

THE GO-AHEAD GROUP PLC

AUDIT COMMITTEE TERMS OF REFERENCE

**Adopted by Resolution of the Board dated 1 April 2004
Updated by Resolutions of the Board dated
15 February 2007, 10 July 2008, 9 February 2009 and 22 February 2010**

1. Constitution

The Board has resolved to establish a Committee of the Board to be known as the Audit Committee.

2. Membership

2.1 The Committee shall be appointed by the Board from the independent Non-Executive Directors of the Company and shall consist of a minimum of two such members. A quorum shall be two members.

2.2 The Chair of the Committee shall be appointed by the Board from the independent Non-Executive Directors of the Company.

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

2.4 The Company Secretary shall act as the Secretary of the Committee.

3. Meetings and Related Matters

3.1 Meetings shall be held not less than three times a year.

3.2 A meeting of the Committee can be called by any member of the Committee or by the Company Secretary or at the request of the external and internal auditors if they consider it necessary.

3.3 The Group Chief Executive, Group Finance Director, Company Chairman and a representative from the external auditors shall attend meetings on a regular basis. The internal auditors and health and safety advisors shall attend meetings at least twice a year. Other Board members shall attend by invitation.

3.4 The Audit Committee shall meet the internal and external auditors without the presence of the Company executives at least once a year at the option of the Committee or the auditors.

3.5 The internal auditors shall be given the right of direct access to the Chairman of the Board and to the Committee.

3.6 Notice of each meeting confirming the venue, time and date, together with an Agenda of items to be discussed and appropriate enclosures, shall be forwarded to each member of the Committee or any other person invited to attend, approximately one week before the date of the meeting.

3.7 The Company Secretary shall minute the proceedings and resolutions of all meetings, in addition to ascertaining the existence of any conflicts of interest.

- 3.8 Minutes of all meetings of the Committee, once agreed, will be circulated to all members of the Committee and Board, unless a conflict of interest exists.

4. Authority

- 4.1 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.
- 4.2 The Committee is authorised by the Board to obtain outside legal or other independent professional advice, at the Company's expense, and to secure the attendance of outsiders with relevant experience and expertise if it considers it necessary. The Company Secretary shall ensure that the Committee has access to sufficient resources in order to carry out its duties.

5. Duties

- 5.1 The duties of the Committee shall be:
- 5.1.1 To make recommendations to the Board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor.
- 5.1.2 To oversee the relationship with the external auditor and to monitor annually the qualification, expertise and resources of the external auditor, including the independence, objectivity of the external auditor and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements.
- 5.1.3 To apply the policy attached on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and to report to the Board, identifying any matters of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.
- 5.1.4 To monitor the integrity of the financial statements of the Company, including its annual and interim reports, interim management statements and any other formal announcements relating to the Company's financial performance. To discuss accounting policies and standards, methods used to account for significant or unusual transactions, clarity of disclosures and all material information presented with the financial statements. To review any significant financial reporting judgements contained within the financial statements of the Company before making recommendations to the Board.
- 5.1.5 To discuss with the external auditor before the audit commences the nature and the scope of the audit and the extent of reliance to be placed on internal audit.
- 5.1.6 To discuss problems and reservations arising from the interim and final audits, and any matters the auditor wishes to discuss (in the absence of management where necessary).

- 5.1.7 To review the external auditor's interim and year-end review reports, management letter and management's response and letters of representation
- 5.1.8 To review the Company's internal financial controls and the Company's internal control and risk management systems and processes. To include the effectiveness of systems and the conclusions of any testing carried out by internal and external auditors. To assess the other monitoring processes put in place by management to ensure that the system of internal control is functioning as intended; coming to a view as to whether such processes provide sufficient and objective assurance.
- 5.1.9 To approve the appointment and removal of the internal auditor and to monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system.
- 5.1.10 To review and assess the annual internal audit strategy and plan.
- 5.1.11 To review the internal auditor's annual report. Unless there are significant issues this will not include the full detailed reports but these will always be available to members.
- 5.1.12 To review all other audit reports promptly and management's responsiveness to the findings and recommendations where relevant.
- 5.1.13 To ensure and facilitate co-operation between the internal and external auditors.
- 5.1.14 To ensure that the internal audit and health and safety functions are adequately resourced and have appropriate standing within the Company. To ensure that there is appropriate access to information to enable these functions to perform their functions effectively and in accordance with the relevant professional standards.
- 5.1.15 To review arrangements on an annual basis by which staff may, in confidence, raise concerns about possible impropriety in matters of financial reporting or otherwise with a view to ensuring that arrangements for proportionate and independent investigation and appropriate follow up are in place. To include a review of the Company's procedures for detecting fraud.
- 5.1.16 To undertake such other matters as may be delegated to it by the Board from time to time.
- 5.1.17 To review on an annual basis its own performance, constitution and terms of reference.

6. Reporting Responsibilities

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

- 6.2 The Committee shall make a statement to shareholders in the annual report concerning its activities. The Committee shall explain to shareholders in the annual report how auditor objectivity and independence is safeguarded in the event that the auditor provides non-auditor services. The Committee shall include the review and approval of the statements to be included in the annual report concerning internal controls and risk management.
- 6.3 The Chairman of the Committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.

ATTACHMENT:- Engagement of External Auditor to Supply Non-Audit Services

Commencing 1 July each year the auditor maintains a record of all non audit fees supplied to the Group in that year which fall into category one below (pre approved work). If and when the cumulative total of these fees approach £250k or for Category 2 work, the auditor notifies the Audit Committee of each assignment using the agreed standard Request Form (as available from the Group Company Secretary).

1. Pre approved work

Provided that the cumulative annual total of work within this category has not exceeded £250k approval from the Audit Committee is not required.

- Assistance with the preparation of statutory accounts.
- Preparation and completion of the annual corporation tax returns, including advice in respect of corporation tax payments.
- Dealing with queries from HM Revenue & Customs in connection with the corporation tax returns.
- General tax advice and tax planning in connection with the commercial activities of the Group, including corporate tax, VAT or employee taxation.
- Provision of third party certificates such as benefit/revenue share, insurance and covenants.
- Ad-hoc accounting/technical advice including, for example, advice on the accounting implications of tax planning proposals.

2. Work requiring individual approval

Before the following types of assignment are undertaken, approval from the Audit Committee should be sought.

- Due diligence work on possible acquisitions.
- Assistance with reviewing IT systems.
- Specific Tax Solution assignments.

3. Work not to be undertaken by the external audit team

- IT system design consulting, where it would be important to the accounting systems.
- Valuations (excluding valuations for tax purposes only).
- Certain internal audit services.
- Litigation support services.
- Recruitment services.

The Go-Ahead Group plc
Request for Audit Committee Approval of Non Audit Assignment Work
To be submitted to: Andrew Allner, Chairman of the Audit Committee by email

Name of Go-Ahead sponsor of assignment	
E-mail address	
Telephone number	

Name of Ernst & Young deliverer	
E-mail address	
Telephone number	

Description of work, including approximate start and completion date

Estimate of fee	
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Submitted by	
Date	

Conclusion of the Audit Committee

Any additional Audit Committee Comments

Date	
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