

## **Audit and Risk Committee Terms of Reference**

### **Deloitte LLP Audit and Risk Committee**

#### **Terms of Reference**

##### **Constitution**

The Audit and Risk Committee (the Committee) is a sub-committee of the Board appointed in accordance with the Deloitte LLP (the firm) Partnership Agreement.

##### **Membership and attendance at meetings**

The Committee is appointed by the Board and made up of three or more partners as the Board may from time to time determine. The Board may also appoint Independent Non Executives to the Committee as it may from time to time determine, but in any event one Independent Non Executive shall be invited to attend each meeting of the Committee.

The Chairman of the Committee is appointed by the Board and the Board Secretary is the secretary of the Committee. A quorum shall be three members.

The Senior Partner and Chief Executive, other members of the firm's management and Board (including Independent Non-Executives), other relevant or expert person(s), representatives of the external auditors and the firm's Assurance Group and Quality & Risk Management functions may attend meetings at the invitation of the Chairman of the Committee.

At least one member of the Committee should have recent and relevant financial experience.

##### **Frequency of meetings**

Meetings are held not less than three times a year and more frequently as circumstances require. The external auditors, the Partner, Risk Advisory and the Managing Partner, Quality & Risk may request a meeting with the Committee or its Chairman if they consider that one is necessary. At least once a year, without the presence of members of the firm's management, the Committee meets respectively with the external auditors and with the Partner, Risk Advisory.

##### **Authority**

The Committee discharges its duties within its terms of reference and in carrying out its duties may:

- (a) seek any information that it requires from any employee or partner and all employees and partners are directed to co-operate with any request made by the Committee;
- (b) call on any employee or partner to be questioned at a meeting of the Committee as and when required; and
- (c) obtain outside legal or other independent professional advice at the firm's expense.

Whilst the Board retains overall responsibility for the oversight of risk management, it has delegated to the Committee the receipt of detailed reporting and certain related activities set out below. In addition the Committee will carry out any other activity as authorised by the Board from time to time.

##### **Duties**

The duties of the Committee shall be to:

###### *External audit*

- (a) consider the appointment, resignation or dismissal of the external auditor;
- (b) discuss with the external auditor the nature and scope of the audit (including any significant ventures, investments or operations which are not subject to audit);
- (c) review the independence and objectivity of the external auditor;

- (d) recommend the audit fee to the Board and pre-approve any fees in respect of non audit services provided by the external auditor and ensure that the provision of non audit services does not impair the external auditor's independence and objectivity;
- (e) review and consider the results and effectiveness of the external audit;
- (f) periodically review and assess the performance of the external auditor;
- (g) consider communications from the external auditor on audit planning and findings and on material weaknesses in accounting and internal control systems that came to the external auditor's attention;
- (h) discuss any difficulties, reservations or other matters arising from the external auditor's work (in the absence of management where necessary);
- (i) review, prior to its consideration by the Board, the external auditor's report to the partners and management's response;

*External reporting*

- (j) monitor the integrity of the financial statements of the firm and any formal statements or announcements relating to its governance and financial performance;
- (k) review and discuss with management and external auditor the annual financial statements before submission to the Board, focusing particularly on:
  - (i) the quality, acceptability and consistency of the accounting policies, the accounting reporting disclosures and any changes thereto;
  - (ii) methods used to account for significant or unusual transactions where different approaches are possible;
  - (iii) areas involving significant judgement, estimation or uncertainty;
  - (iv) material misstatements detected by the external auditor that individually or in aggregate have not been corrected and management's explanations as to why they have not been adjusted;
  - (v) the basis for the going-concern assumption;
  - (vi) compliance with financial reporting standards and relevant financial and governance reporting requirements;
  - (vii) clarity of disclosures in the financial reports and the context in which statements are made;
  - (viii) regulation and compliance matters; and
  - (ix) all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to audit and risk management);

*Risk management and internal control*

- (l) receive regular reports from the firm's Quality and Risk leaders covering service quality and risk management, regulatory compliance, business resilience, contentious matters and risk financing and other ad hoc reports covering such other matters relating to risk management and internal control as the Board may request from time to time.;
- (m) review:
  - (i) the framework, policies and overall process conducted by the firm's management for identifying and assessing Enterprise Risks and managing their impact on the firm,
  - (ii) the firm's Assurance Framework and its linkage to the Enterprise Risk Framework and the Assurance Group's planning;
  - (iii) the firm's risk management policy;
  - (iv) regular assurance reports from management, the Firm's Assurance Group, the external auditor and others, on matters related to risk management and internal control; and
  - (v) the timeliness of and reports on, the effectiveness of corrective action taken;
- (n) consider the major findings of any relevant internal investigations into control weaknesses, fraud or misconduct and management's response (in the absence of management where necessary);

- (o) review any disclosure in the annual report, transparency report, impact report or elsewhere about processes applied by the Board in relation to risk management, internal control and corporate governance (including compliance with the Audit Firm Governance Code);

#### *Assurance function*

- (p) monitor and review the effectiveness of the Assurance Group:
- (i) consider the appointment, resignation or dismissal of the Partner, Risk Advisory;
  - (ii) review and discuss with the Partner, Risk Advisory, the scope of work of the Assurance Group, its plans, the issues identified as a result of its work and how management is addressing these issues;
  - (iii) ensure that the Assurance Group is adequately resourced, and has appropriate authority and access to information to enable it to perform its function effectively and in accordance with the relevant professional standards;
  - (iv) ensure the Assurance function has adequate standing within the firm and is free from management or other restrictions;
  - (v) review co-ordination between the Assurance Group and the external auditor and (where relevant) the firm's National QRM Group; and
  - (vi) periodically review the charter of the Assurance Group;

#### *Whistle-blowing and fraud*

- (q) review arrangements by which staff of the firm may, in confidence and without fear, raise concerns about possible improprieties in matters of financial reporting or other matters (such as commitment to quality work, professional judgement and values). Also, ensure arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action;
- (r) consider other topics, as defined by the Board, such as the firm's policies for preventing or detecting fraud, its code of corporate conduct/business ethics and its policies for ensuring the firm's compliance with relevant regulatory and legal requirements;

#### *Other matters*

- (s) review the disclosure about the role and work of the Committee included in the annual report or elsewhere;
- (t) review other disclosures or documents as determined by the Board;
- (u) consider other matters related to the firm's governance including matters such as "living will" recovery and resolution plans, succession plans, systematic risk and any concerns from investors; and
- (v) periodically review and update its own terms of reference requesting Board approval for all proposed changes and at appropriate intervals, evaluate its own performance against its terms of reference and best practice.

### **Reporting responsibilities**

The Chairman reports formally to the Board on the Committee's proceedings after each meeting on all matters within its duties and responsibilities.

Where requested by the Chairman or the Board, or required by regulation, relevant Quality & Risk Management leaders will join the Chairman to present reports directly to the Board.

The Committee makes whatever recommendation to the Board it deems appropriate on any area within its remit where action or improvement is needed.

The firm:

- discloses on its website information on the Committee's membership and terms of reference which deal clearly with its authority and duties, including its duties in relation to the appointment and independence of the firm's auditors; and
- annually publishes a description of the work of the Committee in discharging its duties.

Minutes of meetings of the Committee will be circulated to all members of the Board.