

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

GENERAL

1. The Audit Committee shall consist of 4 independent members of the Board of the Society
2. The quorum of the Audit Committee shall be 3 members
3. The Chairman of the Board shall not be a member of the Audit Committee
4. All members of the Audit Committee shall be non-executives, at least one of whom shall have relevant financial experience
5. The Audit Committee shall elect its own Chairman
6. No-one other than the Audit Committee's Chairman and members shall be entitled to attend and speak at an Audit Committee meeting
7. The Audit Committee shall have the authority to require the attendance of the Chief Executive and/or any member of staff and/or any other person, who in the opinion of the Committee will assist in carrying out its functions
8. Other non-members of the Committee may be invited to attend and speak at the Audit Committee on an as needs basis
9. Notwithstanding the provision of 6 above, the Chairman of the Board shall be entitled to attend meetings of the Audit Committee but shall only be entitled to speak at the invitation of the Chairman of the Committee
10. The Audit Committee shall meet at least 3 times per annum
11. The Audit Committee shall, at least annually, meet the external auditors with no members of the Society's executive management being present

RESPONSIBILITIES

1. The preparation and supervision of the Society's inspection programme
2. To conduct annually, in conjunction with the Society's Internal Auditor, a risk assessment in respect of the Society's system of business control, and produce a report on control issues for consideration by the Board
3. The receiving of reports from the Internal Auditor arising from inspections he has carried out and reporting to the Board on the inspection programme together with recommendations for improvements
4. The review of the effectiveness of the Society's system of inspection and report, including an assessment of the scope of work performed by the inspection function, the nature and timing of inspection reports and the adequacy of resources available to the inspection function
5. The review of the adequacy of management information and other reports made available to the Board
6. The review of the annual accounts and other financial returns, including those required by the FSA, prior to their approval by the Board
7. To report any major problems arising which might have a detrimental impact upon the Society's solvency position or reputation
8. To monitor and review the effectiveness of the Society's internal audit function
9. To monitor and review the external auditor's independence and objectivity and the effectiveness of the audit process taking into account relevant professional and regulatory requirements
10. Liaison with the Society's auditors, including discussion on the scope of and matters arising from the audit
11. To monitor and review the Society's whistle blowing arrangements in respect of financial matters