1 Duties of the Audit and Risk Committee

The Audit and Risk Committee shall review in depth the annual financial statements of the LLP, monitor the integrity of the LLP business’ financial reporting system and internal controls, review the statutory accounts and consider accounting issues arising in respect of the LLP’s affairs and recommend them to the Board for approval. The Audit and Risk Committee shall meet at least once a year with the LLP’s auditors and recommend to the Board the appointment, removal and remuneration of the statutory auditors. In addition the Audit and Risk Committee will be responsible for overseeing the internal audit function and in particular consideration of the enterprise risk within the LLP and overseeing the professional and other operational business risk issues affecting the LLP and management of those risks (including ethics and independence) to ensure that they remain robust, appropriate and effective and assessing the effectiveness of the various risk, independence and quality compliance programmes operating within the LLP.

2 Composition and membership of the Audit and Risk Committee

2.1 The Audit and Risk Committee shall comprise at least three of either (i) non-executive Board members and/or (ii) Vice Chairs (one of which will have relevant audit financial experience).

2.2 The members of the Audit and Risk Committee shall be appointed by the Board. Additional individuals shall be invited to attend any Audit and Risk Committee meeting as required by the Audit and Risk Committee Chair (including but not limited to, the chief financial officer, head of quality and risk and head of functional departments).

2.3 The members of the Audit and Risk Committee shall be appointed for a three year term, as shall be determined by the Board, with the option for this to be renewed for an additional two year period (or as otherwise determined by the Board).

2.4 The members of the Audit and Risk Committee may be removed at any time by the Board.

2.5 The Audit and Risk Committee will meet a minimum of four times a year (in person) and at other times in the year as considered appropriate by the Audit and Risk Committee Chair. Meetings will always be held prior to the announcement of any financial or performance results of the LLP.

2.6 The Audit and Risk Committee will normally meet together with the Public Interest Committee, given the commonality of interests. In such meetings the Audit and Risk Committee will form their own separate conclusions on matters raised and may adjourn for private deliberations if thought necessary.

3 Chair of Audit and Risk Committee

The chair at meetings of the Audit and Risk Committee (the ‘Audit and Risk Committee Chair’) shall be a non-executive member of the Board who will be appointed by the Chair and ratified by the Board.
4 Quorum

4.1 The quorum for any meeting of the Audit and Risk Committee shall be two thirds of the members of the Audit and Risk Committee.

4.2 The members of the Audit and Risk Committee may participate in a meeting of the Audit and Risk Committee from separate locations by means of conference telephone or other communication equipment which allows those participating to hear each other, and shall be entitled to vote or be counted in the quorum accordingly.

5 Audit and Risk Committee procedures

Except as otherwise stated in these Provisions, the Audit and Risk Committee shall determine its own procedures.

6 Audit and Risk Committee Resolutions

6.1 The Audit and Risk Committee shall reach decisions by a simple majority of those voting on the issue in question. If the numbers of votes for and against a certain proposal are equal, the Audit and Risk Committee Chair shall have a casting vote.

6.2 Any resolution evidenced in writing or by electronic or voice recognition means, by such member or members of the Audit and Risk Committee as would have been necessary to pass such resolution had all members of the Audit and Risk Committee been present at a meeting to consider such resolution, shall be valid and effective as if it had been passed at a meeting of the Audit and Risk Committee duly convened and held, provided that notice and details of the proposed resolution have been given in advance to each member of the Audit and Risk Committee.

7 Matters dealt with by the Audit and Risk Committee

7.1 The Audit and Risk Committee is responsible for the following matters, or as delegated by the Board:

7.1.1 Financial reporting

(i) Review and challenge the actions and judgements in relation to the quarterly, interim and full financial statements before submission to the Board, paying particular attention to:

(a) Accounting policies, systems, controls and practices;

(b) Areas involving significant judgement, estimation or uncertainty and the provisions in the financial statements;

(c) Methods used to account for significant or unusual transactions;

(d) Compliance with accounting standards;

(e) Significant adjustments resulting from the audit;

(f) Compliance with legal and regulatory and financial reporting requirements; and

(g) Consider whether the controls established to prevent fraud and illegal acts are adequate and to ensure all major cases of fraud/illegal acts are reported to Audit and Risk Committee Chair.

7.1.2 Statutory Audit

(i) Recommend to the Board for the appointment, reappointment, removal and remuneration of the statutory auditors;

(ii) Oversee and at least annually review the relationship with statutory auditors;
(iii) Discusses problems and reservations arising from the interim and the final audits and any matters the statutory auditor may wish to discuss;

(iv) Discusses the nature and scope of the audit and ensures cooperation with Internal Audit; and

(v) Review any findings and recommendation of the Statutory Auditors and monitor progress in implementing recommendations.

7.1.3 Risk management

(i) Act as a sounding board for the head of quality and risk management on any professional risk matters, reviewing any significant risk management judgement calls made by him/her and receive from him/her periodic reports on the risk management activities of the firm including the below:

(a) Review of the LLP’s key policies and processes for identifying and assessing business risks (including quality and ethics and independence), the management of these risks and an assessment of their robustness, appropriateness and effectiveness;

(b) Review the annual professional risk management business plan;

(c) Review the outcome of the various quality, risk and independence compliance programmes operating across the firm and any proposed remedial actions;

(d) Any significant risk management judgement calls made within the firm;

(e) Review the status of, and significant findings from, any regulatory inspections or regulatory violations that have occurred in the period;

(f) An assessment of the adequacy of the levels of professional indemnity insurance and other insurance cover maintained for the LLP (including through both Park and QSM);

(g) An annual report from the firm’s money laundering officer on any financial crime;

(h) The position on any significant claims and circumstances and how the associated ‘lessons learned’ have been fed back into the firm;

(i) A summary of matters reported to the firm’s whistle-blowing hotlines and conduct of investigations into any significant matters reported to the hotline;

(j) The firm’s commercial risk appetite;

(k) Internal audit reports related to professional risk management;

(l) Financial position and risk;

(m) Oversight of the culture of quality and integrity within the Board and monitoring the ‘tone at the top’ set across the LLP by the Chair and the Executive Committee; and

(n) Review the content of, and the adherence to, the LLP’s code of conduct.

7.1.4 Internal audit

(i) Oversee the effectiveness of the LLP’s internal audit function, including the appointment of the partner in charge of the function and the adequacy of resources available;

(ii) Review and approve the annual work programme of the internal audit work plan including in particular with respect to enterprise risk;

(iii) Review and consider any reports issued by internal audit;

(iv) Ensure the internal auditor has direct access to the Audit and Risk Committee Chair and is accountable to the Audit and Risk Committee; and
(v) Consider the major recommendations of the internal audit investigations, management responses and any recommendations for improvement made by the statutory auditors.

Changes to the Audit and Risk Committee’s duties are subject to approval by the Board.

8 Notice of meetings

The Audit and Risk Committee meeting agenda and papers should be circulated at least one week prior to the Audit and Risk Committee meeting.

9 Documentation, communication and reporting

9.1 Minutes of the Audit and Risk Committee to be kept and filed by the Audit and Risk Committee Secretary and held at the LLP’s registered office.

9.2 The Audit and Risk Committee reports to the Board, and to the Members at the annual partners’ meeting in relation to statutory matters.

9.3 Where appropriate the report of the Audit and Risk Committee may be made in conjunction with the report of the Public Interest Committee.

Approved: 5 February 2015