

## Audit Committee Terms Of Reference

Adopted by the Board of The Capita Group Plc on 24 November 2008

### 1. Constitution

The Audit Committee (the "Committee") was established by a resolution of the Group Board passed on 28th March 1994.

Where they are not covered by these terms of reference, the proceedings of the Committee shall be governed by the appropriate provisions in the Company's articles of association.

### 2. Membership

The Committee members shall be appointed by the Group Board, on the recommendation of the Nomination Committee in consultation with the Audit Committee Chairman, from the independent Non-Executive Directors of the Company and shall consist of not less than three members. A quorum shall be two members.

The Non-Executive Chairman, Chief Executive, Group Finance Director, Group Compliance Director and the Director, Risk and Business Assurance may attend by invitation.

The Group Board will appoint the Chairman of the Committee from amongst the independent Non-Executive Directors.

At least one member of the Committee shall have recent and relevant financial experience.

### 3. Attendance

The Committee shall meet at least four times per year. The meetings should be planned to take place immediately prior to the Financial Statements for the Half-Yearly and Final results being reported to the Group Board for approval and at any other time as the Chairman may direct. Further meetings may be called with the agreement of the Chairman by any of the Director, Group Risk and Business Assurance, Group Compliance Director, any Director or the external Auditors.

Only members of the Committee have the right to attend Committee meetings. Other individuals may be invited to participate at meetings regularly or from time to time. However, attendees should be limited to those who are familiar with or are responsible for the topics on the Agenda and will usually include the external Auditors, the Director, Group Risk and Business Assurance, the Group Finance Director, the Chief Executive and the Group Compliance Director.

Prior to each meeting, the Committee shall have the opportunity to meet privately with the external Auditor, the Director, Group Risk and Business Assurance and the Group Compliance Director.

#### 4. Secretary

The Deputy Company Secretary shall act as Secretary to the Committee. In conjunction with the Chairman they will prepare an Agenda for each meeting which shall be circulated at least one week in advance of the meeting to all members of the Committee and attendees, together with any supporting papers. All Directors should be given notice of the meeting and provided with a copy of the Agenda.

#### 5. Role

The Audit Committee assists the Board in fulfilling its oversight responsibilities. Its primary functions are:

- to review the reporting of financial and other information to shareholders, the systems of internal control and risk management, and the audit process;
- to maintain an appropriate relationship with the Company's internal and external auditors and to review the effectiveness and objectivity of the audit process;
- to review, on behalf of the Board, the adequacy of the system of internal control taking input from internal audit, external audit, risk management including disaster recovery and compliance functions;
- to review, on behalf of the Board, the business risk profile in areas covering but not restricted to Business Risk, Operational Risk, Legal and Regulatory Risk;
- to maintain good communication with the Group Audit function;
- to ensure relationship and dealings with FSA are dealt with as a priority within the business; and
- to monitor the integrity of financial statements.

To perform their role effectively, each Committee member will obtain an understanding of the detailed responsibilities of the Committee, as well as the Company's business, operations and risk. The Committee can obtain its own independent professional advice as necessary at the Company's expense.

#### 6. Authority

The Committee is authorised by the Group Board:

- to investigate any matter brought to its attention, within the scope of its duties;
- to obtain independent professional advice at the Company's expense as it considers necessary;
- to have the power to call on executive management and/or any member of staff to be questioned at a meeting of the Committee as and when is required.
- to seek any information it requires from any employee of the Company in order to perform its duties;

#### 7. Responsibilities

The specific responsibilities of the Committee shall be:

##### *Audit Process*

- to provide an open avenue of communication between external auditors, the internal auditors and the Board;
- to keep under review the scope and results of both the internal and external audits and their cost effectiveness, and to report periodically to the Board of significant findings;
- to be responsible for co-ordination of the internal and external auditors; and
- to meet, as required, and at least once a year, with the external auditors, the internal auditors and

management in separate executive sessions to discuss any matters that the Committee or these groups believe should be discussed privately with the Committee.

#### *External Auditors*

- to oversee the process for selecting the external auditor, to consider their annual reappointment and any matters concerning their resignation or removal and to make appropriate recommendations through the Group Board to the shareholders to consider at the AGM in relation to these matters;
- to approve their terms of engagement and scope of audit, including any engagement letter issued at the start of each audit;
- to assess the independence of the auditor annually, 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;
- to ensure that key partners of the audit firm are rotated at appropriate intervals;
- to review and recommend the audit fee to the Group Board and pre-approve any fees in respect of non audit services provided by the external auditor.
- to develop and implement a policy on the supply of non audit services by the external auditor, taking into account any relevant ethical guidance on the matter;
- to discuss with the external auditor and understand, before the annual audit cycle commences, the nature, scope, timing and process of the audit and the specific steps taken to respond to changes in regulatory and other requirements;
- to review the results and effectiveness of the external audit and any significant findings reported to the Committee in the Management Letter, receiving updates from management on action taken;
- to review any representation letter(s) requested by the external auditor before they are signed by management;
- to discuss any issues arising from the audit;
- to review the effectiveness of the audit process at the end of the final and half-yearly audits; and

#### *Internal Auditors*

- to monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system;
- to review the annual internal audit plan;
- to ensure that the internal audit function is adequately resourced, has appropriate standing in the Company and is free from any management restrictions and that valid concerns reported by the internal audit function are adequately addressed by management;
- to ensure that the function has access to appropriate information to enable it to perform its function effectively and in accordance with the relevant professional standards;
- to approve the appointment or dismissal of the Director, Group Risk and Business Assurance;
- to receive and review promptly management's and the internal auditor's reports on the significant issues from the internal audit plan, including the effectiveness of systems of internal financial control, financial reporting, fraud, illegal acts and other significant findings, business-wide risk assessment and mitigation processes and actions; and
- to review and monitor management's responsiveness to the findings and recommendations of the internal auditor;
- To meet independently with the Director, Group Risk and Business Assurance on an annual basis;

#### *Listing Compliance*

- to oversee compliance with relevant statutory and regulatory requirements arising from the Listing, Disclosure and Prospectus Rules and best practice recommendations (including the Combined Code), including compliance with the appropriate elements of the Group governance and control frameworks and relevant Group policies.

### *Financial Services Regulatory Compliance*

- to consider, by exception, compliance with the Group governance and control framework including Group policies as they apply to the Group's regulated subsidiaries;
- to receive reports on compliance by those subsidiary firms with the relevant statutory and regulatory requirements.
- to review regulatory relationships and to ensure that they remain satisfactory;
- to be aware of the requirements of the regulators' proposed visits, results of those visits and any other actions arising, along with progress against those actions;

### *Risk and Internal Controls*

- to ensure that a satisfactory framework is in place for identifying and managing risk within the business, including an adequate system of internal controls (formerly the Turnbull guidance);
- to be aware of the Company's risk profile and ensure consistency with the Company's appetite for risk;
- to keep under regular review the steps taken by management to monitor, manage and mitigate risk;
- keep under review the effectiveness of the Company's internal controls and risk management systems;
- to review the Company's statement on internal control systems prior to endorsement by the Group Board and the process for identifying and assessing business risk and the management of those risks by the Company.

### *Financial*

To review, and challenge where necessary, the actions and judgments of management, in relation to the half-yearly and annual financial statements and any other formal announcement relating to the Group's financial performance, reviewing significant financial reporting issues and judgements which they contain. before submission to the Group Board, with particular emphasis on:

- Critical accounting policies and practices, and any changes to them;
- Major judgmental decisions;
- The extent to which the financial statements are affected by any unusual transactions in the period and how they are disclosed;
- The overall clarity of disclosures and the context in which they are made;
- Significant adjustments arising from the audit and items not adjusted;
- The continued applicability of the going concern assumption;
- Compliance with applicable accounting standards, regulatory and stock exchange requirements;

### *Reporting responsibilities*

- to include a statement in the Annual Report setting out the Committee's role and responsibilities;
- to report on the Group's system of internal control and risk management; and
- to include an explanation of the Auditor's provision of non-audit work.

### *General*

- to review and monitor compliance with any delegated authorities;
- to satisfy itself that members of management are taking appropriate action from the audit and other reports;
- to review and update its terms of reference annually, recommending any changes to the board;
- to carry out an assessment of the Committees performance not less than once a year;

- to review arrangements by which staff of the Company may raise concerns in confidence about possible improprieties in matters of financial reporting or other matters. The Committee shall ensure that these arrangements :
  - are reviewed regularly
  - are communicated to all staff
  - allow proportionate and independent investigation of such matters and appropriate follow up action;
- the Committee shall have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
- the Committee shall 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;
- the Secretary shall keep appropriate records of all the meetings of the Committee with appropriate minutes of the proceedings and resolutions;
- to consider any other matters as referred to the Committee by the Board; and
- to attend the Company's AGM.

## 8. Reporting Procedures

The Secretary shall circulate the minutes of meetings of the Committee to all members of the Group Board, except where a conflict exists.

The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

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

The Committee's activities during the year shall be disclosed in the annual financial statements.

The Chairman of the Committee shall attend the AGM of shareholders, and shall answer questions, through the Chairman of the Group Board, on the Committee's activities and responsibilities.