

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 led by the Audit Executive. 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 setting the strategy for the Audit stream and managing the execution of the stream's 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 Partnership Council (PC), as the ultimate governance 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 six members of the Audit Board including the Chair.

The Board will comprise the Senior Partner, the Head of Audit, a member of PC, an Audit stream partner and two Independent Non Executives (INEs). One of the INEs will fulfil the role of Chair.

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 PC member will be selected following nomination by the Senior Partner and approval by PC. The Audit stream partner will be selected from a shortlist compiled by the Senior Partner in conjunction with the Head of Audit and at least two PC members who are also Audit stream partners. The shortlisted individuals will then be invited to be interviewed by the two INE members of the Audit Board and the Senior Partner who, following the interview, will confirm the selected candidate.

The PC member of the Audit Board will remain a member of the Audit Board on a two-year rotation and be subject to a reselection process. The maximum number of terms any PC member can serve on the Audit Board is two terms of two years.

The Managing Partner will be invited to attend Audit Board meetings, 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 the 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 stream partner and the PC member can request to step down from the Audit Board by making a formal request to the Chair. The Chair will consider the basis of the request and, if granted, will commence a selection process to replace that individual as set out above. Otherwise, the individuals will remain members for at least 2 years, assuming they remain members of the Audit stream and PC respectively for this period.

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 the 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

An INE member will chair the Audit Board.

The tenure of the Chair will be for the period they serve as an INE on the Audit Board. Should the INE stand down from Audit Board there will be a direct handover from the outgoing INE to the INE assuming the role of Chair.

In the absence of the Chair, an alternative 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 use reasonable endeavours to make these 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 approximately six times a year 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 of the Audit Board believe there is a conflict of

interest this must be declared and minuted. If it is agreed there is a conflict, the conflicted member(s) must not be present in the meeting for that agenda item.

Quorum and attendance

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

The Audit Board will have the right to invite members of the Leadership Team, 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 Audit Board meetings, including recording the names of those present and in attendance.

Draft minutes of 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 PC, 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.

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
- Reward and partner remuneration;** overseeing processes relating to reward for the Audit stream as a whole and, particularly, partner remuneration to ensure a balanced and fair approach which takes into account matters of public interest.
- **Finance;** overseeing effective budgeting within the Audit stream.

Accountability

The Audit Board is accountable to PC. 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 PC 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 conduct an annual self-effectiveness review and consider any actions arising from this, the completion of which will then be monitored by the Office of the Senior Partner.



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 PC.

Approved by Audit Board in January 2025

Reviewed by Partnership Council in March 2025