

Appendix III

Terms of Reference Audit Committee

(Adopted by the Board of Trustees September 2005)

(Amendments adopted by the Board of Trustees on 20th November 2008)

Constitution

The Audit Committee is formally constituted as a sub-committee of the Board of Trustees. The terms of reference are approved by the Trustees.

Membership

The Committee shall be appointed by the Board of Trustees. At least two members of the Committee including the Chairman shall be Trustees. The Chairman of the Committee shall be appointed by the Board and the Chairman shall not chair any other committee. The Board of Trustees may co-opt additional members, either Trustees or non-Trustees, to the Committee as required. At least one member of the Committee shall have significant, recent and relevant financial experience.

Frequency of Meetings

The Committee shall meet at least twice each year to coincide with key dates in the Trust's financial reporting cycle.

External auditors may request a meeting if they consider it necessary.

Attendance of Meetings

The Committee may invite anyone considered appropriate to attend all or part of its meetings.

There shall be at least one meeting a year, at which the Committee meets the external auditors, without executive members present.

Quorum

The quorum necessary for the transaction of business shall be two members, of which one must be a Trustee and one must be one of the members with significant, recent and relevant financial experience, who have no conflict of interest with the business of the meeting. A duly convened meeting of the Committee at which a

quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested or exercisable by the Committee.

Notice of Meetings

Meetings of the Committee shall be summoned by the Chairman of the Committee at the request of any member thereof. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed shall be forwarded to each member of the Committee and any other person required to attend, no fewer than three working days prior to the date of the meeting.

Minutes of Meetings

The Chairman shall ensure the proceedings and resolutions of all Committee meetings are minuted, including the names of those present and in attendance. Minutes of Committee meetings shall be available to any member of the Board on request and a copy will be lodged with the record of Board minutes.

Minutes shall be approved at the next subsequent meeting whenever practical.

Authority

The Committee is authorised by the Board of Trustees to enquire into any activity within its terms of reference. It is authorised to seek any information it requires from any employee, and all employees are directed to co-operate with any request made by the Committee.

The Committee is authorised by the Board of Trustees to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

Purpose

The Committee will assist the Board in fulfilling its oversight responsibilities, and has key responsibilities for the ongoing monitoring and review of financial performance, and the identification, management, mitigation and reporting of financial and operational risk.

Duties

To undertake whatever actions the Committee feels appropriate to achieve its Purpose, but in particular to review and assess the appropriate processes and

controls resulting from policies set by the Board of Trustees and management. Specific duties shall include:

External audit

- to oversee the Trust's relations with the external auditor
- to consider, and make recommendations on the appointment, reappointment and removal of the external auditor
- to approve the terms of engagement and the remuneration to be paid in respect of audit services provided
- to assess the qualification, expertise and resources, effectiveness and independence of the external auditors annually
- to discuss with the external auditors, before the audit commences, the nature and scope of the audit
- to review, with the external auditors, the findings of their work, including any major issues that arose during the course of the audit and have subsequently been resolved and those issues that have been left unresolved; key accounting and audit adjustments; levels of errors identified during the audit, obtaining explanations from management and, where necessary the external auditors, as to why certain errors remain unadjusted
- to review the audit representation letters before consideration by the Board
- to discuss with the external auditors their views on the strengths and weaknesses of the systems of internal control
- to assess, at the end of the audit cycle, the effectiveness of the audit process
- to review and monitor the formal report from the external auditors of their audit findings, and the responses, where appropriate, from the management team

Financial reporting

- to review, and challenge where necessary, the actions and judgement of management in relation to the Trust's financial statements before submission to, and approval by, the Board and before clearance by the auditors.

Particular attention should be paid to:

- accounting policies and practices, and any changes therein
- decisions requiring a significant element of judgement
- the extent to which the financial statements are affected by unusual transactions in the year and how they are disclosed
- significant adjustments arising from the audit
- the going concern assumption
- compliance with accounting standards ,statements of recommended practice for charities and other legal requirements.
- other topics, as defined by the Board.

Internal control and risk management

- to review the Trust's procedures for detecting fraud and to ensure that arrangements are in place by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control or any other matters
- to monitor the integrity of the Trust's internal financial controls
- to assess the scope and effectiveness of the systems to identify, assess, manage and monitor financial and non-financial risks.

Internal audit

- to consider annually whether there is a need for an internal audit where no such function currently exists.

The Committee will depend on reporting from the finance department, the external auditors and other reporting from the management team or from external advisors as appropriate in order to achieve its purpose.

Reporting Procedures

The Committee Chairman shall report, as appropriate, to the Board on the manner in which the Audit Committee has discharged its responsibilities as covered by the above Terms of Reference. The Committee will make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

Specifically the Committee will report:

- the minutes of the Audit Committee meetings
- the names and qualifications of all members of the Audit Committee during the reporting period.

The Committee will make a statement in the Annual Report describing its purpose and composition and giving a brief summary of its activities over the past year.

Annual General Meeting

The Chairman of the Committee, or another member of the Committee appointed by the Chair, will attend the Annual General Meeting prepared to respond to any questions on the Committee's activities.