

Audit Committee Terms of Reference and Work of the Committee

Deloitte LLP Audit Committee

Terms of Reference

Constitution

The Audit Committee (the Committee) is a sub-committee of the Board appointed in accordance with Clause 7.13 of the Deloitte LLP (the firm) Partnership Agreement.

Membership and attendance at meetings

The Committee is appointed by the Board and made up of three or more partners as the Board may from time to time determine. The Board may also appoint Independent Non Executives to the Committee as it may from time to time determine.

The Chairman of the Committee is appointed by the Board and the Board Secretary is the secretary of the Committee. A quorum shall be two members.

The Senior Partner and Chief Executive, other members of the firm's management, other relevant or expert person(s), representatives of the external auditors and the firm's Assurance Group may attend meetings at the invitation of the Chairman of the Committee.

At least one member of the Committee should have recent and relevant financial experience.

Frequency of meetings

Meetings are held not less than three times a year or more frequently as circumstances require. The external auditors and the Director of Assurance may request a meeting with the Committee or its Chairman if they consider that one is necessary. At least once a year, without the presence of members of the firm's management, the Committee meets respectively with the external auditors and with the Director of Assurance.

Authority

The Committee discharges its duties within its terms of reference and in carrying out its duties may:

- (a) seek any information that it requires from any employee or partner and all employees and partners are directed to co-operate with any request made by the Committee;
- (b) call on any employee or partner to be questioned at a meeting of the Committee as and when required; and
- (c) obtain outside legal or other independent professional advice at the firm's expense.

In addition the Committee will carry out any other activity as authorised by the Board from time to time.

Duties

The duties of the Committee shall be to:

External audit

- (a) consider the appointment, resignation or dismissal of the external auditor;
- (b) discuss with the external auditor the nature and scope of the audit (including any significant ventures, investments or operations which are not subject to audit);
- (c) review the independence and objectivity of the auditors;
- (d) recommend the audit fee to the Board and pre-approve any fees in respect of non audit services provided by the external auditor and ensure that the provision of non audit services does not impair the external auditor's independence and objectivity;

- (e) review and consider the results and effectiveness of the external audit;
- (f) periodically review and assess the performance of the external auditor;
- (g) consider communications from the external auditors on audit planning and findings and on material weaknesses in accounting and internal control systems that came to the auditors' attention;
- (h) discuss any difficulties, reservations or other matters arising from the external auditors' work (in the absence of management where necessary);
- (i) review, prior to its consideration by the Board, the external auditors' report to the partners and management's response;

External reporting

- (j) monitor the integrity of the financial statements of the firm and any formal statements or announcements relating to its governance and financial performance;
- (k) review and discuss with management and external auditors the annual financial statements before submission to the Board, focusing particularly on:
 - (i) the quality, acceptability and consistency of the accounting policies, the accounting reporting disclosures and any changes thereto;
 - (ii) methods used to account for significant or unusual transactions where different approaches are possible;
 - (iii) areas involving significant judgement, estimation or uncertainty;
 - (iv) material misstatements detected by the external auditors that individually or in aggregate have not been corrected and management's explanations as to why they have not been adjusted;
 - (v) the basis for the going-concern assumption;
 - (vi) compliance with financial reporting standards and relevant financial and governance reporting requirements;
 - (vii) clarity of disclosures in the financial reports and the context in which statements are made;
 - (viii) regulation and compliance matters; and
 - (ix) all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to audit and risk management);

Internal controls

- (l) where requested by the Board, review:
 - (i) the policies and overall process for identifying and assessing business risks and managing their impact on the firm,
 - (ii) regular assurance reports from management, the Firm's Assurance Group, external audit and others, on matters related to risk and control; and
 - (iii) the timeliness of and reports on, the effectiveness of corrective action taken;
- (m) consider the major findings of any relevant internal investigations into control weaknesses, fraud or misconduct and management's response (in the absence of management where necessary);
- (n) review any disclosure in the annual report, transparency report, responsible business report or elsewhere about processes applied by the Board in relation to internal control;

Assurance function

- (o) monitor and review the effectiveness of the Assurance Group:
 - (i) consider the appointment, resignation or dismissal of the Director of Assurance;
 - (ii) review and discuss with the Director of Assurance, the scope of work of the Assurance Group, its plans, the issues identified as a result of its work and how management is addressing these issues;
 - (iii) ensure that the Assurance Group is adequately resourced, and has appropriate authority and access information to enable it to perform its function effectively and in accordance with the relevant professional standards;
 - (iv) ensure the function has adequate standing within the firm and is free from management or other restrictions;
 - (v) review co-ordination between the Assurance Group and external auditors and (where relevant) the firm's Practice Protection Group; and
 - (vi) periodically review the charter of the Assurance Group;

Whistle-blowing and fraud

- (p) review arrangements by which staff of the firm may, in confidence and without fear, raise concerns about possible improprieties in matters of financial reporting or other matters (such as commitment to quality work, professional judgement and values). Also, ensure arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action;
- (q) consider other topics, as defined by the Board, such as the firm's policies for preventing or detecting fraud, its code of corporate conduct/business ethics and its policies for ensuring the firm's compliance with relevant regulatory and legal requirements;

Other matters

- (r) review the disclosure about the role of the Committee included in the annual report or elsewhere;
- (s) review other disclosures or documents as determined by the Board;
- (t) consider other matters related to the firm's governance including matters such as "living will" recovery and resolution plans, succession plans, systematic risk and any concerns from investors; and
- (u) periodically review and update its own terms of reference requesting Board approval for all proposed changes and at appropriate intervals, evaluate its own performance against its terms of reference and best practice.

Reporting responsibilities

The Chairman reports formally to the Board on the Committee's proceedings after each meeting on all matters within its duties and responsibilities.

The Committee makes whatever recommendation to the Board it deems appropriate on any area within its remit where action or improvement is needed.

The firm:

- discloses on its website information on the Committee's membership and terms of reference which deal clearly with its authority and duties, including its duties in relation to the appointment and independence of the firm's auditors; and
- annually publishes a description of the work of the committee in discharging its duties.

Minutes of meetings of the Committee will be circulated to all members of the Board.

Deloitte LLP Audit Committee

The work of the Committee

The Audit Committee is a sub-committee of the Board appointed in accordance with the Deloitte LLP (the firm) Partnership Agreement. During the year the Committee reviewed and updated its terms of reference which were approved by the Board and are published at www.deloitte.com.

The primary role of the Committee is to assist the Board in fulfilling its oversight responsibilities by monitoring the integrity of financial and governance reporting, overseeing relations with the external auditors and the external audit process, reviewing business risk and internal control processes, and considering whistle-blowing and fraud matters.

The Committee is appointed by the Board and is made up of three or more partners as the Board may from time to time determine. The Board may also appoint Independent Non Executives to the Committee as it from time to time determine. The Chairman of the Committee is appointed by the Board and the Board Secretary is secretary of the Committee.

Stuart Counsell was secretary of the Committee and ensured that the Committee received papers to enable full consideration of the matters for which it is responsible.

None of the members were members of the Executive Group. The Board considers that the Committee members have recent and relevant financial experience in accounting and financial management and the necessary collective skills and experience to enable the Committee to be effective.

Activities

The Committee met five times during the financial year, and on two occasions the members held discussions with the external audit partner and the Director of Assurance in the absence of management.

External reporting

In relation to the firm's annual report and published financial statements the Committee reviewed all information issued with the financial statements including narrative reporting. The review included consideration of the accounting policies and practices adopted, the basis for the going-concern assumption and significant judgments and estimates, the accounting treatment of significant transactions, compliance with financial reporting standards and the quality of disclosures.

The Committee also examined documentation relating to the firm's Annual Report and related public reports and disclosures and considered written reports by management, the external auditors and Director of Assurance. The Committee's recommendations were submitted to the Board for approval.

External auditors

The Committee considered the appointment, independence and objectivity, and performance of the external auditors, including that of the audit partner. In addition the Committee considered the nature and scope of the audit and the external auditors' report and findings and management's response.

The Committee also recommended the audit fee to the Board and pre-approved fees for non-audit services provided by the external auditor and ensured these services did not impair their independence and objectivity.

Risk management and internal control

The firm's Assurance Group carries out internal audit and monitoring projects across all aspects of the firm's business to provide assurance over the design and operation of key controls and the adequacy of compliance with firm's policies and procedures.

The Committee considered the adequacy of the Assurance Group's resources, its authority and access to information, its standing within the firm. The Committee also reviewed and approved the Assurance Group plan, considered the results of the Group's work and how management has

addressed issues raised and the co-ordination between the Assurance Group and external auditors. The Committee also conducted an evaluation of the effectiveness of the Assurance Group.

The Committee conducted a review of the effectiveness of the firm's system of internal control during the year using the Financial Reporting Council's Internal Control Guidance for Directors on the Combined Code (the Turnbull guidance).

Whistle-blowing and fraud

The Committee considered reports from the firm's Anti-Money Laundering Officer on matters related to money laundering and the Bribery Act and from the Compliance, Independence and Ethics Partner on arrangements in place for staff to raise concerns about possible improprieties or unethical behaviour (including consideration of any instances of fraud, breaches of firm policy and regulatory and legal requirements) and the investigation and follow-up on any issues raised. In addition the Director of Assurance reported on fraud related matters.

Other matters

The Committee also reviewed and updated its own terms of reference, in particular to reflect the requirements of The Audit Firm Governance Code, which were approved by the Board.

The Committee also agreed with the Board Chairman to conduct an evaluation of its own performance against its terms of reference and good practice in the 2012 Financial Year.