

# Terms of reference – Audit and Risk Committee

## 1. Role

The overarching role of the Audit and Risk Committee (“ARC”) is to oversee PKF Littlejohn’s (“the Firm”) system of internal control and risk management and review the independence and effectiveness of the external auditors.

## 2. Composition

ARC members, including the Chairman of the ARC, are appointed (and may be removed) by the Board based on the respective experience and knowledge of risk management, finance, audit and governance matters of those individuals. There will be a minimum of three members of the ARC with at least one Independent Non-Executive Director (INED) appointed.

Appointments will be for a period of up to three years at the end of any period reappointment is for a further period of up to three years is permitted. The Board may terminate the membership of an individual with immediate effect as may a member terminate their own membership.

## 3. Authority

Members of the ARC are authorised by the Board to obtain any required information from Partners and staff to perform its duties within these Terms of Reference. The Board may also delegate authority to the ARC to provide oversight of specified strategic, cultural or transformational projects as requested by the Leadership Team.

The ARC may raise any matters of concern with the Board.

The ARC may invite key individuals, such as the Managing Partner, Chief Financial Officer, Chair of the Professional Standards Committee or members of the Leadership Team, to attend all or part of any meeting as and when required.

If required the ARC may, subject to approval from the board, delegate matters to a panel comprising a minimum of two members plus any additional individuals with relevant expertise, as deemed appropriate, and subject to appropriate Terms of Reference including reporting to the ARC.

All partners and staff shall be given complete unfettered access to discuss any matters they consider appropriate with any member of the ARC.

## 4. Meetings

All members of the ARC are entitled to attend all ARC meetings. At least two members of the ARC are required to attend either in person or by phone or video call to make a meeting quorate.

A minimum of two-week’s notice is required for all formal ARC meetings. Informal meetings may be held with less notice to approve resolutions where necessary provided no member objects to receiving less than two-week’s notice.

In the absence of the Chairman of the ARC at a meeting the remaining members shall elect one of themselves as Chairman.

The ARC will meet at appropriate times in the risk management, financial reporting and audit cycle. There will be a minimum of four ARC Meetings per year.

The ARC shall appoint a member of the ARC or another individual to act as Secretary at each meeting, who will record the proceedings and decisions made and these minutes shall be circulated to ARC members (and other attendees as the ARC consider appropriate) and approved at the next ARC meeting.

Any necessary resolutions of the ARC shall be by simple majority of those voting, with the Chair of the meeting having a casting vote in the event of no simple majority. Voting on a resolution outside of a formal meeting is permitted provided that notice of the resolution was provided to all members in advance of the required date for the resolution and voting on such resolution may be evidenced in writing or electronically including email, text or voice recognition.

Where considered appropriate by the ARC their meeting may operate in conjunction with a board meeting.

The Firm's external auditors will be invited to attend the meetings of the Audit Committee as and when deemed necessary.

## **5. Duties**

The ARC's duties are set out as follows:

### **External Audit**

- overseeing the selection process and making recommendations to the Board about the appointment, re-appointment and removal of the Firm's external auditors;
- approving the remuneration and terms of engagement of the external auditors including any applicable non-audit services provided by the external auditors;
- reviewing and monitoring the independence and objectivity of the Firm's external auditors;
- reviewing the effectiveness of the external audit process and provision of non-audit services, taking into consideration relevant UK professional and regulatory requirements;
- monitoring the integrity of the Firm's statutory financial statements and reviewing the significant financial reporting judgements contained within those financial statements;
- providing advice to the Board on whether the annual report and financial statements, as a whole, are fair, balanced and understandable and provide the required information for Partners to assess the position and performance the Firm;

### **Risk Management**

- monitoring and reviewing the effectiveness of the Firm's systems of internal control and risk management, including the following:
- reviewing and monitoring the selection of risk appetite and tolerances for the different business areas of the Firm and monitoring of compliance with them;
- consideration of the risk policy and its consistency with the strategy of the Firm;
- oversight of the process for monitoring the firm's processes and procedures for identifying, monitoring and reporting risks and deficiencies including identification and monitoring of emerging risks;
- oversight of the effectiveness of the controls and reporting in place to manage the identified risks;

- oversight of the alignment of the firm's growth strategy, culture and risk attitude with sound risk management;
- oversight of the firm's addressing of key risk issues within the firm and any wider network to which it belongs, including any internal or external investigations of risk management failures;
- if requested by the Board or Leadership team provide feedback on any relevant risk management matter, provided the ARC consider it appropriate;

### **Reporting by ARC**

- reporting to the board on any matters the ARC considers relevant following each ARC meeting;
- formally reporting to the Board at least annually on how it has discharged its responsibilities (the Board may make this report available to the Partners provided it has notified this to the ARC in advance); and
- providing to the Board an annual report to be published on the firm's website or elsewhere as appropriate describing the work of the ARC and how it has discharged its duties.