

Audit Committee - Terms of Reference

Purpose and objectives of the body

Overview

The scope of the BDO LLP Audit Committee is to be responsible for independent oversight over the firm's financial reporting, interact with the external auditors and oversee the firm's approach to internal audit.

The Audit Committee is appointed by the Partnership Council to assist the Partnership Council in discharging its responsibilities. The Audit Committee will oversee the financial reporting process to ensure the balance, transparency and integrity of published financial information in relation to the LLP. The Audit Committee will also oversee: the approach to the partnership's internal financial controls; the independent external audit process including recommending the appointment and assessing the performance of the external auditors; and the partnership's process for monitoring compliance with laws and regulations affecting financial reporting.

In performing its duties, the committee will endeavour to maintain effective working relationships with the Partnership Council, the Business Interest Oversight Board, the external auditors, the Quality and Risk Management committee, internal audit and the Leadership Team.

Chairing the body

The Senior Partner will nominate the Chair of the Audit Committee who will then be proposed for approval by the Partnership Council. The Audit Committee Chair will nominate the Audit Committee members who will then be proposed for approval by the Partnership Council.

The Chair will remain in place for the duration of their term on Partnership Council.

The Chair will be responsible for effective planning of the agenda and effective management of the meetings, ensuring all discussions are in line with the agenda and set priorities.

Membership

The Audit Committee will comprise at least three members of the Partnership Council, the firm's Senior Partner and one of the firm's Independent Non-Executives. No member of the Leadership Team can be a member of the Audit Committee.

Each member should have skills and experience appropriate to the Partnership's business.

The Secretary of the Audit Committee will be nominated by the Chair.

The tenure of each member will be for the duration of their term on Partnership Council. The tenure for the INE will be the duration of their term.

Meetings

A quorum of any meeting will be three members.

Members should be asked to declare any conflicts with the agenda items at the start of each meeting.

Only Committee members are entitled to attend meetings. The Audit Committee may invite such other persons (eg the Managing Partner, Finance Partner, external audit engagement partner, internal audit, Quality and Risk Management Committee members) to attend its meetings, as it deems appropriate.

The Audit Committee will meet the external and internal auditors in private at least once a year to discuss any relevant matters.

The external and internal auditors should be invited to make presentations to the Audit Committee, as appropriate.

Meetings shall be held not less than three times a year and should correspond with the Partnership's reporting cycle.

Special meetings may be convened as required. The Secretary will convene a meeting on receipt of a request by the external or internal auditors or any member of the Audit Committee.

The Secretary shall circulate the agenda and supporting documentation to the Audit Committee members a reasonable period in advance of each meeting.

After the minutes of each meeting of the Audit Committee are approved by the Audit Committee members and attendees, the Secretary of the Committee shall circulate the minutes of the meetings to members of the Partnership Council, the Business Interest Oversight Board and the Audit Committee (and the external auditor, where appropriate). Once approved the minutes will be made available to the Equity Partner group.

Decision making and responsibilities

Designated powers

The Partnership Council authorises the Audit Committee, within the scope of its responsibilities, to:

- Perform activities within the scope of its terms of reference.
- Engage independent counsel and such other advisers as it deems necessary to carry out its duties.
- Ensure the attendance of partners and management at meetings as appropriate.
- Have unrestricted access to partners, management, staff and relevant information.
- Recommend appointments and retention or replacement of external auditor.
- Review and monitor the independence and objectivity of the external auditor
- Perform the activities set out below under the headings of internal control, financial reporting, compliance with laws and regulations, external audit and reporting.

Internal control

Review the effectiveness of the firm's internal control framework including:

- Review the process adopted by the Leadership Team for risk identification and management - as part of this review the Audit Committee Chair will request a member of the Quality and Risk Management Committee to be invited to present to the Audit Committee at least once a year.
- Monitor and review the effectiveness of the internal audit function and any co- or out-sourced model.
- Consider with management the appointment of the Head of Internal Audit.
- Seek such assurance as is considered appropriate that the internal audit function is independent, adequately resourced and has appropriate standing within the firm.
- Review, challenge and approve the internal audit plan and budget annually with consideration for the firm's risk profile.
- Review the results of the Internal Audit reviews performed.
- Consider management's response to any recommendations made by Internal Audit.

Financial reporting

- Review significant accounting and reporting issues, including recent professional and regulatory pronouncements and understand their impact on financial reports.
- Meet with management and external auditors to review the financial statements, the key accounting policies and judgements and the results of the audit
- Review, and challenge where necessary, the actions and judgements of management in relation to the annual financial statements.
- Ensure that key accounting policies, significant adjustments, unadjusted differences and disagreements with management are discussed with the external auditor.
- Review other sections of the annual report before its release and consider whether the information is appropriate
- Review and comment on whether the financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary to assess the firm's performance.
- Review the press release in relation to the financial results and consider whether the contents are appropriate and consistent with the financial statements.
- Review the reconciliation of statutory profit to profit available for distribution.
- Review of the annual financial statements for the firm and recommends their approval to the Partnership Council, prior to their signature by the Designated Members.
- Giving authorisation to the Senior Partner for circulation of the annual financial statements to the Equity Partners.



Compliance with laws and regulations

- Be satisfied that all regulatory compliance matters, related to the Partnership have been considered in the preparation of the financial statements
- Review the firm's Annual Transparency Report prior to release.

External audit

- Assess annually the qualification, expertise and resources, and independence of the external auditor, taking account of relevant Ethical Standards and ensuring that key partners are rotated at appropriate intervals.
- Assess annually the effectiveness of the audit process.
- Review with the Finance Partner the audit fee and audit engagement letter and to ensure the external auditor is independent.
- Discuss with the external auditor, before the audit commences, the nature and scope of the audit and to review the auditor's quality control procedures and steps taken by the auditor to respond to changes in regulation and other auditing standards and guidelines.
- Review the external auditor's management letter and management's response.
- Review the letter of representation prior to management sign off.
- Review policies for the provision of non-audit services by the external auditor
- Make appropriate recommendations, if considered necessary, to the designated members regarding the continuation of the external auditor, to oversee the selection process for new auditors and, if an auditor resigns, to investigate the issues leading to this and decide whether any action is required.

Reporting responsibilities

The Audit Committee will:

- Regularly update the Business Interest Oversight Board about the Committee's activities.
- Ensure the Business Interest Oversight Board and the Partnership Council are advised of matters of which the Audit Committee becomes aware that may significantly impact on the financial condition or affairs of the business.
- Prepare any reports required of it by law or requested by the Business Interest Oversight Board or the Partnership Council.

Assessing effectiveness of the Chair and the body

The Audit Committee will evaluate its effectiveness on an annual basis. The Partnership Council will also evaluate the Audit Committee's performance, both of its individual members and collectively, on an annual basis

Schedule for reviewing Terms of Reference

The Audit Committee will review the Audit Committee terms of reference annually and discuss any required changes with the Partnership Council and ensure the terms of reference are approved by the Business Interest Oversight Board and the Partnership Council and made available to Equity Partners.