

## Audit Committee – Terms of reference

- MEMBERS:- Mr M Holt (Chairman of the committee, non-executive director)  
Mr I Elliott (Senior non-executive director)  
Mr D Rogers (non-executive director)  
Mrs M Amos (non-executive director)
- PRESENT:- Mr J Homer (Chief Executive)  
Mr R Moyle (Executive Chairman)  
Mr D Taylor (Secretary and present as required at meetings / not a member)

### AUDIT COMMITTEE – TERMS OF REFERENCE

#### PURPOSE

To monitor and review the formal arrangements established by the Board in respect of:

- the financial reporting and narrative reporting of the Group;
- the effectiveness of the internal controls and the risk management framework
- whistleblowing;
- internal audit process; and
- external auditors process.

The Committee will act independently of the executive to ensure that the interests of shareholders are properly protected in relation to financial reporting and internal control, always within the principle of all directors having a duty to act in the interests of the Company and all directors remaining equally responsible for the Company's affairs.

#### AUTHORITY

The Committee is a committee of the Board of the Company. The Committee is authorised by the Board to:

- (a) Investigate any activity within its terms of reference and have such direct access to the resources of the Group as it may reasonably require;
- (b) Seek any information that it requires from any employee, and all employees are directed to co-operate with any request made by the Committee;
- (c) Obtain assurances and, when appropriate, reports from the boards of subsidiary companies which have appointed separate audit committees; and
- (d) Engage outside legal or other independent professional advisers and obtain appropriate funding for the payment of relevant fees and expenses.
- (e) Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company it shall report its views to the Board of the Company. In the event of any disagreement between the Committee; members and the rest of the Board, such matters will be resolved at Board level and where a disagreement cannot be resolved the Committee will have the right to report the issue to the shareholders as part of the report on its activities in the annual report.

**RESPONSIBILITIES**

The responsibilities of the committee shall be as follows:

***The Financial Statements and Reporting of the Group***

- Monitor the integrity of the financial statements of the Group, including annual and half-yearly reports, interim management statements and other formal announcements relating to the Group's financial performance, reviewing significant financial reporting issues and the judgements which they contain;
- Review, and challenge where necessary, the actions, estimates and judgements of management (and any changes in them), in relation to the interim and annual financial statements before submission to the Board, paying particular attention to:
  - (a) significant accounting policies and practices, and any changes in them;
  - (b) disclosures and estimates requiring a major element of judgement;
  - (c) the extent to which the financial statements are affected by any unusual transactions in the year, the methods used to account for any significant or unusual transactions where different approaches are possible, and how such transactions are disclosed;
  - (d) the clarity and completeness of disclosures, and the context within which financial statements are made;
  - (e) compliance with accounting standards;
  - (f) compliance with legal and regulatory requirements;
  - (g) the going concern assumption;
  - (h) the representation letter to the auditors; and
  - (i) all material information presented with the financial statements including the business review, and corporate governance statements relating to the audit and risk management.
- Wherever practicable the Committee should review other statements containing financial information (which require Board approval, in advance of their consideration by the Board, subject always to not being inconsistent with the obligation to comply with prompt reporting obligations).
- Review any significant adjustments to financial reporting resulting from the audit, and resolve any disagreements between management and the external auditors regarding financial reporting.
- Review the content of the annual report and accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy. The review undertaken by the Committee should assess whether the narrative is consistent with the accounting information.

***Whistleblowing***

Review arrangements by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters including consideration of the procedures for:-

- (a) the receipt, retention and treatment of complaints received by the Group regarding accounting, internal accounting controls or auditing matters; and
- (b) the confidential submission by employees of the Group (which may be anonymous) of concerns on any matter, including those regarding questionable accounting or auditing matters;

The objective is to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow up action.

***Internal Controls and the Risk Management Framework***

- (a) Review management's reports on the effectiveness of systems for internal control and financial reporting;
- (b) Review Internal Audit's reports on the effectiveness of systems for internal control;
- (c) Review management's reports on critical control issues that have an impact on financial reporting;
- (d) Review the Group's procedures for detecting financial reporting fraud;
- (e) Consider the major findings of any relevant internal investigations into control weaknesses, fraud or misconduct and management's response (in the absence of management where appropriate);
- (f) Review management's Reports on the effectiveness of systems for risk management;
- (g) Review the Group's statement on internal control and risk management systems for the purposes of the Turnbull Guidance on internal control, prior to endorsement by the Board;

***Internal Audit***

- (a) Monitor and review the effectiveness of the Group's internal audit function in the context of the Group's overall risk management system;
- (b) Approve review the internal audit function;
- (c) Review the internal audit programme and ensure that the internal audit function is adequately resourced and has appropriate access to information and standing within the Group; and
- (d) Review a report on the results of the internal auditors work on a periodic basis and in particular consider the major findings of any significant internal.

***The Group's Relationship with its External Auditors***

- (a) Make recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting, on the appointment, reappointment and removal of the external auditor. The Audit Committee shall oversee the process for selecting the external auditor;
- (b) Oversee the relationship with the external auditor, including:
  - i. Approving the terms of engagement (and the engagement letter) of the external auditor, including the remuneration to be paid;
  - ii. Assessing the external auditor's effectiveness, independence and objectivity, ensuring that key partners are rotated at appropriate intervals;
  - iii. Agreeing the policy for, and where required by that policy, approving the provision of non-audit services by the external auditor and the related remuneration;
  - iv. Agreeing with the Board a policy on the employment of former employees of the Group's auditor, and monitoring the implementation of this policy;
  - v. Review and approve the annual audit plan, and ensure that it is consistent with the scope of the audit engagement, and co-ordinated with the activities of the Internal Audit function;
  - vi. Discuss with the external auditor, before the audit commences, the nature and scope of the audit and review the auditor's quality control procedures and steps taken by the auditor to respond to changes in regulatory and other requirements;
  - vii. Review the findings of the audit with the external auditor, considering the external auditor's management letter and management's responsiveness to the auditor's findings and recommendations;
  - viii. Review such reports prepared by the external auditor as the Audit Committee shall require, considering management's response to any major external audit recommendations;

- ix. Review annually and report to the Board on the qualification, expertise and resources, and independence of the external auditors and the effectiveness of the audit process, with a recommendation on whether to propose to the shareholders that the external auditor be re-appointed. The assessment should cover all aspects of the audit service provided by the audit firm, and include obtaining a reporting on the audit firm's own internal quality control procedures and consideration of the audit firm's annual transparency report where available;
- x. Ensure that the audit committee section of the annual report should include an explanation of how the committee has assessed the effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, including length of term, when the tender was last conducted and restructures on appointment; and
- xi. Review the audit representation letters before signature, giving particular consideration to any non-standard issues within the representations.

**Other Matters**

- (a) Review any other matters referred to it by the Chairman or the Board.

## **MEMBERSHIP AND ATTENDANCE**

### **MEMBERSHIP**

Members of the Audit Committee shall be appointed by the Board. Members shall be independent non-executive directors. At least one of the members of the Committee is required to have recent and relevant financial experience (holding a professional qualification from one of the professional accountancy bodies) and all members of the Committee will have experience of corporate financial matters.

An induction programme will be provided by the company for any new member of the Committee, covering the role of the Committee, including its terms of reference and expected time commitment and an overview of the Company's business model and strategy identifying the main business and financial dynamics and risks. Ongoing training will also be provided, including and understanding of the principles of and developments in financial reporting and related company law and any other matters considered appropriate to assist the members in fulfilling their role on the Committee.

### **CHAIRMAN**

The chairman of the committee shall be appointed by the Board. In the chairman's temporary absence, one of the committee members nominated by the chairman or elected by the other members of the committee will act as chairman.

### **ATTENDEES**

Only members of the Audit Committee have the right to attend meetings. However, the Executive Chairman, Group Finance Director, the Chief Executive and a representative of the external auditors will normally attend meetings, and other members of management will attend as appropriate.

### **QUORUM**

Quorum for meetings of the Audit Committee will be two members. If members are unavailable for a particular meeting, any two members may co-opt an independent non-executive director if necessary to constitute a quorum.

## **COMMITTEE MANAGEMENT**

### **SECRETARY**

The secretary to the committee will be the Company Secretary or their nominee.

### **PAPERS/AGENDA**

Group Secretariat will support the chairman in managing the business of the committee, including planning the audit committee's work, drawing up meeting agendas, maintenance of minutes, drafting of material about its activities for the annual report, collection and distribution of information and provision of any necessary practical support.

The agenda and papers will be circulated to all members of the committee at least 4 working days before the meeting.

**MINUTES/REPORTING**

The secretary or a nominee shall minute the proceedings of all meetings of the committee, including recording the names of those present and in attendance. Minutes of committee meetings will be circulated promptly to all members of the committee, and the committee chairman will report formally to the Board on the committee's proceedings covering inter alia the significant issues considered by the Committee in relation to the financial statements (and how these issues have been addressed); the Committee's assessment of the effectiveness of the external audit process and any other appropriate (in the opinion of the Chairman and Committee) matters.

**FREQUENCY**

Meetings shall be held as circumstances require, but at least twice a year. The chairman, in consultation with the company secretary shall decide on the frequency and timing of the committee meetings. Sufficient meetings shall be held as the committees' role and responsibilities require. Sufficient time shall be allowed to enable the committee to undertake as full a discussion as may be required.

The external auditors and the Group Finance Director may request a meeting with the committee or its chairman if they consider that one is necessary.

At least once a year, without the presence of executive management, the committee shall meet with the external auditors to discuss matters relating to its remit and any issues arising from the audit.

**VERSION CONTROL****REVIEW REQUIREMENTS**

These terms of reference shall be reviewed annually by the Committee along with a review of its own effectiveness and will then be subject to review by the Nomination and Governance Committee at least annually, or as required by the Board.

**ADOPTED BY THE BOARD ON 12 DECEMBER 2018**