

<b>Category:</b>	<b>Corporate</b>		
<b>Meeting Title:</b>	<b>Audit and Risk Committee (ARCo)</b>		
<b>Frequency of meetings:</b>	<b>4 per annum</b>	<b>Usual duration:</b>	<b>2 hours</b>
<b>Distribution of record:</b>	<b>Restricted</b>		
<b>Record Type:</b>	Agenda	<input checked="" type="checkbox"/>	Minutes
		<input checked="" type="checkbox"/>	Action List
		<input checked="" type="checkbox"/>	Notes
<b>Supporting Doc</b>	<a href="#"><u>General Committee Terms</u></a>		

## TERMS OF REFERENCE

### 1. Purpose

- 1.1. The Audit and Risk Committee provides oversight of the company's financial reporting process and fund utilisation, corporate governance, audit process, system of internal controls (including information technology and business continuity), identification and management of significant risks, and compliance with laws and regulations in order to support and advise the Board and the Accounting Officer (the "Chief Executive").

### 2. Membership

- 2.1. The committee shall comprise of at least three non-executive directors at least one of whom shall have recent and relevant financial experience.
- 2.2. The external and internal auditors will be invited to attend meetings of the committee on a regular basis.

### 3. Frequency of meetings

- 3.1. The committee shall meet at least four times a year at appropriate times and otherwise as required.

### 4. Duties

#### 4.1. Financial Reporting

The committee shall

- monitor the integrity of the financial statements of the company, including its annual report, and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain.
- In particular, the committee shall review and challenge where necessary –
  - the consistency of, and any changes to, accounting policies both on a year on year basis and across the company.
  - the methods used to account for significant or unusual transactions where different approaches are possible.
  - whether the company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor.
  - the clarity of disclosure in the company's financial reports and the context in which statements are made; and

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- all material information presented with the financial statements, such as the business review/operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management).

#### 4.2. Internal controls and risk management systems

The committee shall:

- keep under review the high-quality and effectiveness of the company’s internal financial controls and internal control and risk management systems; and
- review and approve the statements to be included in the annual report concerning internal controls and risk management.
- Carry out an assessment of internal controls to enable appropriate adherence to the UK corporate governance code and GoJ MoU.
- The delegation of risk responsibility shall be as follows:

<b>Risk Category</b>	<b>Committee Monitoring</b>
Financial Risks (including fraud)	Audit Risk Committee
Corporate Risks: Cyber, Information Security, Occupations H&S, Sustainability, Change, Reputation	
Operational Airport and Harbour Risks	Harbour and Airports Authority
Investment Risks	Investment Committee

#### 4.3. Compliance, whistleblowing and fraud

The committee shall

- review the high-quality and security of the company’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.
- review the company’s procedures for detecting fraud.
- review the company’s systems and controls for the prevention of bribery and receive reports on non-compliance review regular reports from the Head of Internal Audit and keep under review the high quality and effectiveness of the company’s compliance functions.

#### 4.4. Internal audit

The committee shall

- monitor and review the effectiveness of the company’s internal audit function in the context of the company’s overall risk management system.
- approve the appointment and removal of the head of the internal audit function.
- consider and approve the remit of the internal audit function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards.

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The committee shall also ensure the function has adequate standing and is free from management or other restrictions.

- review and assess the annual internal audit plan (each Committee to confirm the programme includes assurances they require).
- review reports addressed to the committee from the internal auditor.
- review and monitor management’s responsiveness to the findings and recommendations of the internal auditor.
- meet the head of internal audit at least once a year, without management being present, to discuss their remit and any issues arising from the internal audits carried out. In addition, the head of internal audit shall be given the right of direct access to the chair of the board and to the committee.

#### 4.5. External Audit

The committee shall

consider and make recommendations to the board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the company’s external auditor. The committee shall oversee the selection process for a new auditor and if an auditor resigns the committee shall 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, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an adequate audit to be conducted.
  - approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit
  - 8.5.2.3 assessing annually their independence and objectivity taking into account relevant [UK] 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 the company (other than in the ordinary course of business).
  - agreeing with the board a policy on the employment of former employees of the company’s auditor, then monitoring the implementation of this policy.
  - monitoring the auditor’s compliance with relevant ethical and professional guidance on the rotation of audit partner, the level of fees paid by the company 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 internal quality procedures.

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- seeking to ensure co-ordination with the activities of the internal audit function.
- meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The committee shall meet the external auditor at least once a year, without management being present, to discuss the auditor’s remit and any issues arising from the audit.
- review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement.
- 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
  - any accounting and audit judgements
  - levels of errors identified during the audit
  - the effectiveness of the audit

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 a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter.

#### 4.6. Risk

The Committee shall:

- Agree with the Board the organisation’s overall risk appetite, tolerance and strategy.
- Oversee and advise the Board on the current risk exposures of the organisation and future risk strategy in relation to risk assessment.
- Provide assurance that there are robust structures, processes and accountabilities for risk management within the organisation.
- Monitor the implementation and progress of the embedded risk management policies and advise the Board of any issues that arise
- Regularly review the risk registers to ensure risks are appropriately identified, mitigated and controlled. The Committee will have a particular focus on high level corporate risks.
- Provide a regular report to the Board on risk management and governance issues and make recommendations as appropriate.
- Work closely with the Harbour & Airport Authority Committee to assess operational risks.
- Review the capability to identify and manage new risk types.

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- Liaise with the Investment Committee and report to the Board that adequate due diligence is applied to proposed strategic transactions including acquisitions or disposals.
- Review reports on any material breaches of risk limits and the high quality of proposed action.
- Keep under review the effectiveness of internal controls and risk management systems and review and approve the statements to be included in the Annual Report & Accounts concerning internal controls and risk management.
- Review the high quality and security of the arrangements for employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting, health and safety, or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.
- Consider and approve the remit of the risk management function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Committee shall also ensure the function has adequate independence and is free from management or other restrictions.

#### **5. Reporting responsibilities**

- 5.1. The committee shall produce a report of its activities to be included in the organisation's annual report.

#### **6. Other Matters**

- 6.1. The committee shall be responsible for co-ordination of the internal and external auditors.

#### **7. Authority**

- 7.1. to have the right to publish in the Company's annual report details of any issues that cannot be resolved between the committee and the board.

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