

# Audit Committee

## **Audit Committee - Terms of Reference**

(As Approved on 21<sup>st</sup> February 2008)

### **Constitution**

The Board of Serco Group plc has reviewed and confirmed the establishment a Committee of the Board known as the Audit Committee.

### **Membership**

The membership of the Committee shall be at least three Non-Executive Directors, except where the number of Non-Executive Directors on the Board is less than three, when the membership shall be all the Non-Executive Directors of the Board.

The Chairman of the Committee shall be appointed by the Board from amongst the Non-Executive Directors.

The Company Secretary or their nominee shall be the Secretary of the Committee.

A quorum shall be two members.

### **Attendance at Meetings**

The Finance Director and a representative of the external auditors shall attend meetings as requested. At least twice a year the Committee shall meet with the external auditors without any Executive Directors present.

### **Frequency of Meetings**

Meetings shall be held not less than three times a year. The external or internal auditors may request a meeting if they consider that one is necessary.

### **Authority**

The Committee is authorised by the Board to investigate 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 cooperate with any request made by the Committee.

The Committee is authorised by the Board to obtain legal or other Independent professional advice from both inside and outside the Company. Outsiders with relevant experience and expertise may attend meetings of the Committee if the Chairman considers this necessary.

### **Duties**

The duties of the Committee shall be:

- To monitor the integrity of the financial statements of the Company, including interim management statements, and any formal announcements relating to the company's financial performance, reviewing significant financial reporting judgements contained in them, paying particular attention to:
  - Critical accounting policies and practices, and any changes in them;
  - Decisions requiring a major element of judgement;
  - The extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed;
  - The clarity of disclosures;
  - Significant adjustments resulting from the audit;

- The going concern assumption;
  - Compliance with accounting standards;
  - Compliance with Stock Exchange and other legal requirements;
  - Review the Company's statement on the internal controls systems prior to endorsement by the Board and to review the policies and process for identifying and assessing business risks and the management of those risks by the Company;
- Review the internal audit programme and ensure that the internal audit function is adequately resourced and has appropriate standing with the Company;
  - Review management's and the internal auditor's reports on the effectiveness of systems for internal financial control, financial reporting and risk management;
  - Consider management's response to any major external or internal audit recommendations;
  - Consider the appointment, reappointment and removal of the external auditor and assess independence of the external auditor, ensuring that key partners are rotated at appropriate intervals;
  - Satisfy itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company (other than in the ordinary course of business);
  - Approve the external auditors engagement letter issued at the start of each audit;
  - Recommend the audit fee to the Board and pre-approve any fees in respect of non audit services provided by the external auditor and to ensure that the provision of non audit services does not impair the external auditors' independence or objectivity;
  - Discuss with the external auditor, before the audit commences, the nature and scope of the audit and to review the auditors' quality control procedures and steps taken by the auditor to respond to changes in regulatory and other requirements;
  - Oversee the process for selecting the external auditor and make appropriate recommendations through the Board to the shareholders to consider at the AGM;
  - Review the Company's procedures for handling allegations from whistleblowers;
  - Make a statement in the annual report about membership of the Committee, number of Committee meetings held and attendance by members over the course of the year;
  - Make available its terms of reference explaining clearly its role and the authority delegated to it by the Board and
  - Consider other topics, as defined by the Board.

### **Minutes**

The Chairman of the Committee shall report on the business of that Committee at the next board Meeting.