

Channel 4 Audit Committee Terms of Reference

Updated Feb 2018

Audit Committee

Purpose: *The Audit Committee assists the Corporation's Board in fulfilling its overview responsibilities by reviewing the financial risks, the audit process, and the Corporation's procedure for monitoring compliance with laws and regulations and its own code of business conduct.*

Chair	Secretary
Simon Bax	Lynette Huntley (Board Secretary)
Other Members	
Paul Geddes	Non-executive Member
Althea Efunshile	Non-executive Member
At least 2 non executive members, including a Chair, should be present at any meeting for it to be quorate.	
Other Attendees (at the discretion of the Chair)	
Charles Gurassa	Chairman
Alex Mahon	Chief Executive
Audit Partner	Deloitte
Senior Manager	Deloitte
} either or both	
Glyn Isherwood	Group Finance Director
Rob Matthey	Head of Business Assurance
Stephanie Mills	Financial Controller
Plus others as needed and at the request of the Chair	

Terms of Reference
<p>Scope</p> <p>To maintain effective working relationships with the Board, management and the external and internal auditors and oversee the financial and control environment. The Audit Committee members are all non-executive members of the Corporation.</p> <p>Its key responsibilities are:</p> <ul style="list-style-type: none"> • to monitor accounting policies, the integrity of the financial statements of the Corporation and any formal announcements relating to the Corporation's financial performance, reviewing significant financial reporting judgements contained in them; • to review the Corporation's internal financial controls and the Corporation's internal control and risk management systems; • to appoint the Head of Internal Audit; • to monitor and review the effectiveness of the Corporation's internal audit function/activities; • to make recommendations to the Board in relation to the appointment, reappointment and removal of the external auditor and to approve the remuneration and terms scope of engagement of the external auditor; • to review and monitor the external auditor's independence and objectivity and the effectiveness

Where he is unable to attend a Committee Meeting, the Chair shall nominate another Member to preside.

of the audit process taking into consideration relevant UK professional and regulatory requirements;

- to develop and implement policy on the engagement of the external auditor to supply non-audit services taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and to report to the Board identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;
- to regularly update the Board about the Audit Committee's activities and make appropriate recommendations;
- to ensure the Board is aware of matters that may significantly impact on the financial condition or affairs of the business. If necessary, the Audit Committee can instigate special investigations and, if appropriate, engage special counsel or experts to assist;
- to oversee the effectiveness of the Whistleblowing policy and to review arrangements by which staff of the Corporation may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The Audit Committee's objective should be to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action; and
- to review the effectiveness of policy and processes relating to cyber security and to regularly update the Board on such reviews (the Board retaining responsibility for such policy and processes).

The Audit Committee shall have primary responsibility for making a recommendation to the Board as to the appointment, reappointment and removal of the external auditors.

If the Board does not accept the Audit Committee's recommendation, it should include in the annual report, and in any papers recommending appointment or re-appointment, a statement from the Audit Committee explaining the recommendation and should set out reasons why the Board has taken a different position.

Process

The Audit Committee's modus operandi is detailed under 4 areas:

- financial reporting;
- annual financial statements;
- external audit; and
- internal control and risk management systems.

The process is described more fully below.

Meetings are minuted.

The Audit Committee shall review annually its terms of reference and the Committee's effectiveness and shall recommend any agreed changes to the Board.

Frequency

Three times a year or as required. The meetings will usually be in March, with a particular focus on the year end accounts and financial statements, June/July with a particular focus on risk management and internal control and September/October focusing on the half year financial reporting and planning for the annual financial statement.

Financial Reporting

The Audit Committee will:

- review significant accounting and reporting issues, including recent professional and regulatory announcements, and understand their impact on the Corporation's financial statements;
- consider with the external auditors any fraud, illegal acts, deficiencies in internal control or other similar issues;
- ask management and the external auditors about significant risks and exposures and the plans to minimise such risks; and
- gain an understanding of the current areas of greatest financial risk and how management is managing these effectively

Annual Financial Statements

The Audit Committee will:

- review the annual financial statements, determine whether these are complete and consistent with the information known to committee members and assess whether the financial statements reflect appropriate accounting principles;
- pay particular attention to complex and/or unusual transactions;
- focus on areas of particular sensitivity, e.g. those involving valuation of assets and liabilities, warranty, product or environmental liability, litigation reserves and other commitments and contingencies;
- meet with management and the external auditors to review the financial statements and the results of the audit;
- review the other sections of the annual report before its release and consider whether the information is clear and consistent with members' knowledge about the Corporation and its operations; and
- where the Board does not accept the Audit Committee's recommendation relating to the appointment or reappointment of auditors, a statement from the Audit Committee should be included in the annual report setting out the reasons why the Board has taken a different position.

External Audit

The Audit Committee will:

- review the external auditors' proposed audit scope and approach and ensure no unjustified restrictions or limitations have been placed on the scope;
- review the performance of the external auditors;
- consider the independence of the external auditor, including reviewing the range of services provided in the context of all consulting services bought by the Corporation;
- make recommendations to the Board regarding the reappointment of the external auditors;
- meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately;
- ensure that significant findings and recommendations made by the external auditors are received and discussed on a timely basis; and
- ensure that management responds to recommendations by the external auditor.

Internal Control and Risk Management Systems

The Audit Committee should review the Corporation's internal controls (that is the systems established to identify, assess, manage and monitor financial risks) and risk management systems.

The Audit Committee will:

- ensure that the internal auditor has direct access to the Chairman of the Board and to the Audit Committee and is accountable to the Audit Committee;
- review and assess the annual internal audit work plan;
- receive a report on the results of the internal auditor's work on a periodic basis;
- review and monitor management's responsiveness to the internal auditor's findings and recommendations;
- meet with the head of internal audit at least once a year without the presence of management; and
- monitor and assess the role and effectiveness of the internal audit function in the overall context of the Corporation's risk management system.