



**DCC plc**

**Terms Of Reference**

**for the Audit Committee**

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## **Terms of Reference for the Audit Committee**

### **1. Constitution and Authority**

- 1.1 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 co-operate with any request made by the Committee.
- 1.2 The Committee is authorised by the Board to obtain outside legal or other independent professional advice.
- 1.3 The Committee shall, at least once a year, review its own performance and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

### **2. Membership**

- 2.1 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.
- 2.2 The Chairman of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee. The Chairman of the Board shall not be a member of the Committee.
- 2.3 The Committee shall comprise at least three independent non-executive Directors of the Company. At least one of the members shall have recent and relevant financial experience.
- 2.4 A quorum shall be two members.
- 2.5 Appointments to the Committee shall be for a period of up to three years, which may be extended for two further three-year periods, provided the Director remains independent.
- 2.6 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.

### **3. Meetings**

- 3.1 The Committee shall meet at least three times a year, at appropriate times in the reporting and audit cycle and otherwise as required.

- 3.2 Only members of the Committee have the right to attend Committee meetings. The Chief Executive, Chief Financial Officer, Head of Enterprise Risk Management, Group Internal Auditor, other Directors and executives and representatives of the external auditors may be invited to attend all or part of any meeting.
- 3.3 The Committee should, at least annually, meet separately with the external auditors without the presence of management.
- 3.4 The Committee should, at least annually, meet separately with the Group Internal Auditor without the presence of management.
- 3.5 Minutes of Committee meetings shall be circulated promptly by the Secretary to all members of the Committee and, once agreed, to all members of the Board.
- 3.6 A sufficient interval should be allowed between meetings of the Committee and the Board to allow any work arising from the Committee meeting to be carried out and reported to the Board as appropriate.

#### **4. Duties**

The duties of the Committee are as follows:

##### **4.1 *Financial Statements***

- 4.1.1 to monitor the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgements contained in them;
- 4.1.2 to review the half-year and annual financial statements before submission to the Board, focusing particularly on:
  - (i) any changes in accounting policies and practices;
  - (ii) major judgmental areas;
  - (iii) significant adjustments resulting from the audit;
  - (iv) the going concern assumption;
  - (v) compliance with accounting standards;
  - (vi) compliance with stock exchange, legal and regulatory requirements;
  - (vii) the corporate governance statement.

##### **4.2 *External Auditors***

- 4.2.1 to 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 external auditor and to approve the audit fee and terms of engagement of the external auditor;
- 4.2.2 to oversee the relationship with the external auditor including:

- (i) approval of their remuneration, whether fees for audit or non-audit services and ensuring that the level of fees is appropriate to enable an adequate audit to be conducted;
- (ii) approval of their terms of engagement, including any engagement letter issued at the start of each audit, and the scope of the audit;
- (iii) assessing annually the independence and objectivity of the external auditor and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
- (iv) 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;
- (v) satisfying 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);
- (vi) monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements;
- (vii) assessing annually their qualifications, expertise and resources and independence and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures; and
- (viii) agreeing with the Board a policy on the employment of former employees of the Company's auditor, then monitoring the implementation of this policy.

4.2.3 to review any representation letter requested by the external auditor before they are signed by management;

4.2.4 to review the management letter and management's response to the auditor's findings and recommendations;

4.2.5 to discuss problems and reservations arising from the interim and final audits, and any matters the external auditor may wish to discuss (in the absence of management where necessary).

### 4.3 ***Internal Audit***

4.3.1 to review the operation and the effectiveness of the Internal Audit function and in particular:

- (i) review the half yearly report from Internal Audit, which will include summaries of the key findings of each internal audit in the period (full internal audit reports will be available for inspection by members of the Committee) and the planned work programme;
- (ii) ensure co-ordination between Internal Audit and the external auditors;

- (iii) ensure the Internal Audit function is adequately resourced and has appropriate standing within the Company;
- 4.3.2 to report to the Board on its annual assessment of the operation of the Group's system of internal control, to make any recommendations to the Board thereon and to review the Company's statements on internal control and risk management prior to endorsement by the Board;
- 4.3.3 to consider the findings of internal investigations and management's response;
- 4.3.4 to approve the appointment or termination of appointment of the Group Internal Auditor;
- 4.3.5 to ensure that the Group Internal Auditor has direct access, as necessary, to the Chairman of the Board and to the Chairman of the Audit Committee.

## **5. Other Matters**

- 5.1 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 5.2 The Committee shall compile a report to shareholders on its activities to be included in the Company's Annual Report.
- 5.3 The Chairman of the Committee shall attend the Annual General Meeting to answer questions on the report on the Committee's activities and matters within the scope of the Committee's responsibilities.
- 5.4 The Committee shall review the Company's arrangements for its employees 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.