

**AUDIT COMMITTEE
13 JANUARY 2014**

TERMS OF REFERENCE FOR THE AUDIT COMMITTEE

ACCOUNTABILITY

The Audit Committee is charged with assisting the Board to fulfil its statutory obligations and is accountable to the Board for the fulfilment of the responsibilities delegated to it as set out in its Terms of Reference. All Committee Members share responsibility for its decisions and should act only in the interests of the organisation and not on behalf of any subsidiary, constituency or interest group, putting the interests of the organisation before their own interests.

The main objectives of the Audit Committee are to independently contribute to the Board's assurance that effective internal control and risk management systems are maintained and reviewed and that the Company's financial performance is being effectively managed.

The Board will agree and review the delegations to each of its committees on a timely basis. With the exception of those matters specifically reserved for the Board's decision, the Audit Committee shall discharge the functions set out for them on behalf of the Board and in accordance with the Company's Articles. The 'Duties and Responsibilities' section below sets out in detail the Committee's full remit and the scope of its obligations as per the articles and key documents of the Company. Appendix A also includes examples of best practice.

The Audit Committee may from time to time investigate, discuss or review matters outside its terms of reference if required to do so by the Board. The Committee's Terms of Reference may be amended at any time by the Board.

The Board will obtain assurance on the Committee's work via minutes of all of its meetings which will be made available to the Board. The Chair of the Audit Committee will ensure that key issues are promptly brought to the attention of the Board and also has the right to attend and speak on matters of concern at any Board meeting.

AUTHORITY AND ACCESS

The Audit Committee is authorised by the Board to investigate any activity within its Terms of Reference. The Audit Committee shall meet on a quarterly basis and may meet without Company staff present, including Executive Directors, should it so wish, to ensure it maintains its independence.

The Committee has an unfettered right of access to all information within the organisation in relation to such investigations as well as the resources which it needs to do so. All employees are directed to co-operate with any request made by the Committee.

The Committee is authorised by the Board to obtain external legal or other professional advice and to secure the attendance of anyone it considers has relevant experience, expertise or knowledge.

The Committee shall meet in a closed session with the external or the external and internal auditors together, where required. The Chair of the Committee, external and internal auditor shall meet as necessary to ensure that the auditors have direct access to the Chair to guarantee the independence of the audit functions.

MEMBERSHIP

The Audit Committee will comprise a minimum of five non-Executive Directors appointed by the Board. The maximum period for which Members shall serve on the Committee is five years. Executive Directors shall not be Members of the Committee.

The Chair will be appointed annually by the Board and shall not also be the Chair of the Board.

The Committee may co-opt Members if required, but the Committee's membership shall never include more than 50% co-opted Members. Co-opted Members will be (re)appointed annually.

Each Member appointed to the Committee shall have skills and experience relevant to the work of the Committee.

The Committee may hold a pre-meeting with the internal and/or external auditors to the exclusion of employees.

Employees and others may attend all or part of meetings at the invitation or request of the Committee. Attendees will usually include:

- Director of Finance, ICT and Governance;
- Senior representative of the Company's internal auditors;
- Company Secretary; and
- Other Directors and Managers as required.

Attendance at Committee meetings shall be monitored by the Chair and concerns in relation to regular non-attendance by any Committee Member should be reported to the Board.

POWERS DELEGATED BY THE BOARD TO THE AUDIT COMMITTEE

Within the context of the objectives, policies and budgets set by the Board:

General Governance

- To review the Committee's membership and effectiveness on a regular basis to ensure that it has appropriate skills and relevant experience, advising the Board accordingly;
- To review annually the Committee's activities and effectiveness in discharging its responsibilities and provide an annual report and a work plan for the next twelve months to the Board;
- To receive and consider reports from staff on a statutory, regulatory or inspection reports, recommendations, or notices of non-compliance with requirements in relation to Support Service Directorates, as well as the proposed responses and actions plans;
- To ensure the Company is operating within recognised codes of practise and Standards;
- To ensure adequate processes are in place for the safeguarding of Company assets;
- To monitor and review the Company's Tender and Contracts Registers.

Internal Control Framework

- To oversee the embedding and maintenance of an effective system of internal control and ensure that any significant weaknesses identified are remedied and reported to the Board;
- To review and consider the effectiveness of the Company's system of internal control systems and assurance framework on an annual basis and make appropriate recommendations to the Board.

Anti-Fraud and Corruption

- To ensure that the impact of alleged or fraudulent activity on the organisation's framework of internal control is properly assessed and, where it considers it necessary, to recommend changes to strengthen the control framework;
- To receive reports relating to any matters of whistle-blowing or alleged or actual fraudulent activity which may have an effect upon the Company.

Internal & External Audit

- To discuss with the external auditor any problems, reservations or issues arising from the interim or final audit or other investigations;
- To review and approve the internal audit needs assessment and strategy and the annual plan, and monitor delivery of the plan, approving any changes during the year;
- To sign off individual audit plans, receive and consider reports by the internal auditor on significant audit findings, together with the response from managers to these reports;
- To monitor the timely implementation of recommendations in respect of internal and external audit and of any other regulatory or inspection auditor;
- To make recommendations to the Board, for approval in general meeting, on the appointment, re-appointment or otherwise, of the external audit;
- To approve the fees and terms of engagement of the external auditor;
- To advise the Board on the internal audit arrangements , including the
 - appointment, re-appointment or otherwise, fees, methods and terms of engagement of the internal auditor, whether on the Company's payroll or outsourced;
- To monitor the performance of the internal and external auditors.

Statutory Accounts

- To consider, and report to the Board on, the annual statutory audit and make recommendations on the response to any audit management letters, reports and investigations;
- To ensure compliance with applicable Financial Reporting Standards.

Risk Management

- To provide assurance to the Board that there is a sufficient and systematic review of the risk management arrangements within the organisation;

Standing Orders & Financial Regulations

- To ensure compliance with the Financial Regulations, and recommend any proposed revisions to the Board;

- To monitor and review the Company's Register of Dispensations.

Probity – Action taken must be notified to the Audit Committee

- Authority to suspend Financial Regulations or grant dispensation;
- Authority for staff members to accept gifts or to accept hospitality;
- Authority to dispose, and arrangements for disposal, of stock items and obsolete equipment.