

Audit Board - Terms of Reference

Purpose and objectives of the body

The Audit Board is responsible for the oversight of the strategy, performance and operations of the Audit stream. The Board shall from time to time create policies to support this objective. The Board will promote a culture supportive of acting in the Public Interest and delivering Audit Quality.

The Audit Executive will be responsible for the execution of these policies and strategies together with actions necessary to ensure the sound financial performance of the Audit stream.

The Audit Board will ensure there is effective two-way communication in its work with PC, as the ultimate governing body for the firm. It will deliver regular updates to PC on the challenge and oversight being undertaken of the Audit stream.

Membership

There are five members of the Audit Board including the Chair.

The Board will comprise the Senior Partner (Chair), the Head of Audit, an Audit partner selected by the Head of Audit and two Independent Non Executives (INEs). The INEs will be selected by PC from the pool of INEs to ensure they have an appropriate skill set and that connectivity with all boards is maintained.

The Managing Partner will be invited to attend Audit Board meeting, both to report to the Board as required as well as for their own benefit and understanding of the work of the Audit Board.

The Audit Board will have the right to invite other partners or senior leaders to attend Audit Board where additional expertise and experience is needed or as appropriate to the agenda of a particular meeting.

The Senior Partner and the Head of Audit will remain members of Audit Board for the period they serve in these positions.

The Audit partner selected by the Head of Audit can request to step down by making a formal request to the Chair. The Chair will consider the basis of the request and, if granted, will ask the Head of Audit to appoint another Audit partner to this position.

Should there be a change to the INEs, a new INE with the appropriate skills will be selected to sit on the Audit Board.



Audit Board Secretary

The Audit Board Secretary will be provided by the Office of the Senior Partner and will support the Chair by helping Audit Board to run effectively. This includes ensuring effective arrangements for the presentation of high quality information with papers available at least a week in advance of the meetings, comprehensive minutes and a process to follow up on agreed actions.

Chairing the body

The Senior Partner will chair the Audit Board.

The tenure of the Chair will be for the period they serve as Senior Partner of the firm

Should the Senior Partner change there will be a direct handover from the outgoing Senior Partner to the incoming Senior Partner.

In alignment with the Emergency Cover protocol, an Audit Board member will be identified as Emergency Cover, "EC", for the Chair. The EC will step in should the Chair be away or indisposed.

Should the Chair require it, the EC will chair the meeting (including agreeing the agenda, papers and managing the Audit Board group)

With the support of the Audit Board Secretary, the Chair will have the following responsibilities:

- Convene meetings
- Set the agenda, in consultation with the Head of Audit and the other Board members
- Prepare and collate papers and ensure they are available at least a week in advance of the meetings
- Ensure full and factual minutes are prepared, approved and stored appropriately

Meetings

The Audit Board meets on at least a quarterly basis but may meet more frequently if required. A non-routine meeting can be called by the Chair or any member at any time.

The Audit Board has the right to meet in closed session, normally this will be at the start and/or end of each meeting.

There will be an opportunity to declare any actual or perceived conflicts of interest at the start of each meeting. Should any member or Audit Board believe there is a conflict of interest this must be declared and minuted. If it is agreed there is a conflict, the members must not be present in the meeting for that agenda item.

Quorum and attendance

The Audit Board will be quorate when three members are in attendance, each through any agreed media including remote participation.

The Audit Board will have the right to invite members of the LT, or members of the Audit Executive, or other partners or senior individuals to the meetings if appropriate and with the consent of the Chair

Any individual whether within or outside the firm can be invited to attend an Audit Board meeting as an attendee but not as a member

Minutes

The Audit Board Secretary will minute the proceedings and decisions of all the Audit Board meetings, including recording the names of those present and in attendance.

Draft minutes of the Audit Board meetings will be circulated first to the Chair and then to all other Audit Board members for review and comment.

Once approved by email, minutes will be shared with Partnership Council, the Managing Partner and the INEs unless it would be inappropriate to do so.

A summary of the meeting will be published to equity partners shortly after the meeting.

Decision making and responsibilities

The Audit Board shall reach decisions by a simple majority of voting on the matters in question. If the number of votes for and against a certain proposal are equal, the Chair has the casting vote. All decisions should be captured within the minutes of the meeting, to be subsequently approved by all members at the following meeting.

If it becomes necessary to escalate an issue or point of disagreement, this should be escalated to the PC.

The Audit Board have responsibility for approving the following:

- The Audit Strategy Plan
- The Annual Audit Budget
- The Audit Quality Plan
- An annual report on the Risk & Quality ratings of partners
- The Audit partner pipeline, including lateral hire partners
- Appointments to senior management positions within the Audit stream
 - Head of Stream
 - Head of London Audit Group
 - Audit Stream Executive members

The Audit Board have responsibility for considering the following:

- The financial results of the Audit stream
- External Regulatory Reports including thematic reports
- Internal Audit Quality Reports including thematic reports
- The Audit partner pipeline
- Profit Share allocations of audit partners

Additionally, the Board will receive the minutes of the meetings of the Audit Executive and may request reports and presentations from members of the Leadership Team, the Audit Executive and other Committees in order to conduct its role effectively.

In particular, the Audit Board will pay particular attention to the following areas:

- **Audit strategy**; receiving regular updates from management and, particularly, the Audit Executive regarding the strategy for the Audit stream (including key priorities and investment proposals) and applying appropriate challenge and oversight.
- **Management and executive oversight**; holding the management of the Audit stream to account in relation to decisions made and, where appropriate, acting as their sounding board.
- **Quality**; supporting the firm's commitment to serving the public interest by consistently performing quality engagements, by an in-depth review and focused challenge on key areas of audit risk and quality as identified by the internal quality teams or the regulator
- **Culture / high performing teams**; overseeing effective implementation of the firm's culture of quality / high performing teams initiative relating to the Audit stream.
- **Partner behaviours and processes**; overseeing processes affecting individual audit partners to ensure an effective and balanced application of these
- **People**; supporting the people proposition so far as it affects the Audit stream, paying particular regard to survey results to inform review and challenge and this area.
- **Finance**; overseeing effective budgeting within the Audit stream.

Accountability

The Audit Board is accountable to Partnership Council. Other stakeholders include Leadership Team, the wider partnership (both equity and salaried partners), employees within the Audit stream and the regulators of the firm.

Connectivity with other bodies

The key connectivity will be with Partnership Council to ensure that the Audit Board oversees matters relating to the Audit stream within the agreed scope of the strategy for the whole firm.

The Audit Board connects with the Audit Executive and the Leadership Team as the Head of Audit is a member of both bodies.

The Independent Non Executive members of Audit Board are members of the Public Interest Committee.

Assessing effectiveness of the body

The Audit Board will agree objectives annually that are specific and measurable and will regularly review its progress in meeting and delivering the objectives through an annual self-effectiveness review.



Schedule for reviewing Terms of Reference

The terms of reference will be reviewed as part of the effectiveness review on an annual basis. Any changes will be agreed with the Partnership Council.

Approved by Audit Board in January 2024