

iomart

Audit Committee
Terms of Reference

iomart Group Plc



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Audit Committee Terms of Reference

Adopted by the Board of iomart Group plc on 29 January 2019 (supersedes previous terms dated 29 March 2000)

1. Membership

1.1 The Committee shall comprise at least three members. At least two members of the Committee shall be independent Non-Executive Directors at least one of whom shall have recent and relevant financial experience and with competence in accounting and/or auditing.

1.2 Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the Chairman of the Audit Committee. Appointments shall be for a period of up to three years, which may be extended for further periods of up to three years, provided the Director still meets the criteria for membership of the Committee.

1.3 Only members of the Committee have the right to attend Committee meetings. However, the Chief Executive Officer, Chief Financial Officer, Company Secretary and External Audit Lead Partner 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.

1.4 The Board shall appoint the Audit Committee Chairman and will not be the Chairman of the Board. In the absence of the Committee Chairman and/or an appointed deputy at a Committee meeting, the remaining members present shall elect one of themselves to chair the meeting.

2. Secretary

2.1 The Company Secretary, or his or her nominee, shall act as the Secretary of the Committee and will prepare Committee agenda's and ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues. All attendees should be given notice of the meeting and provided with a copy of the agenda in advance of the meeting.

2.2 The Secretary of the Committee shall minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance.

2.3 Draft minutes of Committee meetings shall be approved by the Committee Chairman and then circulated promptly to all members of the Committee, unless it would be inappropriate to do so in the opinion of the Committee Chairman. Any Director may upon request of the Secretary of the Committee, as long as there is no conflict of interest, obtain copies of the Committee's agenda with relevant papers and minutes.

3. Quorum

3.1 The quorum necessary for the transaction of business shall be two members, including where possible at least one member with relevant financial experience.

4. Frequency of meetings and attendance

4.1 The Committee shall meet at least three times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required. Committee meetings should take place immediately prior to the approval by the Board of the half-year and final financial statements.

4.2 Outside of the formal meeting programme, the Committee Chairman, and to a lesser extent the other Committee members, will maintain a dialogue with key individuals involved in the Group's governance, including the Chief Executive Officer, the Chief Financial Officer and the External Audit Lead Partner.

5. Notice of meetings

5.1 Meetings of the Committee shall be convened by the Secretary of the Committee at the request of any of its members or at the request of the External Audit Lead Partner if they consider it necessary.

5.2 Unless otherwise agreed by the Committee, 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 no later than three working days before the date of the meeting. Supporting papers shall be sent to Committee members at the same time.

5.3 Notices, agendas and supporting papers can be sent in electronic form where the recipient has agreed to receive documents in such a way.

6. Annual General Meeting

6.1 The Committee Chairman should attend the annual general meeting to answer shareholder questions.

7. Duties

7.1.1 The Committee's remit is for the iomart Group plc as a whole and, unless required otherwise by regulation, will carry out the duties below for the parent company, major subsidiary undertakings and the group as a whole.

Financial reporting

7.1.2 The Committee shall monitor the integrity of the financial statements of the Group, including its annual and half-yearly reports, preliminary announcements and any other formal statements relating to its financial performance, and review and report to the Board on significant financial reporting issues and judgements which those statements contain having regard to matters communicated to it by the auditor.

7.1.3 In particular, the Committee shall review and challenge where necessary:

- 7.1.3.1 the application of significant accounting policies and any changes to them;
- 7.1.3.2 the methods used to account for significant or unusual transactions where different approaches are possible;
- 7.1.3.3 whether the Group has adopted appropriate accounting policies and made appropriate estimates and judgements, taking into account the external auditor's views on the financial statements; and

7.1.3.4 all material information presented with the financial statements, including the strategic report and the corporate governance statements relating to the audit and to risk management.

7.1.4 The Committee shall review any other statements requiring Board approval which contain financial information first, where to carry out a review prior to Board approval would be practicable and consistent with any prompt reporting requirements under any law or regulation including the Listing Rules or Disclosure Guidance and Transparency Rules sourcebook.

7.1.5 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.

Narrative reporting

7.1.6 Where requested by the Board, the Committee should 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 and whether it confirms the Board's statement in the annual report on these matters.

Internal controls and risk management systems

7.1.7 The Committee shall keep under review the Group's internal financial controls systems that identify, assess, manage and monitor financial risks, and other internal control and risk management systems and the Group's internal control and risk management systems. This includes a review of the risk registers covering the systems of internal control and their effectiveness and reporting and making recommendations to the Board on the results of the review.

7.1.8 Review and approve the statements included in the annual report in relation to internal control and the management of risk.

Internal Audit

7.1.9 The Committee should monitor and review the effectiveness of the Group's internal audit function. Where there is no internal audit function, the Committee should consider annually whether there is a need for an internal audit function and make a recommendation to the Board, and the reasons for the absence of such a function should be explained in the relevant section of the annual report.

7.1.10 In the absence of an internal audit function, management needs to apply other monitoring processes in order to assure itself, the Committee and the Board that the system of internal control is functioning as intended. In these circumstances, the Committee should assess whether such processes provide sufficient and objective assurance.

Compliance, whistleblowing and fraud

7.1.11 The Committee shall:

7.1.11.1 review the adequacy and security of the Group's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing 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;

7.1.11.2 review the Group's procedures for detecting fraud;

7.1.11.3 review the Group's systems and controls for the prevention of bribery and receive reports on non-compliance; and

7.1.11.4 revise the adequacy and effectiveness of the Group's policies and controls relating to money-laundering, corporate criminal offence and data protection.

7.1.12 The Committee shall oversee compliance with the relevant statutory and regulatory requirements arising from the QCA Corporate Governance Code including compliance with the appropriate elements of the Group governance and control frameworks and policies.

External audit

The Committee shall:

7.1.13 Consider and make recommendations to the Board, to be put to shareholders for approval at the annual general meeting, in relation to the appointment, re-appointment and removal of the company's external auditor.

7.1.14 Develop and oversee the selection procedure for the appointment of the audit firm, ensuring that all tendering firms have access to all necessary information and individuals during the tendering process.

7.1.15 If an external auditor resigns, investigate the issues leading to this and decide whether any action is required.

7.1.16 Oversee the relationship with the external auditor. In this context the Committee shall:

7.1.16.1 approve their remuneration, including both fees for audit and non-audit services, and ensure that the level of fees is appropriate to enable an effective and high-quality audit to be conducted; and

7.1.16.2 approve their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit.

7.1.17 Assess annually the external auditor's independence and objectivity taking into account relevant UK law, regulation, the Ethical Standard and other professional requirements and the group's relationship with the auditor as a whole, including any threats to the auditor's independence and the safeguards applied to mitigate those threats including the provision of any non-audit services.

7.1.18 Agree with the Board a policy on the employment of former employees of the company's auditor, taking into account the Ethical Standard and legal requirements, and monitor the application of this policy.

7.1.19 Monitor the auditor's processes for maintaining independence, its compliance with relevant UK law, regulation, other professional requirements and the Ethical Standard, including the guidance on the rotation of audit partner and staff.

7.1.20 Review and recommend the audit fee to the Board and monitor the level of fees paid by the company to the external auditor compared to the overall fee income of the firm, office and partner and assess these in the context of relevant legal, professional and regulatory requirements, guidance and the Ethical Standard.

7.1.21 Assess annually the qualifications, expertise and resources, and independence of the external auditor and the effectiveness of the external audit process.

7.1.22 Evaluate the risks to the quality and effectiveness of the financial reporting process in the light of the external auditor's communications with the Committee.

7.1.23 Develop and recommend to the Board the company's formal policy on the provision of non-audit services by the auditor, including approval of non-audit services by the Committee and specifying the types of non-audit service to be pre-approved, and assessment of whether non-audit services have a direct or material effect on the audited financial statements. The policy should include consideration of the following matters:

7.1.23.1 threats to the independence and objectivity of the external auditor and any safeguards in place;

7.1.23.2 the nature of the non-audit services;

7.1.23.3 whether the external audit firm is the most suitable supplier of the non-audit service;

7.1.23.4 the fees for the non-audit services, both individually and in aggregate, relative to the audit fee; and

7.1.23.5 the criteria governing compensation.

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

7.1.25 Discuss with the external auditor the factors that could affect audit quality and review and approve the annual audit plan, ensuring it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team.

7.1.26 Review the findings of the audit with the external auditor and any significant findings reported to the Committee in the Management Letter. This shall include but not be limited to, the following:

7.1.26.1 a discussion of any major issues which arose during the audit;

7.1.26.2 the auditor's explanation of how the risks to audit quality were addressed;

7.1.26.3 key accounting and audit judgements;

7.1.26.4 the auditor's view of their interactions with senior management; and

7.1.26.5 levels of errors identified during the audit.

7.1.27 Review any representation letter(s) requested by the external auditor before they are signed by management.

7.1.28 Review the management letter and management's response to the auditor's findings and recommendations.

7.1.29 Review the effectiveness of the audit process at the end of the final and half year audits, including an assessment of the quality of the audit, the handling of key judgements by the auditor, and the auditor's response to questions from the Committee.

8 Reporting responsibilities

8.1 The Committee Chairman shall communicate to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall communicate to the Board on how it has discharged its responsibilities.

8.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

8.3 The Committee shall compile a report on its activities to be included in the company's annual report. The report should include an explanation of how the Committee has addressed the effectiveness of the external audit process; the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the auditor; and all other information requirements set out in the QCA Corporate Governance Code.

8.4 The Committee should exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant, but should include at least those matters that have informed the Board's assessment of whether the company is a going concern. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts, but could provide cross-references to that information.

9 Other matters

The Committee shall:

9.1 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;

9.2 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;

9.3 work and liaise as necessary with all other Board Committees, taking particular account of the impact of risk management and internal controls being delegated to different Committees; and

9.4 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 recommend any changes it considers necessary to the Board.

10 Authority

The Committee is authorised to:

10.1 seek any information it requires from any employee of the Group in order to perform its duties;

10.2 obtain, at the company's expense, independent legal, accounting or other professional advice on any matter it believes it necessary to do so;

10.3 call any employee to be questioned at a meeting of the Committee as and when required; and

10.4 have the right to publish in the Group's annual report, details of any issues that cannot be resolved between the Committee and the Board.

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