

Title	Johnston Carmichael LLP Audit and Risk Committee terms of reference
Owner	Audit and Risk Committee
Purpose	This document defines the terms of reference for the Firm's Audit and Risk Committee.
Affects	See roles and responsibilities

VERSION CONTROL

Version Number	Approval Date	Approved By	Amendment	Date Effective From
1	13 August 2025	ARC and Board	New terms of reference	13 August 2025
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Johnston Carmichael LLP Audit and Risk Committee (the 'Committee' or 'the ARC') Terms of Reference

Membership

The Committee shall be appointed by the Board and shall comprise:

- An independent non-executive (who shall act as Chair).
- The Head of Audit.
- The Head of Audit Quality, Risk and Technical.
- The Firm's General Counsel.
- The Firm's Chief Operating Officer.
- At least one Partner from a Business Line other than Audit.

The members of the Committee shall be subject to annual reappointment by the Board, other than the Chair who is appointed for a period of 3 years.

Meetings and attendance

The Committee shall meet at least four times per annum at appropriate times in the reporting and audit cycle and at such other times as it sees fit. The quorum for meetings of the Committee shall be 3 members, one of whom must be the Chair. In the event the Chair is incapacitated or otherwise unable to attend, an alternative independent non-executive will be co-opted to the Committee to act as interim Chair.

Only members of the Committee have the right to attend meetings. However, individuals such as the CEO, other members of the Operational Excellence Committee, and Business Line or Executive Function Heads may be invited to attend all or part of any meeting as and when appropriate. The Committee is further authorised to seek any information it requires from any employee or partner in order to perform its duties and, to call any partner or employee of the firm to be questioned at a meeting of the Committee as and when required.

The firm's external auditors will be invited to attend meetings of the Committee as and when appropriate and necessary.

The Committee should have access to sufficient resources and be provided with information of sufficient depth and quality in advance of, during, and in-between meetings to enable it to carry out its duties.

Meetings of the Committee may be requested of the Chair by any member of the Committee, the CEO (or their designate), or at the request of the external auditors. Notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed and appropriate supporting papers shall be made available to each member of the Committee in sufficient time to enable consideration of the issues. The agenda and supporting papers will be made available in electronic form to Committee members, and to other attendees as appropriate.

Outside of the formal meeting programme, the Chair of the Committee and, to the extent considered necessary or appropriate, other members of the Committee, may engage with key individuals, including the external auditors, in relation to the firm's management of risk and governance.

The Committee may convene an Ethics and Risk Consultation Panel on an ad-hoc basis to consider a specific ethical and/or risk issue at the request of the CEO, the Operational Excellence Committee, any Business Line Head, Executive Function Head, or the Ethics Partner (see 'Ethics and Risk Consultation Panel Terms of Reference')

Roles and responsibilities

The role of the Committee is to:

- Oversee the firm's process for preparation of the Annual Report & Accounts.
- Oversee the external audit process, including the independence, appointment and reappointment of the external auditors.
- Provide review of and challenge to the firm's risk management processes, internal controls and the firm's adherence to ethical standards and practices, thereby providing support to the Board with regards to their responsibilities for these matters.
- Oversee the firm's process for considering specific ethical, risk and public interest matters (see 'Ethics and Risk Consultation Panel Terms of Reference').

As such, the Committee shall carry out the following duties:

Financial reporting

The Committee will review and challenge where necessary, the actions and judgements of management in relation to the Annual Report & Accounts before submission to the partners paying particular attention to:

- The consistency of, and any changes to, accounting policies on a year-on-year basis.
- The methods used to account for significant or unusual transactions, where different approaches are possible.
- Whether the firm has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the firm's external auditor. This will include a review of the significant estimates and judgements within the accounts as prepared by management.
- The basis for the going-concern statement to be included in the annual report.
- The clarity of disclosure in the firm's Annual Report & Accounts and the context in which statements are made including whether, taken as a whole, the Annual Report is fair, balanced and understandable.

Internal controls

The Board has responsibility for the effectiveness of the firm's systems of internal and quality control. In supporting the Board in their responsibilities, the Committee will:

- Review and challenge the firm's internal control framework prior to endorsement by the Board.
- Review and challenge the evidence provided to support any statement by the Board with regards to the effectiveness of the firm's systems of internal control (to include financial, operational and compliance controls) prior to publication in the Transparency or any other Report.
- Consider and discuss reports from the Head of Audit (as Person with Ultimate Responsibility (PWUR)) and from the Person With Operational Responsibility (PWOR) for the System of Quality Management in respect of any matters relating to ISQM 1 compliance, including any reviews by external regulators (FRC and ICAS), and receive regular updates on the follow up of actions arising from the report.
- Consider and confirm the annual evaluation by the PWUR of the System of Quality Management.
- Review any 'management letter' received from the firm's external auditors, including agreed management actions and receive periodic updates on the implementation of those actions.
- Review annually the Whistleblowing Policy and related procedures for effectiveness and receive a periodic report on any Whistleblowing activity, including any actions taken and the status of any investigations.
- Receive a periodic report on any potential or actual fraud, including the status of any investigations which are ongoing or completed in the period.
- Receive periodic updates from the Ethics Partner on the performance of the Ethics function.
- On a periodic basis receive a report from the firm's Chief Information Officer on the cyber security risk of the firm and plans in place to mitigate the level of cyber risk.

Risk Management

The Board has responsibility for the firm's risk management framework, policies, identification, mitigation and appetite. This includes carrying out a robust assessment of the principal risks including those which would threaten the firm's business model, future performance, solvency or liquidity. The Committee has responsibility for reviewing and challenging the related risk processes, conclusions and reporting that the firm has in place. In this regard, the Committee will:

- Review the Firm's Risk Management Policy to consider the need for updates or amendments.
- Review and challenge the firm's risk register to ensure management has adequately considered the key risks to the business and has developed appropriate mitigating controls and actions.
- Review, challenge and endorse updates to the firm's risk register prior to presentation to and approval by the Board.
- Review and challenge the evidence provided to support any statement by the Board with regards to having carried out a robust assessment of the principal risks facing the firm prior to publication in the Transparency or any other Report.
- Receive reports from any regulatory/external reviews (eg FRC, ICAS) of the firm's risk management systems, together with the firm's response to any matters raised and updates on any agreed actions.
- Receive a report on the annual renewal of PI arrangements.
- Receive reports on other legal and/ or reputational matters which could result in a reputational or financial risk for the firm.
- Receive an annual report on the firm's own tax risks – including the firm's tax strategy, tax risk assessment, tax risk appetite, the status of any HMRC reviews and any significant tax planning initiatives.

External Audit

The Committee will:

- Recommend the appointment or reappointment of the external auditor.
- Oversee any selection process for a new external auditor ensuring that all tendering firms have access to all necessary information and individuals during the tender process.
- Investigate the issues leading to any external auditor resignation and decide whether any action is required.
- Approve the firm's policy with regards to non-audit services provided by the external auditor.
- Oversee the relationship with the external auditor including (but not limited to):
- recommending the audit fee to the Board;
 - preapproving any fees in respect of non-audit services provided by the external auditor, and ensuring that the provision of non-audit services does not impair the external auditor's independence;
 - assessing annually the external auditor's independence and objectivity, taking into account relevant professional and regulatory requirements and the relationship with the external auditor as a whole, including the provision of any non-audit services;
 - satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the firm's external auditor and the firm (other than in the ordinary course of business);
 - assessing annually the qualifications, expertise, resources and independence of the external auditor and the effectiveness of the audit process;

- meeting regularly with the external auditor, including once at the planning stage before the audit and at least once at the reporting stage;
- reviewing and approving the annual audit plan, and ensuring that it is consistent with the scope of the audit engagement; and
- reviewing the findings of the audit with the external auditor. This shall include, but not be limited to, the following: a discussion of any major issues which arose during the audit; the external auditor's explanation of how the risks to audit quality were addressed; any accounting and audit judgements; levels of errors identified during the audit; the external auditor's view of their interactions with senior management; and the effectiveness of the audit.

The Committee will also:

- Review and approve for signing the external auditor's letter of engagement.
- Review and approve for signing any representation letter(s) requested by the external auditor.
- Review the management letter and management's response to the external auditor's findings and recommendations.

Reporting

Draft minutes of Committee meetings shall be made available promptly to all members of the Committee. Once approved, minutes will be provided to the Board and the partners unless, in the opinion of the Chair of the Committee, it would not be appropriate to do so.

The Chair of the Committee shall report to the Board on the Committee's proceedings after each meeting on all matters within its duties and responsibilities and will also formally report to the Board on how it has discharged its responsibilities, including:

- the significant issues that it considered in relation to the financial statements and how these issues were addressed;
- its assessment of the effectiveness of the external audit process and its recommendation on the (re)appointment of the external auditor; and
- any other issues on which the Board has requested the Committee's opinion, including identifying any matters in respect of which it considers action or improvement is needed and making recommendations as to the steps to be taken. If the Committee is not satisfied with any aspect of the proposed financial reporting by the firm, it will report its views to the Board.

The Committee shall produce a report on how it has discharged its responsibilities to be included as a separate section in the Transparency Report.

The Chair of the Committee will attend the annual partners' meeting to answer any questions that may arise.

Other matters

The Committee will:

- Give due consideration to laws and regulations, and the provisions of the Audit Firm Governance Code as it pertains to those areas within the responsibilities of the Committee.

- Review the firm's annual Transparency Report prior to publication, ensuring it complies with the requirements of the Audit Firm Governance Code) including being fair, balanced and understandable) and is consistent with the knowledge and work of the Committee in the period be reported on.
- Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis, for all members.
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- Oversee any investigation of activities which are within its terms of reference.
- Arrange for annual reviews of its own performance to include a review of its constitution, these terms of reference and the effectiveness of its operation during the period.

Approved by ARC and the Board