

[3.]4 Group Audit and Risk Committee (ARC) Terms of Reference

[3.4.1] Membership

[3.4.1.1] The committee shall comprise at least three and up to six board members elected by the Group Board at its first meeting after the AGM. Members will be selected by the Group Board on the recommendation of the Nominations Committee in consultation with the ARC chair.

[3.4.1.2] All members of the committee shall be independent non-executive Group Board Members at least one of whom shall have recent and relevant financial experience, and all members shall have relevant experience of the sector in which the Group operates

[3.4.1.3] The committee will, in addition, have the power to co-opt up to two additional members of the committee.

[3.3.1.4] The Chair of the Group Board shall not be a member of, nor act as Chair of, the Committee. The Group Board Chair may attend meetings of the Committee by invitation as an observer, where appropriate, but shall not have voting rights or participate in decision-making, in line with good governance practice.

[3.4.1.5] Only members of the committee have the right to attend committee meetings. However the external auditor, internal audit partner, Executive Director of Finance, Head of Corporate Governance & Assurance and Chief Executive Officer will be invited to attend meetings of the committee on a regular basis and other non members may be invited to attend all or part of any meeting as and when appropriate and necessary.

[3.4.1.6] Appointments to the committee shall be for a period of up to three years, extendable by no more than two additional three year periods.

[3.4.1.7] The Group Board shall appoint the committee members, including the chair. In the absence of the committee chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

[3.4.2] Secretary

The Group Secretary, or their nominee, shall act as the Secretary of the committee and will ensure that the committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

[3.4.3] Quorum

The quorum necessary for the transaction of business shall be three members.

[3.4.4] Frequency of meetings

[3.4.4.1] The committee will meet quarterly, and a programme of meetings shall be agreed by the committee annually in advance. Additional meetings outside the approved programme will be avoided wherever possible.

[3.4.4.2] Outside of the formal meeting programme, the committee chair will maintain a dialogue with key individuals involved in Look Ahead's governance, including the Group Board Chair, the Chief Executive Officer, the subsidiary Chairs the Executive Director of Finance, the external audit lead partner, internal audit lead partner and the Head of Corporate Governance and Assurance.

[3.4.5] Notice of meetings

[3.4.5.1] Meetings of the committee shall be convened by the Secretary of the committee at the request of any of its members or the request of the external audit lead partner or internal audit lead partner if they consider it necessary.

[3.4.5.2] 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, any other person required to attend and all other non-executive directors, 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.

[3.4.5.3] An inadvertent failure to provide such notice to any member will not invalidate the meeting.

[3.4.6] Minutes of the meeting

[3.4.6.1] The Secretary shall minute the proceedings and decisions of all meetings of the committee, including recording the names of those present and in attendance.

[3.4.6.2] Draft minutes of committee meetings shall be circulated promptly to all members of the committee. Once approved, minutes should be circulated to all other members of the Group Board unless it would be inappropriate to do so in the opinion of the committee chair.

[3.4.7] **Duties**

[3.4.7.1] **Financial Reporting**

The committee shall monitor the integrity of the financial statements of the Group including its annual reports, interim management statements and any other formal announcement relating to its financial performance, reviewing and reporting to the Group board on significant financial reporting issues and judgements which they contain having regard to matters communicated by the auditor.

[3.4.7.1.2] In particular the committee shall review and challenge where necessary:

- The consistency of, and any changes to, significant accounting policies both on a year on year basis and across the organisation;
- The methods used for significant or unusual transactions where different approaches are possible;
- Whether the Group has followed appropriate accounting standards and made appropriate judgements, taking into account the views of the external auditor;
- The clarity and completeness of disclosure in the Group's financial reports and the context in which the statements are made; and
- All material information presented with the financial statements, such as the business review and the corporate governance statements relating to the audit and risk management.

[3.4.7.1.3] Where the committee is not satisfied with any aspect of the proposed financial reporting by the organisation, it shall report its views to the Group Board.

[3.4.7.2] **Narrative reporting**

The committee should review the content of the financial statements and accounts and advise the Group Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary to assess the Group's performance, business model and strategy.

[3.4.7.3] **Internal controls and risk management systems**

The committee shall:

- Keep under review the adequacy and effectiveness of the Group's internal controls and risk management systems and

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- Review and recommend for approval the statements to be included in the financial statements concerning internal controls and risk management, including the Chief Executive Officer's statement on internal controls.
- Review and provide assurance to the Group Board on the effectiveness of the Group's risk management and internal control arrangements across the Group, including subsidiaries, and consider whether risks are being appropriately identified, managed and escalated from subsidiary boards and committees.
- Review and challenge the Group's Risk Appetite Statement and Board Assurance Framework and make recommendations to the Group Board for approval, monitoring progress against agreed assurance actions.
- Operate as a core component of the Group's risk management framework, providing independent oversight of the Board Assurance Framework and the effectiveness of risk management across the Group.

[3.4.7.4] **Compliance, whistleblowing and fraud**

The committee shall:

- Review the adequacy and security of the Group's arrangements for its employees, Board members and contractors to raise concerns, in confidence, about possible wrong-doing in financial reporting or other matters. The committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- Review Look Ahead's procedures for detecting fraud; and
- Review the systems and controls for the prevention of bribery and receive reports on non-compliance.

[3.4.7.5] **Internal Audit**

The committee shall:

- Review and approve the terms of reference
- Ensure the function has the necessary resources and access to information to enable it to fulfil its mandate, and is equipped to perform in accordance with appropriate professional standards for internal auditors.
- Ensure the internal auditor has direct access to the Group Board Chair and to the committee chair, and is accountable to the 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 internal auditor at least once a year without the presence of management.
- Monitor and review the effectiveness of the organisation's internal audit function in the context of the organisation's overall risk management system.
- Make recommendations to the Group Board on the appointment, re-appointment or termination of the Group's internal auditor

[3.4.7.6] External Audit

The committee shall:

- Consider and make recommendations to the Group Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the organisation's external auditor.
- Ensure that at least once every 5 years the audit partner is rotated and formally reviews the need for tendering the contract every 10 years; and in respect of requiring a tender oversee the selection process and ensure that all tendering firms have such access as is necessary to information and individuals during the duration of the tendering process.
- If an auditor resigns, investigate the issues leading to this and decide whether any action is required.
- Oversee the relationship with the external auditor including (but not limited to):
 - recommendations on their remuneration, including both fees for audit and non-audit services, and that the level of fees is appropriate to enable an effective and high quality audit to be conducted;
 - Approval of their terms of engagement, including any engagement letter issues at the start of each audit and the scope of the audit;
 - Assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
 - Satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and Look Ahead (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
 - Agreeing with the Group Board a policy on the employment of former employees of the organisation's auditor, and monitoring the implementation of this policy;

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- Monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of an audit partner, the level of fees paid by the organisation compared to the overall fee income of the firm, office and partner and other related requirements;
- Assessing annually the qualifications, expertise and resources of the auditor and the effectiveness of the audit process, which shall include a report from the external auditor on their own quality procedures;
- Seeking to ensure co-ordination with the activities of the internal audit function; and
- Evaluating the risks to the quality and effectiveness of the financial reporting process and consideration of the need to include the risk of the withdrawal of their auditor from the market in that evaluation.

[3.4.7.6.5] Meet regularly with the external auditor (including once at the planning stage before the audit and once after the audit at reporting stage) and at least once a year, without management being present, to discuss the auditor's remit and any issues arising from the audit.

[3.4.7.6.6] Review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team.

[3.4.7.6.7] Review the findings of the audit with the external auditor. This shall include but not be limited to the following:

- A discussion of any major issues which arose during the audit;
- Key accounting and audit judgements;
- Levels of errors identified during the audit; and
- The effectiveness of the audit process

[3.4.7.6.8]

The committee shall also:

- Review any representation letter(s) requested by the external auditor before they are signed by management.
- Review the management letter and management's response to the auditor's findings and recommendations
- Develop and implement policy on the supply of non-audit services by the external auditor to avoid any threat to auditor objectivity and

independence, taking into account any relevant ethical guidance on the matter.

[3.4.8] Performance and Quality

The committee shall:

- consider achievement against the operational performance and quality indicators adopted by the Group Board, and to make appropriate recommendations to the Group Board;
- review the systems for monitoring the performance and quality of all subsidiaries and directorates and to make appropriate recommendations to the Group Board;
- Consider the key performance management information compiled by all directorates and to make appropriate recommendations to the Group Board.
- Receive assurance, where appropriate, from the Quality and Safety Committee that significant safeguarding, health and safety and serious incident risks are being effectively managed and escalated and consider any implications for the Group's overall risk and control environment.
- Review financial growth indicators including contract growth, income diversification and financial sustainability metrics to ensure alignment with the Group's financial strategy and risk appetite.

[3.4.9] Reporting responsibilities

[3.4.9.1] The committee chair shall report formally to the Group Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the Group Board on how it has discharged its responsibilities. This report shall include:

- The significant issues that it considered in relation to the Group financial statements and how these were addressed;
- Its assessment of the effectiveness of the external audit process and its recommendation on the appointment or reappointment of the external auditor; and
- Any other issues on which the Group Board has requested the committee's opinion.
- Review, where appropriate, the financial, risk and control implications of decisions taken under delegated authority, including decisions taken by the Exceptional Decisions Committee, and provide assurance to the Group Board.

[3.4.9.2] The committee shall make whatever recommendations to the Group Board it deems appropriate on any area within its remit where action or improvement is needed.

[3.4.9.3] The committee will review, where appropriate, the financial and risk implications of decisions taken under delegated authority, including those taken by the Exceptional Decisions Committee.

[3.4.10] **Other matters**

The committee shall:

- Have access to sufficient resources in order to carry out its duties, including access to the Group Secretary for assistance as required.
- Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.
- Give due consideration to laws and regulations as appropriate
- Be responsible for co-ordination of the internal and external auditors
- Oversee any investigation of activities which are within the terms of its reference.
- Work and liaise as necessary with all other Board committees in the Group.
- Arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and to ensure that it is operating at maximum effectiveness and to ensure continued alignment with the Group Board Terms of Reference, the Governance Handbook and regulatory expectations and recommend any changes it considers necessary to the Group board.
- Where urgent matter arise which cannot reasonably wait for the next scheduled meeting, decisions may be referred to the Exceptional Decisions Committee, with outcomes reported to the Committee and Board.

[3.4.11] **Authority**

The committee is authorised to:

- Seek any information it requires from any employee of the Look Ahead Group in order to perform its duties.
- Obtain at Look Ahead's expense, independent legal, accounting or other professional advice on any matter it believes necessary to do so.
- Call any employee to be questioned at a meeting of the committee as and when required

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- [3.4.11.1 Although, in the case of dispute, the Group Board's decisions will override those of the committee, the chair of the committee will nonetheless have the right to report any such decisions to the organisation's external auditors and, where necessary, to external regulatory bodies, provided this be reported to the Group Board.