

**WILTSHIRE FRIENDLY SOCIETY LIMITED**  
**AUDIT & RISK COMMITTEE**  
**TERMS OF REFERENCE**

**1. MEMBERSHIP**

The Committee will comprise of four non-executive members of the Board, one of which is to be appointed the Chairman of the Committee. The Chief Executive will attend meetings in an advisory capacity only. Membership of this Committee should also include at least one member of the accountancy profession.

The Committee is supported by professional advisers in the following fields:

- External Audit
- Internal Audit

**2. AUDIT & ACCOUNTS**

**The duties and responsibilities of the Committee in respect of Audit matters are as follows:-**

- advise the Board on the appointment of the external auditors, the audit fee, the terms of engagement, the provision of any non-audit services by the external auditors and any questions of resignation or dismissal of the external auditors.
- discuss if necessary with the external auditors, before the audit begins, the nature and scope of the audit.
- discuss with the external auditors problems and reservations arising from audit visits, including a review of the management letter incorporating management responses, and any other matters the external auditors may wish discuss (in the absence of management where necessary).
- consider and advise the Board on the appointment and terms of engagement of the internal audit service (and the head of internal audit, if applicable), the provision of any non-audit services by the internal auditors and any questions of resignation or dismissal of the internal auditors.
- review the internal auditors' Audit Needs Assessment and the audit plan; consider major findings of internal audit investigations and management's response; and promote co-ordination between the internal and external auditors. The committee will ensure that the resources made available for internal audit are sufficient meet the Society's needs (or make a recommendation to the Board, as appropriate).
- keep under review the effectiveness of internal control and risk management systems, and in particular review the external auditors' management letter, the internal auditors' annual report, and management responses.
- monitor the implementation of agreed audit-based recommendations, from whatever source.
- ensure that all significant losses have been properly investigated and that the internal and external auditors, and, where appropriate, the regulator, have been informed.
- oversee the Society's policy on fraud and irregularity, including being notified of any action taken under that policy.
- satisfy itself that satisfactory arrangements are in place promote economy, efficiency and effectiveness.
- receive any relevant reports from the regulator and other Societies.
- monitor annually the performance and effectiveness of external and internal auditors, taking into account relevant UK professional and regulatory requirements and make recommendations to the Board concerning their reappointment, where appropriate.
- consider elements and the integrity of the annual financial statements in the presence of the external auditor, including the auditor's formal opinion, the statement of members' responsibilities and any corporate governance statement. This responsibility should be extended to include consideration of internal control and risk management statements.

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**2. AUDIT & ACCOUNTS cont.**

- advise the Board that the annual Financial Statements are fair, balanced and understandable and provides the information necessary for members to assess the Society's position and performance, business model and strategy.
- ensuring the minutes (or a report) of meetings of the Committee are made available to all members of the Board and that a report is made to the Board at its next available meeting following that of the Committee.
- reporting to the Board at least annually on its review of the effectiveness or otherwise of the Society's internal control systems.
- receiving (or preparing) annual reports as follows and ensuring that the Board approve them before final approval and submission of the Society's Statutory Financial Statements is made:-
  - External Auditor's SAS 610 report & Management Letter for the year
  - Internal Auditor's Report for the year
  - IPRU (FSOC) 3.1 report
- ensuring the provisions regarding the disclosures as set out in the ACGC and applicable Financial Reporting standards are met.

**3. RISK**

**The duties and responsibilities of the Committee in respect of Risk matters are as follows:-**

- advise the Board on the co-ordination and prioritisation of risk management issues throughout the Society and develop a strategy for risk management for approval by the Committee.
- encourage and foster an awareness of risk management at all levels in the Society.
- provide the Board with a Risk Management Strategy and annual risk management report.
- promote risk awareness and give advice to the Board on the information, instruction and training requirements of staff.
- consider urgent and ad hoc issues and where appropriate to refer them to the Board with risk action plans.
- assess and report to the Board on the nature of the risks undertaken by the Society.
- determine suitable strategies and monitoring controls to be undertaken in order to minimise those risks.
- keep under review the effectiveness of Society' risk management infrastructure. This will include:
  - an assessment of risk management procedures (for the identification, measurement and control of key risk exposures) in accordance with changes in the operating environment;
  - where appropriate, consideration of Risk audit reports on the key business areas to assess the level of business risk exposure;
  - consideration of any major findings of the Financial Conduct Authority and internal/external audit's risk management reviews and Management's response;
  - an assessment of the risks of new ventures and other strategic initiatives.