Audit Committee

Terms of reference

1. Duties

General Objectives

1.1 On behalf of the Board maintain an overview of the Company's risk management and governance processes, ensuring that the system of internal control is satisfactory to deliver regulatory compliance.

1.2 Review the annual audit plan, ensure coordination between the staff team and external auditors.

1.3 Monitor and review periodically the effectiveness of procedures by reviewing progress reports, any major recommendations or findings of internal investigations and management's responsiveness to them.

1.4 Review reports from management on the effectiveness of systems for internal control, financial reporting, and risk management.

Specific Responsibilities

1.5 To determine the frequency and process of tendering for the external audit service.

1.6 To consider the appointment, resignation, or dismissal of the external auditors, to approve their fee annually, and to review their independence and objectivity and matters relating to the provision of non-audit services.

1.7 To formally review the performance of the external auditors every 3 years.

1.8 To discuss with the external auditor, before the audit commences, the nature and scope of the audit and to review the auditors' quality control procedures and steps taken by the auditor to respond to changes in regulatory and other requirements.

1.9 To review the annual financial statements in conjunction with the external auditors before submission to the Directors, focusing particularly on the consistency of the Directors' Report with the financial statements, and:

- The quality of control arrangements put in place over the preparation of the accounts by the Board;
- Critical accounting policies and practices and any changes in them;
- The extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed;
- The clarity of disclosures;
- Significant adjustments resulting from the audit;
- Material misstatements detected by the auditors that individually or in aggregate have not been corrected, and management's explanations as to why they have not been adjusted;
- The going concern assumption;
- Compliance with accounting standards and legal requirements;
- The Company's statement on internal control systems prior to endorsement by the Board and reviewing the policies and processes for identifying and assessing business risks and the management of those risks;
- To recommend the annual report and financial statements to the Board once satisfied.

1.10 To discuss any problems or reservations arising from the annual audit and any matters the auditors may wish to discuss. Each session includes a closed session (e.g. in the absence of management) to discuss any issues.

1.11 To consider the external auditors management letter (including any prior year recommendations which have not been satisfactorily addressed) and the Company's management response, and ensure appropriate action is taken.

1.12 To review management's reports on the effectiveness of systems for internal financial control, financial reporting, and risk management.

1.13 To consider any necessary disclosure implications concerning material internal control aspects of any significant problems disclosed in the annual report and accounts.

1.14 To consider the disclosure about the role, responsibilities of, and actions taken by the Audit Committee included in the Annual Report.

1.15 To consider the appointment, of any Internal Auditor and with the appointment, authorise any Internal Audit Charter, review the internal audit strategy and plan and monitor progress against the plan. To satisfy themselves on the appropriateness of the audit cycle, and that appropriate liaison is maintained between the internal and external audit functions.

1.16 To review all reports of audit and consider management responses to recommendations. To be the final arbiter in any case of dispute/disagreement.

1.17 To receive reports from the appropriate directors of progress with implementation of agreed audit recommendations and any other actions associated with internal control and satisfy themselves that effective and timely management action has been taken.

1.18 To be advised of, consider, and approve or otherwise any significant changes to the prime financial and management policies, control systems, and authority levels of the Company.

1.19 To be advised of any instance discovered within the Company, or affecting the Company, of fraud or financial misdemeanour and obtain reassurance that satisfactory management action has been taken.

1.20 To ensure compliance with the Scheme of Delegated Authority which should be monitored by the Finance Director.

1.21 To review and approve the Company's Whistleblowing Policy and procedures, and Fraud Policy and procedures.

1.22 To review the Company's Reserves Policy and procedures.

1.23 To periodically review and update its own terms of reference and submit them to the Board for approval.

1.24 In the event of appointing an Internal Auditor they would be responsible for regularly carrying out internal audits and making recommendations to management, producing reports for Audit Committee consideration, and liaising with external auditors.

2. Membership

2.1 The Audit Committee is a Committee of the Board of Directors ("the Board"), and reports directly to the Board.

2.2 The Chairperson of the Committee is appointed by the Board and cannot be the Board Chair.

2.3 In addition to the Chairperson, the Committee comprises at least three other Directors appointed by the Board as members.

2.4 At least one member of the Committee shall have significant, recent, and relevant financial experience.

2.5 Appointments to the committee are made by the Board and shall be for a period of up to four years, members of the committee may be re-appointed to the committee at the end of their four-year period but will not serve for longer than eight years in total, and provided the Director still meets the criteria for membership of the committee.

2.6 Other members of the Governance Sub-Committee are invited to attend the Audit Committee's meeting when the draft annual accounts are reviewed.

2.7 The Regional Finance Manager will normally be in attendance at all meetings, with the external auditors as appropriate.

2.8 The Committee has the authority of the Board to have access to any information or employee of the Company in the course of undertaking its responsibilities, and to obtain outside legal or other independent advice.

2.9 The Committee will have the power to co-opt external members as appropriate.

2.10 The Committee will continually review the training and development needs of committee members.

2.11 The Chair of the Committee will ensure there will be an induction programme for new Committee members.

3. Secretary

3.1 The Regional Finance Director or his or her nominee shall act as the secretary to the committee.

4. Quorum

4.1 Until otherwise determined by the Committee, a quorum shall consist of three members of the Committee.

5. Frequency of meetings

5.1 The Committee will meet at least once a year and additionally as may be necessary.

6. Notice of meetings

6.1 Meetings of the committee shall be called by the secretary of the committee at the request of the committee chair.

6.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date will be provided at least 2 months in advance.

6.3 An agenda shall be forwarded to each member of the committee and any other person required to attend no later than five working days before the date of the meeting. Supporting papers shall be sent to committee members and to other attendees as appropriate, at the same time.

7. Minutes of meetings

7.1 The secretary shall minute the proceedings and resolutions of all committee meetings, including the names of those in attendance.

7.2 Draft minutes of committee meetings shall be circulated to all members of the committee and approved within 14 days of the meeting. Once approved, minutes should be circulated to all other members of the Board together with Board papers for the next Board meeting unless it would be inappropriate to do so.

8. Reporting responsibilities

8.1 The Chair of the Committee (or in his/her absence, another Director member of the Committee) shall report to the Board at the next Board meeting.