



Report on the Audit Board's activities during the year

30 September 2022



Our role

The Audit Board oversees and monitors the Audit practice, and the interaction of the Audit practice with the rest of the firm, under powers and delegations vested in it by the Board, providing independent judgement through the inclusion of external members in its composition.

Areas of oversight

The Audit Board (including through its Remuneration Committee where relevant) has overseen, monitored and provided independent challenge to the Audit practice on its key priorities, including:

Audit Quality

- The appropriateness of the firm's policies and processes to support audit quality, including the adequacy and quality of resourcing in the Audit practice to deliver high-quality audits in the public interest.
- The firm's performance in relation to internal and external regulatory reviews and root cause analyses and lessons learned arising from inspections, reviews and investigations.
- The firm's progress against its Audit Quality Plan, including the Banking Audit Quality Improvement Plan.
- The continued application of the 'High Challenge, High Support' culture within Audit.

Conflict of Interest and Independence

- Updates from the Ethics Partner in respect of ethics and independence matters.
- The firm's arrangements for managing actual, potential or perceived conflicts of interest or independence.

Strategy and Investments

- The Audit practice's strategy and budget to ensure it is designed to maintain and achieve appropriate levels of audit quality, including investment in people and technology, as well as understanding the global network's priorities and impact on the UK member firm.

Audit Board in numbers

Five members, comprising:

- Three independent Audit Non-Executives (ANEs), including its Chair.
- One Elected Board Member.
- One Nominated Board Member (being a practising auditor).

There were seven regular meetings and two ad hoc meetings.

Risk Management and Regulation

- The implementation and embedding of the Principles for Operational Separation.
- Reporting on risk management processes, including emerging issues and relevant mitigating actions.
- The firm's implementation of the International Standard on Quality Management (ISQM1).
- The implementation of KcW.

Partner Remuneration and Partner & RI Promotions

The Audit Board Remuneration Committee has overseen:

- The process and controls in place for audit partner remuneration to ensure their consistency with regulatory objectives and requirements, as well as their effectiveness in supporting audit quality.
- The criteria and selection processes for both Audit partner promotion and designation of Responsible Individual status.

Our priorities for 2023

- Oversee the firm's continuous improvement of audit quality, measuring the effectiveness of actions taken to address root cause findings, the embedding of the Audit Quality Plan and actions from the Banking Audit Quality Improvement Plan, as well as the implementation of the Single Quality Plan.
- Monitor the degree to which ISQM1 processes and controls have been embedded.
- Monitor the firm's implementation of the revised 2022 Audit Firm Governance Code, where it relates to the Audit practice.
- Monitor the Audit practice's ability to attract and retain talent, while building a workforce that reflects diversity across a broad range of characteristics at all levels.