



Grant Thornton UK LLP

Risk and Audit Committee (the 'Committee' or the 'RAC') Terms of Reference

Membership

The Committee shall be appointed by the Partnership Governance Board (PGB) and shall consist of at least five members. There shall be a minimum of three elected members, at least one independent non-executive.

The CEO and/ or COO, the Head of Quality and Client Service, and the Internal Audit Partner (or their designates) shall be present at each meeting unless agreed otherwise with the Chair of the Committee. The Head of Audit and the Ethics Partner should attend at least annually, or as required by the Committee.

The Chair of the Committee shall be appointed by the PGB. In the absence of the Chair of the Committee and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the relevant meeting.

The Secretary to the PGB (or their nominee) shall act as the Secretary of the Committee.

Meetings and attendance

The Committee shall meet at least four times per annum at appropriate times in the reporting and audit cycle and at such other times as it sees fit. The quorum for meetings of the Committee shall be two thirds of all voting members.

Only members of the Committee have the right to attend meetings. However, individuals such as other members of the Strategic Leadership Team (SLT), members of the Risk Team, the Chair of the Ethics Board, members of the Legal and Finance functions may be invited to attend all or part of any meeting as and when appropriate. The Committee is further authorised to seek any information it requires from any employee or partner in order to perform its duties and, to call any partner or employee of the firm to be questioned at a meeting of the Committee as and when required.

The firm's external auditors will be invited to attend meetings of the Committee as and when appropriate and necessary.

The Committee should have access to sufficient resources and be provided with information of sufficient depth and quality in advance of, during, and in between meetings to enable it to carry out its duties.

Meetings of the Committee shall be called by the Secretary of the Committee at the request of any of its members, the CEO (or their designate), or at the request of the external auditors if they consider it necessary. Notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be made available to each member of the Committee (in sufficient time to enable consideration of the issues). Supporting papers will be made available in electronic form to Committee members and to other attendees as appropriate.

Outside of the formal meeting programme, the Chair of the Committee and, to the extent considered necessary or appropriate, other members of the Committee, will engage with key individuals in relation to the firm's management of risk and governance.

Role and responsibilities

The role of the Committee is to act as an oversight over the firm's risk management and internal audit functions and to review the external audit process. As such, the Committee shall carry out the following duties:

Financial reporting

The Committee will review and challenge where necessary, the actions and judgments of management in relation to the annual financial statements before submission to the partners paying particular attention to:

- the consistency of, and any changes to, accounting policies on a year-on-year basis;
- the methods used to account for significant or unusual transactions where different approaches are possible;
- whether the firm has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the firm's external auditor. This will include a review of the significant estimates and judgements within the accounts as prepared by management;
- the clarity of disclosure in the firm's financial reports and the context in which statements are made;
- all material information presented with the financial statements, such as the CEO report and the Transparency Report (insofar as it relates to the activities of the Committee);
- the basis for the going-concern statement to be included in the annual report;
- the application of Schedule 2 adjustments to the profits to be distributed to partners.

Internal controls and risk management

The Committee will:

- review the SLT's internal control systems prior to endorsement by the PGB and review the policies and process for identifying and assessing business risk and the management of those risks by the partnership
- ensure management has adequately considered the key risks to the business and has developed appropriate alternative strategies including response to changes in macro-economic/political conditions and response to pressures in the labour market
- consider and discuss the latest reports from the Head of Audit and Head of UK Markets and Client Service (or equivalent) in respect of any matters relating to Quality and reputation (including Legal matters) and receive information on the follow up of actions arising from the report
- receive periodic updates from the Chair of the Ethics Board and/or the Ethics Partner on the performance of the Ethics function
- ensure management has robust processes in place for PI cover including:
 - adequacy of cover
 - cost
 - use of the captive insurance company
 - monitoring of claims
- on a quarterly basis, review minutes of meetings of the Information Security Management System (ISMS) management team, who are responsible for the cyber security of the firm. These will be provided by the COO (or equivalent), who will ensure questions or matters to follow up are brought back to the next ISMS meeting.

Internal audit (IA)

The primary reporting line of IA is to the Risk & Assurance Committee ('RAC') for accountability, direction, and independence purposes.

The Committee will:

- monitor and review the effectiveness of the firm's internal audit function in the context of the firm's overall risk management systems;
- consider and approve the remit of the internal audit function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Committee shall also ensure the function has adequate standing and is free from management or other restrictions;
- review and assess the annual internal audit plan;
- sign off on the scope of work of IA
- make the ultimate decision on the access of the IA function to areas of potential conflict, or in exceptional circumstances, to confidential papers
- make decisions on what top up work is required where there are confidential papers that they deem IA should not see
- receive regular reports from IA
- review the effectiveness of the internal audit function from time to time and conduct an independent review at least every five years;
- review reports addressed to the Committee from the head of internal audit on risk management and internal control matters;
- review and monitor management's responses to the findings and recommendations of the internal audit function;
- meet the head of internal audit at least once a year, without management being present, to discuss the internal audit function and any issues arising from the internal audits carried out. In addition, the head of internal audit shall be given the right of direct access to the Chair of the Committee: and review the Internal Audit Charter annually.

The Committee requires the SLT to:

- share risk assessments for the RAC's consideration
- provide commentary to the RAC on IA's proposed scope of work for their information and consideration
- review IA reports and provide management commentary for the RAC's consideration
- make recommendations for the RAC's ultimate decision regarding the access of the IA function to areas of potential conflict, or in exceptional circumstances, to confidential papers. The SLT will be assisted in this area by IA's responsibility to highlight potential areas of conflict in the Terms of Reference on every assignment.

External Audit

The Committee will:

- oversee the selection process for a new auditor ensuring that all tendering firms have access to all necessary information and individuals during the tender process. If an auditor resigns, the Committee will investigate the issues leading to this and decide whether any action is required;
- oversee the relationship with the external auditor including (but not limited to):

- to recommend the audit fee to the PGB and preapprove any fees in respect of non-audit services provided by the external auditor and to ensure that the provision of non-audit services does not impair the external auditors independence;
- assessing annually the auditor's independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditors as a whole, including the provision of any non-audit services;
- satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the firm's external auditor and the firm (other than in the ordinary course of business);
- assessing annually the qualifications, expertise, resources and independence of the auditor and the effectiveness of the audit process;
- meeting regularly with the auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. Members of the Committee will meet the auditor at least once a year, without management being present, to discuss the auditor's remit and any issues arising from the audit;
- reviewing and approving the annual audit plan, and ensuring that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team;
- reviewing the findings of the audit with the auditor. This shall include, but not be limited to, the following: a discussion of any major issues which arose during the audit; the auditor's explanation of how the risks to audit quality were addressed; any accounting and audit judgments; [SEP] levels of errors identified during the audit; the auditor's view of their interactions with senior management; and the effectiveness of the audit.

The Committee will also:

- review any representation letter(s) requested by the external auditor before they are signed by management;
- review the management letter and management's response to the external auditor's findings and recommendations.

Reporting

The secretary shall cause the minutes of the meetings to be available to the Committee, all members of the PGB and the wider partnership. Draft minutes of Committee meetings shall be made available promptly to all members of the Committee. Once approved, minutes will be provided to the PGB and the partners unless, in the opinion of the Chair of the Committee, it would not be appropriate to do so.

The Chair of the Committee shall report to the PGB on the Committee's proceedings after each meeting on all matters within its duties and responsibilities and will also formally report to the PGB on how it has discharged its responsibilities, including:

- the significant issues that it considered in relation to the financial statements and how these issues were addressed;
- its assessment of the effectiveness of the external audit process and its recommendation on the (re)appointment of the external auditor; and
- any other issues on which the PGB has requested the Committee's opinion, including identifying any matters in respect of which it considers action or improvement is needed and making recommendations as to the steps to be taken. If the Committee is not satisfied with any aspect of the proposed financial reporting by the firm, it will report its views to the PGB. The Committee shall produce a report on how it has discharged its responsibilities to be included as a separate section in the Transparency Report.

The Chair of the Committee will attend the annual partners' meeting to answer and questions that may arise.

Other matters

The Committee will:

- be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis, for all members
- give due consideration to laws and regulations, and the provisions of the Audit Firm Governance Code
- oversee any investigation of activities which are within its terms of reference; and
- arrange for annual reviews of its own performance to include the review its constitution and these terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the wider PGB for approval.

Last reviewed December 2021