 - 6.3.1 Review the internal audit programme and ensure that the internal audit function is adequately resourced and has appropriate standing in the Society.

- 6.3.2 Ensure internal audit has direct access to the Committee.
- 6.3.3 Receive a report on the results of internal audit's work at each Committee meeting.
- 6.3.4 Review and monitor management's responsiveness to internal audit's findings and recommendations.
- 6.3.5 Monitor and assess the role and effectiveness of the internal audit function.
- 6.3.6 Appoint or dismiss the Internal Audit Manager.
- 6.4 External Audit
 - 6.4.1 Oversee the Society's relationship with the external auditor.
 - 6.4.2 Consider and make recommendations on the appointment, reappointment and removal of the external auditor.
 - 6.4.3 Approve the terms of engagement and the remuneration to be paid to the external auditor in respect of audit services provided.
 - 6.4.4 Ensure there are no restrictions in the scope and depth of external audit work.
 - 6.4.5 Review and monitor the content of the external auditor's management letter and management's response.
- 6.5 Compliance Function
 - 6.5.1 Monitor and review arrangements established by management for compliance with regulatory requirements.
 - 6.5.2 Receive and review quarterly reports from the Compliance Officer.
- 7. Reporting**
 - 7.1 Committee minutes shall be circulated to all members of the Board.
 - 7.2 The Chair of the Committee shall report formally to the Board on its proceedings after each meeting.
- 8. Annual General Meeting**
 - 8.1 The Chair of the Committee shall attend the Annual General Meeting prepared to respond to any member questions on the Committee's activities.
- 9. Review of Performance**
 - 9.1 The Committee shall, at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and where appropriate approve changes.