

Audit and Risk Committee Roles and Responsibilities

1 Purpose

The LLP has established the Audit and Risk Committee ('ARC') to support it, in overseeing the financial reporting and external audit for the LLP and ensuring the adequacy of risk management, internal control and governance arrangements for the LLP.

2 Function

The ARC has two functions

Financial reporting and audit

- (a) Assist the LLP in its oversight of the entity and management's responsibilities regarding its financial reporting, financial statements, reporting systems and internal controls;
- (b) Oversee and monitor, on behalf of the LLP the effectiveness and objectivity of the external auditors of the entity.

Internal control and risk management

- (c) Provide input, oversight and challenge to the National Executive Team over the LLP's internal control and risk management processes, its assessment of enterprise risks and determination of risk appetite as part of the overall setting of strategy for the LLP;
- (d) Provide input, oversight and challenge to the National Executive Team of the LLP's risk management framework, monitoring its effectiveness through functional implementation in the 'second line of defence' and its performance to protect against and mitigate risks in the 'first line of defence'.

3 Authority

- 3.1 The ARC is a Sub-Committee of the Supervisory Board from which it derives its authority and to which it regularly reports.
- 3.2 The ARC has delegated authority from the Supervisory Board in respect of the functions and powers set out in these ARC Role and Responsibilities Description.
- 3.3 The ARC has authority to investigate any matter within these ARC Role and Responsibilities Description and to obtain such information as it may require from any LLP Decision-Maker, partner, officer and/or employees of the LLP.

4 Responsibilities

Financial Reporting

- 4.1 The ARC shall monitor the integrity of the financial statements of the LLP, including relating to its financial performance, and review and report to the Supervisory Board on significant financial reporting issues and judgements which those statements contain having regard to matters communicated to it by the auditor. In particular, the ARC shall review and challenge where necessary:
 - (a) the application of significant accounting policies and any changes to them;

- (b) the methods used to account for significant or unusual transactions where different approaches are possible;
- (c) whether the LLP's management has adopted appropriate accounting policies and made appropriate estimates and judgements, taking into account the external auditor's views on the financial statements; and
- (d) all material information presented with the financial statements.

External Audit

4.2 The ARC is responsible for:

- (a) considering with the LLP's management for recommendation to the Supervisory Board, the appointment, re-appointment or removal of the external auditor and to oversee the selection process for a new auditor where required;
- (b) ensuring they are satisfied with the independence and objectivity of the external auditor;
- (c) annually challenging and assessing the performance, independence and objectivity of the external auditor, discussing issues they raise in the audit and monitoring the effectiveness of the audit process and reviewing their quality control procedures and steps taken to respond to regulatory, professional and other changes;
- (d) approving the terms of engagement in respect of the audit of the LLP's financial statements, developing and implementing policy on engaging the external auditor for non-audit services and approving in advance the fees for both audit and non-audit services;
- (e) approving the nature and scope of the audit of the LLP's financial statements with the external auditor before the audit commences and reviewing the findings of the audit, as well as management's response on completion;
- (f) reviewing management representation letters in relation to financial reporting requested by the external auditor prior to signature by the LLP;
- (g) resolving disagreements between management and the external auditor regarding financial reporting;
- (h) meeting regularly with the external auditor (including at least once a year without management being present), to discuss the auditor's remit and any issues arising from the audit;
- (i) reviewing all key audit matters raised by the external auditor and the proper resolution thereof;
- (j) confirming with the external auditors on the effectiveness of key financial reporting controls of the network;
- (k) recommending the draft 'audited' financial statements to the partners of the LLP for final approval prior to the meeting of the Partners.

Internal Control and Risk Management

4.3 The ARC is responsible for:

- (a) reviewing the LLP's risks and its risk management register, monitoring its effectiveness through functional implementation in the 'second line of defence' and its performance to protect against and mitigate risks in the 'first line of defence';
- (b) reviewing the robustness of the LLP's risk management approach and processes and their fitness for purpose when tested;
- (c) obtaining regular oversight and update from management, covering the LLP's key risks and its risk management register and providing challenge where appropriate;
- (d) reviewing the timeliness of and reports on, the effectiveness of corrective action taken;
- (e) considering any major findings of any relevant internal investigations into control weaknesses, fraud or misconduct and management's response (in the absence of management where necessary); and
- (f) providing input and recommendations to the National Executive Team and Partners on the LLP's risks and risk management register including appropriate mitigations and risk appetite.

5 Reporting

5.1 Minutes of each ARC meeting will be disclosed at the next meeting of the ARC.

5.2 At the Annual General Meeting and, if applicable, at other times as determined appropriate, the Chair of the ARC shall report to the Partners on matters within its duties and responsibilities.

5.3 The Chair of the ARC, or other member of the ARC, shall report to the Partners at the Annual General Meeting on matters relating to the external audit of the financial statements, risk & risk management register and any other matters considered relevant and appropriate.

5.4 The ARC shall work and liaise as necessary with other committees of the LLP.

6 Governance and Resources

6.1 The ARC shall, via the secretary to the ARC, make available to new members of the ARC a suitable induction process and, for existing members, ongoing training as discussed and agreed by the ARC.

6.2 The ARC shall conduct an annual self-assessment of its activities under this ARC Role and Responsibilities Description and report any conclusions and recommendations to the Supervisory Board and, as part of this assessment, shall consider whether or not it receives adequate and appropriate support in fulfilment of its role and whether or not its annual plan of work is manageable.

6.3 The ARC shall in its decision making, give due regard to any relevant legal or regulatory requirements, and associated best practice guidance, as well as to the risk and reputation implications of its decisions (liaising where relevant with other committees).

The ARC shall have access to sufficient resources in order to carry out its duties and have the power to engage independent counsel and other professional advisers and to invite them to attend meetings.

Last reviewed: June 2024