

Audit Committee report

The Audit Committee advises and makes recommendations to the Board on matters including financial reporting, internal controls, risk management, and the appointment of auditors. The role of the Committee is set out in its written terms of reference.

The Committee, which met five times during the year to review the interim reports etc, comprises two independent Non-executive Directors: Kristofer Arwin and Nigel Cooper. The Committee is chaired by Nigel Cooper, a senior finance professional who has extensive accounting and financial management expertise. Where appropriate, the Committee consulted with the Chairman of the Board, the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) regarding their proposals. The external auditors also attended all of the meetings.

Responsibilities include monitoring the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance. The Committee has reviewed the Group's financial statements and formal announcements relating to the Group's financial performance before their presentation to the Board. In doing so, it considered accounting policies, areas of judgement or estimation, and reporting requirements, as well as matters brought to its attention by the external auditors. Formal risk management reports were presented twice to the Board during the year by the Group Risk Officer and at all meetings of the Audit Committee during the year.

The Committee is also responsible for reviewing the Group's systems of internal control and risk management, and determines the scope of work undertaken by the CFO, the General Counsel and the Group Risk Officer. It receives reports from the CFO, with whom the results are discussed on a regular basis. The Group Risk Officer reports to the Audit Committee as required.

The Internal Audit function reports to the Audit Committee. The Audit Committee agrees the scope of work of Internal Audit in advance and receives reports on completed projects.

Management is then responsible for taking actions on conclusions and recommendations from Internal Audit.

The Committee remains satisfied that the controls in place, and the review process overseen by the CFO and the Group Risk Officer are effective in monitoring the established systems.

The Committee is responsible for making recommendations to the Board in relation to the appointment of external auditors. It is responsible for monitoring the independence and objectivity of the external auditors, and for agreeing the level of remuneration and the extent of non-audit services.

During the year, PwC Malta and PwC London, reported to the Committee on their audit strategy and the scope of audit work. The Committee has reviewed the performance of PwC and the level of non-audit fees paid to PwC during the year. The provision of non-audit services, except tax compliance and routine taxation advice, must be referred to the Committee where it is likely to exceed a pre-determined threshold of GBP 50,000. Any work that falls below that threshold must be pre-approved by the CFO. By monitoring and restricting both the nature and quantum of non-audit services provided by the external auditors, the Committee seeks to safeguard auditor objectivity and independence.

The Committee is also responsible for ensuring that an effective whistle-blowing procedure is in place.

The Board remains satisfied that the Group's systems of internal control and risk management, together with the work of the CFO, the General Counsel and the Risk Officer is effective in monitoring, controlling and reporting the Group's risks.