

Terms of Reference: Audit, Risk and Compliance Committee

Role

Responsible to the Board for the oversight of the Society's financial reporting system; the effectiveness of its internal financial control and risk management systems; the internal and external audit functions; and compliance with laws and regulations relating to financial reporting and business conduct including requirements set by the Financial Services Authority (FSA).

Membership

At least three non-executive directors (NEDs) appointed by the Board, one of whom shall be appointed Chairman.

The Chief Executive, and/or the Deputy Chief Executive, the Director of Finance and Information Services and the Head of Compliance and Risk Management will normally be in attendance. The Senior Compliance Executive will act as secretary. Other members of the Senior Management Team may be invited to attend as required.

The Society's internal auditors will be invited to attend meetings on a regular basis and the external auditors and actuarial advisers as required.

Conduct of Business

The quorum will be two members.

The Committee will meet quarterly or more often if required.

The Chairman will submit a report to the Board following each Committee meeting.

The agenda, papers and minutes of the meeting will be circulated by the Secretary subject to the approval of the Chairman.

The Committee may wish to meet separately with the internal and external auditors to discuss any matters which they or the auditors consider shall be discussed privately.

Responsibilities

- To monitor the activities and effectiveness of the internal and external audit functions;
- To develop and agree programmes of internal and external audit and to oversee these programmes including the management response to all audit recommendations

- On the basis of audit reports to monitor and evaluate the effectiveness of the Society's financial control systems. This will include a formal annual review of the Society's internal controls including financial, operational and compliance controls and risk management systems;
- To review and develop the Society's Risk Register and risk mitigation plans and make recommendations to the Board;
- To review financial plans and strategies to ensure they are consistent with the Society's overall objectives and plans, and monitor financial performance against budgets
- To review and make recommendations to the Board on the solvency margins to be maintained by the Society including those required by Solvency 2 regulations
- To monitor the Society's performance in Treating Members Fairly (TMF)
- To review the Annual Report and Accounts prior to approval by the Board
- To appoint by competitive tender the Society's internal and external auditors, the appointments to be reconfirmed on an annual basis and the option of retendering to be considered every three years

Delegated Authority

The Compliance, Risk and Audit Committee is a subordinate Committee of the Board with the authority, powers and responsibilities set out in the Society's Rules and in these Terms of Reference.

End Jan 2010