

# Grant Thornton UK LLP ('GTUK LLP')

## **Audit Oversight Board (the 'AOB')**

### Terms of Reference

#### Purpose

The AOB has been established to oversee leadership accountability and stewardship of the Audit Practice.

##### Leadership

- To oversee the Audit Practice's leadership for the purpose of safeguarding audit quality and the overarching public interest which includes promoting a culture that supports its continued focus on high quality audit.

##### Accountability

- To oversee the Audit strategy and its development and alignment to the Statement of Principles by the Audit Leadership Team ('ALT').

##### Stewardship

- To examine and challenge the decisions of the ALT for the purpose of safeguarding audit quality in the public interest.
- To balance the interests of various key stakeholders, whilst guarding against undue influence, so that the Audit Practice has a successful, sustainable and resilient future.
- To oversee compliance with the provisions of the Audit Firm Governance Code (AFGC).

#### Membership

The AOB shall comprise:

- a minimum of five members (maximum nine)
- two "Quality Partners", who are Partners with a specialism in ensuring the quality of audit services
- other Co-opted Members

The chair of the AOB will be an Independent Non - Executive (INE) with two further INEs as non-voting members.

No partner with significant management responsibility in the Audit Practice shall be a member of the AOB.

The Quality Partners and Co-opted Members are collectively titled the "Partner Non-Executives".

INEs shall serve for a period of up to three years and be eligible for reappointment up to a maximum of nine years.

Other members shall serve for a period of up to three years and be eligible for reappointment up to a maximum of six years.

All members of the AOB are subject to an annual performance review.

## Meetings

### Quorum

The quorum necessary for the transaction of business shall be at least two Partner Non-Executives.

### Frequency of meetings

The AOB will meet at least quarterly and otherwise as required.

### Attendees

Only members of the AOB have the right to attend meetings. However, the CEO, Head of Audit and Chair of the Public Interest Committee (PIC) will be invited to attend each meeting unless otherwise agreed with the chair. The Ethics Partner will be invited to attend at least annually and members of the ALT, the SLT or other governance groups by invitation only. Other individuals, including the regulator and partners, may be invited as observers of the meetings.

### Decision making

Decisions of the AOB shall, unless otherwise required by GTUK LLP's Membership Agreement (MA), be taken by a simple majority of votes cast by the voting members of the AOB present at meetings. Each voting member shall have one vote.

The AOB may appoint subcommittees to deal with certain matters in accordance with the MA.

## Roles and Responsibilities

The AOB's roles and responsibilities are focused on satisfying itself that:

### 1. Strategic plan (including budget)

- Appropriate priority is given in the strategic plan to the delivery of high-quality audit in the public interest.
- Measures are in place to monitor and review progress of the Strategic Plan and changes to it.
- Alignment is maintained between the Strategic Plan and GTUK LLP's Statement of Principles.
- An annual review is conducted of budgets to confirm the Head of Audit has sufficient resources to deliver high-quality audits.

### 2. Relationship with the Head of Audit and CEO

- That the Audit Practice has a clear division of responsibilities between its governance structures and its management.
- No one individual or small group of individuals have unfettered powers of decision.
- GTUK LLP's management are acting in its best interests and the public interest by safeguarding audit quality.

### 3. Culture and values

- Leadership promotes an appropriate culture through the right tone from the top which supports the consistent performance of high-quality audits and promotes the Audit Practice's role in serving the public interest and its long-term sustainability.
- Policies and procedures are in place to foster and promote a culture of inclusion and encourage people to speak up.

**4. Quality, Risk and Resilience**

- The Audit Practice has a robust System of Quality Management in operation in accordance with ISQM1 (UK) and other relevant standards through the Quality Management Approach (QMA).
- Management has policies and procedures in place to identify, assess and manage risk, embed the internal control framework and determine that its risk appetite remains appropriate.
- Management routinely assesses the principal risks facing it, including those that would threaten its business model, future performance, solvency or liquidity.
- Management considers the activities of the Firm's business and that of global network member firms and their potential impact on the Audit Practice's resilience (and public interest in audit in the UK).

**5. Regulatory undertakings as applicable**

- The necessary oversight and support is given to assist the Audit Practice in meeting its responsibilities under the PIE Auditor Registration Regulations and any other undertakings made from time to time.

**6. Other powers, duties and responsibilities (including the Statement of Principles and external audit)**

- Determine GTUK LLP's Statement of Principles, based on proposals submitted by the Head of Audit (following consultation with the CEO), and periodically present them to the partners for approval.
- Meeting GTUK LLP's auditors to ascertain the results of the annual audit.

## Other matters

The AOB shall

- Be provided with appropriate and timely training at induction for new members and on an ongoing basis for existing members.
- Give due consideration to laws and regulations including the AFGC.
- Oversee any investigation of activities which are within its terms of reference.
- Review at least annually these terms of reference and its performance against these and consider any amendments to these terms of reference that it deems necessary.
- Be entitled, at the cost and expense of GTUK LLP, to take such legal advice as it thinks fit from its internal legal team and/or external legal advisers as set out in the MA.