



## NORTHFIELDS AUDIT AND RISK COMMITTEE (ARC) CHARTER

### Our Vision

We are committed to empowering learners to reach their full potential through a holistic education. Our students develop an appreciation for cultural diversity while being prepared to become confident, responsible and active global citizens.

### Our Mission

We achieve this by:

- Providing our pupils with learning opportunities that maximise their potential through a structured programme of academic and extra-curricular activities.
- Offering challenging, internationally recognised programmes and qualifications.
- Emphasising the development of socially conscious and environmentally aware global citizens, with a compassion for others and the courage to act on their beliefs.
- Nurturing the growth of principled future leaders.

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## 1. Introduction

The Audit and Risk Committee is a Committee of the Board of Directors (the "Board") of Northfields International Schools Holdings Limited including its subsidiaries ("the School") to which the Board has delegated certain oversight responsibilities.

## 2. Objective

The principle function of the Audit and Risk Committee (the Committee) is to oversee the financial reporting process to ensure the balance, integrity and transparency of the financial information of the School.

The principle focus of the Committee will include reviews of and monitoring of the following:

- Effectiveness of the School's internal financial control and risk management systems.
- Effectiveness of the School's internal audit. (The function is dependant on the annual evaluation of the Board to determine the need for an internal audit function as stated in the Board charter).
- Independence of the external audit process and assessment of the external auditor's performance.
- Remuneration of external auditors and overseeing their supply of non-audit related services.
- Monitoring compliance with laws and regulations relevant to financial reporting and with the internal Code of Ethics.
- Specific issues as they arise where the Committee considers action, or improvement is required and making recommendations as to the steps to take.

The Committee does not relieve the Board of its responsibilities in any way.

## 3. Composition

- 3.1 The Committee shall comprise of not less than 3 members and if possible, the majority should be non-executive independent directors. Members of the committee shall be appointed by the Board, on recommendation by the corporate governance, nomination and ethics committee in consultation with the Chairperson of the Committee.
- 3.2 The Board if possible, shall appoint a Chairperson that is an independent Director of the Board and determine the period for which he or she shall hold office.
- 3.3 The Chairperson of the Board, the Head of School, and any Executive director as far as possible shall not be eligible to be appointed as the Chairperson or a member of the Committee.
- 3.4 The Board shall satisfy itself that the Chairperson of the Committee and at least one member of the Committee has recent and relevant financial experience ideally with a professional qualification from one of the professional accountancy bodies.
- 3.5 The Board shall have the power at any time to remove any members from the Committee and to fill any vacancies created by such removal.
- 3.6 The Committee may invite attendees to attend any part of any meeting of the Committee as it deems appropriate. This includes other directors, members of management, any employee, the School's internal or external legal counsel, external auditors, advisors and consultants.
- 3.7 Appointments of non-executive Directors to the Committee shall be for a period of up to three years extendable by no more than two additional three-year periods, so long as members continue to be independent.



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- 3.8 The School Secretary, or his or her nominee, shall act as the Secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues on hand.

## 4. Meetings

- 4.1 The Committee shall as far as possible meet quarterly at appropriate intervals in the financial reporting and audit cycle or more frequently at the discretion of the members of the Committee.
- 4.2 A quorum for a meeting of the Committee is a majority of the members present in person, by video conference, webcast or telephone.
- 4.3 Meetings shall be convened by the Secretary of the Committee at the request of any of its members, the external audit partner or head of internal audit. (The internal audit function is dependent on the annual evaluation by the Board to determine the need for an internal audit function as stated in the Board charter).
- 4.4 Notice of each meeting confirming logistics and an agenda of items to be discussed and supporting reports, shall be forwarded to each member of the Committee, and any other person required to attend, no later than 5 working days before the date of the meeting.
- 4.5 The Secretary shall minute the proceedings and decisions of all meetings of the Committee including recording the names of those in attendance.
- 4.6 Draft minutes of the Committee meetings shall be circulated not later than 15 working days after such meeting to all members of the Committee. Once approved, the minutes should be circulated to all other members of the Board unless it would be inappropriate to do so in the opinion of the Committee Chairperson.
- 4.7 Outside the formal meetings, the Committee Chairperson will maintain in dialogue with the Board Chairperson, Head of School, Finance Manager, external audit partner and the head of internal audit (The internal audit function is dependent on the annual evaluation by the Board to determine the need for an internal audit function as stated in the Board charter).

## 5. Authority

The Committee is authorised to:

- 5.1 Seek any information it requires from any employee of the School in order to perform its duties.
- 5.2 Obtain, at the organisation's expense, independent legal, accounting or other professional advice on any matter it believes it necessary to do so.
- 5.3 Call any employee to be questioned at a meeting of the Committee as and when required.
- 5.4 Have the right to publish in the School's annual report (if to be prepared by the School as decided by the Board), details of any issues that cannot be resolved between the Committee and the Board.

## 6. Annual General Meeting

The Committee Chairperson shall attend the Annual General Meeting to answer shareholder questions on the Committee's activities.



## 7. Responsibilities of the Committee

### 7.1 Financial reporting

The Committee in discharging their duties in relation to financial reporting shall:

- 7.1.1 When considering the quarterly and annual accounts, review with management and the external auditors the School's financial statements, key accounting policies and judgements; and consider whether they are complete and consistent with information known to the Committee.
- 7.1.2 Stay informed of significant accounting and regulatory pronouncements and their impact on the financial statements.
- 7.1.3 Review results to ensure that published financial statements are balanced, transparent and consistent with International Accounting Standards.
- 7.1.4 Review and report to the Board on significant financial reporting issues and judgements which the financial statements contain, having regard to the matters communicated to the Committee by the auditor.
- 7.1.5 Review methods used to account for significant or unusual transactions where different approaches are possible.
- 7.1.6 Review the basis on which the School has been determined a going concern.
- 7.1.7 Ensure compliance with the financial conditions of all loan covenants.
- 7.1.8 Ensure compliance with all relevant taxation laws and regulations applicable to the School.
- 7.1.9 Review the quality and integrity of the annual budget, forecasts and cashflow schedules of the School as well as ensuring the adequacy of the internal controls around the budgeting process. Further the budget variance calculation as prepared by management should be reviewed and interrogated on a quarterly basis.

### 7.2 Narrative reporting

7.2.1. If the Board decides that the School should prepare an annual report, the Committee where requested by the Board shall 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 and other stakeholders to assess the School's performance, business model and strategy.

### 7.3 Internal controls and Risk management

The Committee in discharging their duties in relation to internal controls and risk management shall:

- 7.3.1 Evaluate the overall effectiveness of the School's internal control and risk management frameworks and ensure that recommendations made by internal (if applicable) and external auditors are being implemented by management.
- 7.3.2 Evaluate whether management is communicating effectively the importance of internal control and risk management, thus promoting a "control culture" within the School.
- 7.3.3 Understand the internal control systems implemented by management for approval of transactions, recording and processing of financial data, preparation of financial statements, and compliance of financial statements with relevant standards, laws and regulations. Initiate investigation and action when weaknesses become apparent.



- 7.3.4 Evaluate how management is held accountable for the maintenance of internal control within the School.
- 7.3.5 Review and approve the statements to be included in the annual report (dependant on if the Board requires the preparation of an annual report) concerning internal controls and risk management.
- 7.4 Compliance with laws and regulations and assessment of fraud  
The Committee in discharging their duties in relation to compliance with laws and regulations and processes in place to identify fraud shall:
  - 7.4.1 Review the effectiveness of the system for monitoring compliance with laws and regulations and receive all reports of non-compliance for interrogation.
  - 7.4.2 Review the School's procedures for detecting Fraud.
  - 7.4.3 Review cases and provide recommendations to management in relation to employee conflicts or potential conflicts of interest, misconduct or fraud or any other unethical activities by employees in the School.
  - 7.4.4 Ensure employees of the School and contractors are provided with a safe and secure platform to raise concerns, in confidence, about possible wrongdoing within the School. The Committee shall ensure that these reportable wrong doings are independently investigated and appropriate follow up is actioned.
  - 7.4.5 Monitor the implementation of the School's Code of ethics.
  - 7.4.6 Ensure compliance with the requirements of the articles of association and all laws and regulations applicable to the School.
- 7.5 Internal audit  
The internal audit function will be dependent on the evaluation performed by the Board on an annual basis to determine the need for an internal audit function.  
  
If applicable, the Committee in discharging their duties in relation to Internal audit shall:
  - 7.6.1 Review the effectiveness of the internal audit function, activities, resources and organisational structure and ensure that it has appropriate standing within the School.
  - 7.6.2 Participate in the appointment, replacement and remuneration of the head of internal audit and review the internal audit standards of work with external auditors.
  - 7.6.3 Review and approve the internal audit work plan on a regular basis to ensure that it addresses effectively key areas of risk, and that there is appropriate cooperation with the external auditors. Meet separately with internal auditors to discuss any matters that either party considers should be discussed privately.
  - 7.6.4 Ensure that the findings in the form of a report and recommendations by internal audit are considered by Management.
  - 7.6.5 Ensure the Head of internal audit has direct access to the Board Chairperson and to the Committee Chairperson, and is accountable to the Committee.
- 7.6 External audit  
The Committee in discharging their duties in relation to the external audit process shall:
  - 7.6.1 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 School's external auditor.



- 7.6.2 Ensure that at least once every ten years the audit services contract is put out to tender to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms; and in respect of such tender oversee the selection process and ensure that all tendering firms have such access as is necessary to information and individuals during the duration of the tendering process. Several firms should be screened and the Committee should obtain written or verbal proposals to enable it to arrive at its recommendation.
- 7.6.3 If an auditor resigns, investigate the issues leading to this and decide whether any action is required.
- 7.6.4 Oversee the relationship with the external auditor including (but not limited to):
  - 7.6.4.1 Recommendations on their remuneration, including both fees for audit and non-audit services, and that the level of fees is appropriate to enable an effective and high-quality audit to be conducted;
  - 7.6.4.2 Approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
  - 7.6.4.3 Assessing annually their independence and objectivity considering relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
  - 7.6.4.4 Satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the School (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
  - 7.6.4.5 Agreeing with the Board a policy on the employment of former employees of the School's auditor, and monitoring the implementation of this policy;
  - 7.6.4.6 Monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the School as compared to the overall fee income of the firm, office and partner and other related requirements;
  - 7.6.4.7 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;
  - 7.6.4.8 Seeking to ensure co-ordination between audit firms (where more than one audit firm is involved);
  - 7.6.4.9 Seeking to ensure co-ordination with the activities of the internal audit function;
  - 7.6.4.10 Evaluating the risks to the quality and effectiveness of the financial reporting process and consideration of the need to include the risk of the withdrawal of their auditor from the market in that evaluation.
- 7.6.5 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, without management being present, to discuss the auditor's remit and any issues arising from the audit.



- 7.6.6 Review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team.
- 7.6.7 Consider whether any significant ventures, investments or operations are not subject to external audit.
- 7.6.8 Obtain assurance from the external auditor(s) that adequate accounting records are being maintained.
- 7.6.9 Review the findings of the audit with the external auditor. This shall include (but not be limited to) the following:
  - 7.6.9.1 A discussion of any major issues which arose during the audit;
  - 7.6.9.2 Key accounting and audit judgements;
  - 7.6.9.3 Levels of errors identified during the audit;
  - 7.6.9.4 The effectiveness of the audit process.
- 7.6.10 Review any representation letter(s) requested by the external auditor before they are signed by management.
- 7.6.11 Review the management letter and management's response to the auditor's findings and recommendations.
- 7.6.12 Develop and implement a policy on the supply of non-audit services by the external auditor to the School to avoid any threat to the auditor's objectivity and independence, considering any relevant ethical guidance on the matter.

## 8. Reporting responsibilities

- 8.1 Ensure that the Board is aware of all significant issues that may affect the financial status of the School and make appropriate recommendations to the Board. Discussions and conclusions of the Committees shall be communicated to the Board members on a timely basis. The minutes will be available for consultation by all Board members.
- 8.2 The Committee shall compile a report on its activities to be included in the School's annual report (if to be prepared by the School as decided by the Board). 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. In compiling the report, 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 School is a going concern.

## 9. Remuneration

- 9.1 Having regard for the functions performed by the members of the Committee in addition to their functions as Directors in relation to the activities of the Committee, members of the Committee may be paid such special remuneration in respect of their appointment as shall be fixed by the Board. Such special remuneration shall be in addition to the annual fees payable to directors.



- 9.2 The Chairperson of the Committee shall, in addition to his or her remuneration as member, receive a further sum as determined by the Board.

## 10. Other matters

- 10.1 The Board has an agreed procedure whereby members of the Committee are able to seek independent professional advice, should the need arise. The professional services procured would be at the School's expense and prior approval of the Chairperson is required.
- 10.2 The Committee shall have access to sufficient resources in order to carry out its duties, including access to the School Secretary for assistance as required.
- 10.3 The Committee shall oversee any investigation of activities which are within its terms of reference.
- 10.4 The Committee shall work and liaise as necessary with all other Board committees.
- 10.5 The Committee shall arrange for period reviews of its own performance at least annually.