



Terms of reference for the  
Audit Oversight Board

**RSM UK Audit LLP**

## 1. OBJECTIVES

The Audit Oversight Board (AOB) shall be responsible for providing independent oversight of the firm's audit practice, satisfying itself that the firm is focused on the delivery of high-quality audits in the public interest and shall seek to oversee the firm's policies and processes for the resilience and sustainability of the audit practice and the firm as a whole.

## 2. FUNCTIONS

- 2.1. Provide oversight of the Audit Management Board (AMB), with focus on:
  - audit quality;
  - audit strategy;
  - policies and procedures for risk management and internal control, which the Independent Non-Executives (INEs) shall be involved in reviewing;
  - culture, values and behaviour;
  - policies and procedures relating to quality and compliance with regulations;
  - people policies;
  - external public-interest reporting; and
  - any other matters that may affect the public interest, including relevant matters relating to its global network.
- 2.2. Ensure that any material weaknesses identified with regard to quality are addressed, especially when it comes to any threats to the firm's independence as auditors.
- 2.3. Provide oversight of audit partner remuneration, in particular the processes for audit quality being given primary consideration and audit partners not being incentivised for selling additional services to audit clients.
- 2.4. Provide oversight over proposals for partner promotions to ensure they are consistent with the objective above.
- 2.5. Ensure the firm takes account of the public interest in decision making, particularly in audit.
- 2.6. Provide oversight of compliance with the firm's code of conduct.
- 2.7. Observe, challenge and influence decision-making in the firm.
- 2.8. Provide constructive challenge and specialist advice with a focus on the public interest.
- 2.9. Maintain and demonstrate objectivity and an independent mindset.
- 2.10. Collectively enhance public confidence by virtue of their independence, number, stature, diverse skillsets, backgrounds, experience and expertise; they should have a combination of relevant skills, knowledge and experience, including of audit and a regulated sector.
- 2.11. Owe a duty of care to the firm and command the respect of the firm's owners.
- 2.12. Report within the Transparency Report how they have worked to address: risks to audit quality; the public interest in firm's activities and how risks to the operational and financial resilience of the firm are articulated and addressed.

- 2.13. Have regular contact with the Ethics Partner who should have direct access to the AOB.
- 2.14. Engage, together with the firm's leadership, in dialogue with the regulator, external stakeholders and representatives of shareholders of public interest entities. To include engagement with investors and audit committees to understand the user experience of audit.
- 2.15. Engage with internal stakeholders, including meeting with the CEO and Chair of RSM UK Holdings Limited and being satisfied that principals and employees have a discreet avenue of recourse for dispute resolution or counsel.
- 2.16. Consider the broad reputation of the firm across all aspects of its business.

### **3. APPOINTMENTS AND MEMBERSHIP**

- 3.1. INEs will be proposed by the AMB, for appointment to the AOB, by members of RSM UK Audit LLP following a formal, rigorous and transparent procedure involving the RSM UK Group Nomination Committee and consultation in accordance with regulatory requirements.
- 3.2. The AMB may propose an audit partner who has no management responsibilities within RSM UK Audit LLP for membership of the AOB.
- 3.3. Successful nominees shall be appointed by ordinary resolution of the members of RSM UK Audit LLP.
- 3.4. One of the non-executive directors of the RSM UK group shall be an INE, to provide a link between the wider firm and the audit service line and to enable the AOB to have visibility/oversight of the wider firm, including its resilience.

- 3.5. At least one INE shall not hold any other non-executive role within the RSM UK group.
- 3.6. To be chaired by an INE that oversees public interest matters.
- 3.7. At all times, the AOB shall have a majority of INEs.
- 3.8. Members of the AOB shall be appointed for terms of 3 years. In the case of INEs, they may serve for a second term of 3 years but not beyond 6 years in total, either consecutively or in 2 separate periods of 3 years.

### **4. MEETINGS**

- 4.1. All meetings to be chaired by an INE.
- 4.2. The AOB shall meet at least quarterly.
- 4.3. Meetings of the AOB will be considered quorate when there is 100% attendance of the INE members of the AOB.
- 4.4. The AOB may invite members of the AMB or other individuals within the firm as it sees necessary in order to fulfil its functions above.
- 4.5. The Audit Operations Senior Manager shall be invited to attend meetings of the AOB and shall be responsible for convening meetings, preparing the agenda with the Chair and ensuring that all papers are circulated in advance and actions arising from the meetings are documented and shared as appropriate.
- 4.6. In the event of a matter requiring a vote, if there is no majority the Chair of the AOB will have an additional vote.

## 5. RIGHTS

- 5.1. Have rights consistent with meeting their responsibilities including a right of access to relevant information and people.
- 5.2. The firm shall make available to the AOB such administrative and other resource as they shall reasonably deem necessary to support it.
- 5.3. Have a right, exercised either individually or collectively, to report a fundamental disagreement between the INEs and the Audit Management Board to the firm's owners and resign where this cannot be resolved. The procedure for dealing with any fundamental disagreement is set out in the Annex hereto.
- 5.4. The firm shall ensure that appropriate indemnity insurance is in place in respect of legal action against any INEs in respect of their work in that role.
- 5.5. The firm shall provide each member of the AOB with sufficient resources to undertake their duties including having access to independent professional advice, at the firm's expense, where an INE judges such advice necessary to discharge their duties.

## 6. PERSONAL RESPONSIBILITIES OF INES

- 6.1. INEs must confirm their independence from the firm, its partners and its clients. To confirm that they are independent from entities audited by the firm, INEs must complete the firm's annual independence declarations and update the declaration as necessary if circumstances change.
- 6.2. INEs should comply with relevant requirements such as insider dealing legislation in relation to information that they might become aware of through their involvement with the firm.
- 6.3. INEs should be fully conversant with INE policy and best practice at the highest level eg attending meetings of the major audit firm INEs held by the audit regulator.
- 6.4. INEs should alert the audit regulator as soon as possible to their concerns in the following circumstances:
  - the INE believes the firm is acting contrary to the public interest; or
  - the INE believes the firm is endangering the objectives of the Audit Firm Governance Code; or
  - the INE initiates the procedure for fundamental disagreements.

The Audit Oversight Board will review i) the effectiveness of the AMB in achieving its objectives, and ii) the AMB terms of reference in consultation with the AMB, on an annual basis.



## ANNEX

Procedure for Dealing with Fundamental Disagreement between the INEs and the RSM UK Audit LLP Management Board or other person.

1. The INEs must first agree that there is a fundamental disagreement.
2. The INEs shall raise the fundamental disagreement with the person or entity with whom they fundamentally disagree.
3. The INEs and the person or entity with whom they disagree shall meet as soon as reasonably practical and in any event within 10 working days of a written request from the INEs and shall discuss the disagreement and seek to resolve it.
4. If the fundamental disagreement is not resolved as a result of such meeting, the INEs and the RSM UK Audit LLP Board shall, within five working days following such meeting, require the Head of Audit to convene a meeting of the said Board at which the Board shall try to resolve the fundamental disagreement, confirming the outcome of the meeting to the INEs.
5. The Head of Audit shall have the delegated authority of the Board to act in order to resolve the fundamental disagreement in accordance with the outcome of the meeting.
6. If the fundamental disagreement is still not resolved as a result of such meeting of the Board, the INEs may, within 15 working days following such meeting, propose to the Head of Audit in writing that the matter be referred to non-binding mediation and the mediator (if not appointed by agreement between the parties) shall be nominated by the Centre for Effective Dispute Resolution. The fees and expenses of the mediator shall be borne by RSM UK Audit LLP.
7. If the fundamental disagreement is not resolved as a result of such mediation, the INEs may, within five working days, report the same to the Members of RSM UK Audit LLP, together with such recommendations or advice as they reasonably consider appropriate.
8. In the event that the Head of Audit or CEO does not within 20 working days after the report referred to in paragraph 7 take action which is reasonably likely to resolve the fundamental disagreement, or the fundamental disagreement is not otherwise resolved within such period, the relevant INEs may resign in such form as the INEs reasonably consider appropriate. Once the INEs have agreed that there is a fundamental disagreement, RSM UK Audit LLP shall not remove any INEs pursuant to the agreement between them and RSM UK Audit LLP before the end of their term of office (save for gross misconduct or other grounds for summary dismissal); and where the term of office of an INE expires by the time (and the INE is not reappointed as such), the fundamental disagreement process shall nevertheless continue.

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Approved by the Audit Oversight Board of RSM UK Audit LLP July 2024

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