

# Dorset Local Enterprise Partnership

## Finance, Audit & Corporate Risk Committee Terms of Reference

September 2022

## 1. Purpose

- 1.1. The Finance, Audit and Corporate Risk Committee (referred to as the Committee hereafter) has been established to have oversight of Dorset Local Enterprise Partnership CIC finances, corporate risk and audit requirements and instruct, review and challenge as appropriate.
- 1.2. The Committee also oversees the delivery of all contracted LEP projects and programmes ensuring they are delivering as expected and integrated where appropriate and mitigating emerging risks or referring these to the Dorset LEP Board for resolution.

## 2. Objectives

- 2.1. Advise and make recommendations on any changes to the Best Practice Guidance on Dorset LEP governance.
- 2.2. In relation to finance:
  - 2.2.1. Recommend the annual budget to the Board and undertake forward financial planning
  - 2.2.2. Receive annual accounts prior to audit and recommend to the Board for approval
  - 2.2.3. Review the annual financial statements where not reviewed by the Board as a whole
  - 2.2.4. Receive reports from external bodies, approve actions/ action plans and to address issues raised and monitor implementation.
- 2.3. In relation to challenge:
  - 2.3.1. The performance of the Company at each of its quarterly meetings
  - 2.3.2. Test the "going concern" basis of the Company on a regular basis, and declare concerns on this matter to the wider Board as necessary. On an annual basis, the "going concern" test will be provided by the auditor and reviewed by the Committee.
  - 2.3.3. Review the consistency of, and any changes to, accounting policies as required.
  - 2.3.4. The methods used to account for significant or unusual transactions where different approaches are possible
  - 2.3.5. Whether the company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor
  - 2.3.6. The clarity of disclosure in the company's financial reports and the context in which statements are made; and
  - 2.3.7. All material information presented with the financial statements, such as the business review/operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management) in order to ensure they are fair, balanced and understandable
- 2.4. Keep under review the adequacy, integrity and effectiveness of the company's internal financial controls and internal control & risk management systems.

- 2.5. The Committee will review Delegation of Authority levels for officers of the company and be consulted about any changes to these levels by the Executive Officers prior to implementing the changes
- 2.6. The Committee will review the processes relating to cash movements and controls in relation thereto as appropriate and be consulted prior to changes to process changes and improvements.
- 2.7. In relation to audit, the Committee will:
  - 2.7.1. Monitor and review the effectiveness of the company's internal audit function in the context of its overall risk management system
  - 2.7.2. Approve the appointment and removal of the internal auditor
  - 2.7.3. Review and assess any internal audit plan
  - 2.7.4. Review reports from the internal auditor to the committee
  - 2.7.5. Review and monitor the executive's reaction to the findings and recommendations of the internal auditor
  - 2.7.6. Meet the internal audit partner, without the executive being present, to discuss the remit and any issues arising from the internal audits carried out. The audit officer shall be given the right of direct access to the Chair of the Committee.
  - 2.7.7. Consider and make recommendations to the Board in relation to the appointment, re-appointment and removal of the company's external auditor.
  - 2.7.8. Oversee the selection process for a new external auditor on a cyclical basis (possibly three years), and, if an auditor resigns the committee shall investigate the issues leading to this and decide whether any action is required.
  - 2.7.9. Review and monitor the external auditor's independence, objectivity and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures.
  - 2.7.10. Oversee the relationship with the external auditor including (but not limited to):
    - recommendations on their remuneration whether fees for audit or non-audit services and that the level of fees is appropriate to enable an adequate audit to be conducted
    - approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit
    - satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the company (other than in the ordinary course of business)
    - monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partner, the level of fees paid by the company compared to the overall fee income of the firm, office and partner and other related requirements
  - 2.7.11. ensure co-ordination with the activities of the internal auditor.
  - 2.7.12. meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit, at the reporting stage. The committee shall meet the external auditor at least once a year, without the executive being present, to discuss the auditor's remit and any issues arising from the audit.

2.7.13. review and approve audits and ensure they are consistent with the scope of the audit engagement.

2.7.14. review the findings of the audit with the external auditor. This shall include:

- a review of the process of the audit and sampling
- a discussion of any major issues which arose during the audit
- any accounting and audit judgements
- levels of errors identified during the audit
- the effectiveness of the audit.

2.7.15. Develop and implement a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter.

2.8. In relation to risk, the Committee will:

2.8.1. Regularly review the corporate, project and programme risk updates to ensure risk is appropriately recognised and recorded. The Chair of the committee will notify significant corporate risks to the chair of the LEP Board.

2.8.2. Take steps to ensure compliance with the Whistleblowing policy and other Fraud avoidance processes.

2.9. In relation to programmes, the Committee will:

2.9.1. Provide strategic management oversight of all LEP funded programmes to ensure they deliver to outcome and financial targets in line with the Dorset LEP Programme Management Protocols and evaluation strategies.

2.9.2. Ensure that the Dorset LEP team sufficiently manages programmes in order for them to deliver on expected outcomes.

2.9.3. Ensure that under-performing projects and programmes are identified, and effective mitigation measures are developed and actioned to restore performance. Where projects can no longer deliver against agreed targets, the committee can recommend to the LEP Board that these projects are withdrawn from the relevant programme and steps to recover investment are instigated.

### **3. Status**

3.1. The Committee is established as Committee to the Dorset LEP Board.

3.2. The Committee shall be fully accountable to the Dorset LEP Board.

3.3. The Committee has the authority to:

- require information from employees
- seek independent legal advice if required
- oversee any investigation of matters of concern within the Terms of Reference.
- report any unresolved concerns in the annual report or other pertinent documents.

### **4. Membership**

#### **4.1. Representation**

4.1.1. All business of the Committee will be conducted in accordance with the Nolan Principles of Public Life (Appendix 1).

- 4.1.2. The Committee will consist of up to 5 members. This may be a mix of Board members, independent members and the Section 151 Officer.
- 4.1.3. At least one of the Committee will have a specialist financial background.
- 4.1.4. The process for selecting representatives shall be determined by the Nomination & Remuneration Committee.
- 4.1.5. Only members of the Committee have the right to attend meetings, however, other individuals such as the Chair of the Board, LEP Director, or other officers may be invited to attend all or part of any meeting as and when appropriate.
- 4.1.6. At the request of the Committee; officers of Dorset LEP may be required to attend the meeting, or a representative of the external and internal auditors.
- 4.1.7. At the request of the Committee, delivery partners may be required to attend the meeting to support its work programme, as and when necessary.

## **4.2. Chair**

- 4.2.1. The Chair shall be appointed by the Committee from among its members. A Deputy Chair will be elected by the Committee from amongst its members. Both positions will be subject to annual review.
- 4.2.2. Duties of the Chair will include:
  - Leading the smooth and effective operation of the Committee;
  - To ensure the Secretariat is operating effectively and within its mandate, that budgets are appropriately applied, and that proper policies and processes are in place and observed;
  - To ensure timely advice and reporting to the Dorset LEP Board relating to the work of the Committee and any key issues that arise;
  - To undertake activity as required according to the delivery plan and strategy.

## **4.3. Attendance**

- 4.3.1. Committee members are expected to attend not less than 75% of meetings over a twelve-month period.
- 4.3.2. Deputies shall not attend Committee meetings, unless agreed with the Chair, in writing, 5 working days before the meeting.

## **4.4. Conflict of Interest**

- 4.4.1. The Committee shall ensure that all conflicts of interest are fully disclosed.
- 4.4.2. The Secretariat shall maintain a Register of Members' Interests. Members shall supply information to the Secretariat for inclusion in the register, or a nil return, on joining the Committee, in response to any request for an update and on becoming aware of any new interest. The Secretariat will circulate a request for information about interests annually.
- 4.4.3. Should a member's interests change, s/he shall inform the Secretariat at the earliest opportunity.
- 4.4.4. Should an issue be discussed by the Committee which presents a conflict of interest to a member, the member shall declare the conflict of interest, regardless of whether s/he has previously declared the interest in the Register of Members' Interests. Such declarations shall be minuted.

4.4.5. Members shall not vote or participate in discussions on any issues on which they have registered an interest.

## **5. Meetings**

### **5.1. Frequency**

5.1.1. Committee meetings shall be held on a quarterly basis with a minimum of four meetings per annum. A calendar of future meetings will be set for a year at a time although the minimum notice required for a meeting is two weeks, to ensure that all members are afforded the opportunity to attend.

### **5.2. Papers**

5.2.1. The agenda and papers for meetings shall be approved by the Chair and issued at least 5 working days in advance of the meeting by the Secretariat.

5.2.2. Members may be asked to consider confidential or sensitive information concerning personal data, contracts, procurement processes or commercially sensitive data. In these circumstances may be asked to sign a non-disclosure agreement.

### **5.3. Quorum**

5.3.1. There should be a quorum of three members.

### **5.4. Decision Making**

5.4.1. The Committee shall operate on the basis of consensus.

5.4.2. In the event that a consensus cannot be achieved on a matter requiring decision, that decision shall be taken by vote and carried if it is supported by over 50% of those present.

5.4.3. In the event of a tied decision, the Chair of the meeting will cast the deciding vote.

5.4.4. If a decision needs to be made outside of the meeting, decision can be sought via Written Procedure (Appendix 2). In such cases, the Secretariat shall write to each Committee member requesting agreement to a specified course of action. Committee members shall be given no fewer than five working days to respond to the Secretariat.

5.4.5. For a decision to be taken by Written Procedure, the number of members participating and the composition of those members must be as required for a quorate meeting. Over 50% of members responding to the request must indicate agreement to the proposal.

5.4.6. All decisions made by Written Procedure shall be ratified at the next scheduled meeting.

5.4.7. In addition, the Committee has delegated powers regarding decision making over changes to projects within the programme around agreed phasing or completion by two quarters movements. Any decision outside of the defined range should be in the form of a recommendation to the Dorset LEP Board.

## **5.5. Minutes**

5.5.1. Meeting minutes shall be disseminated to members no later than ten working days following the meeting. Minutes shall remain in draft until approval by the Committee at the next meeting.

5.5.2. Minutes shall be made publicly available on the Dorset LEP website. Minutes will be redacted where they contain personal information about individuals or commercially sensitive data or for good legal reason.

## **6. Performance Review**

6.1. The Committee shall arrange for periodic reviews of its own performance and review its Terms of Reference annually to ensure it is operating at maximum effectiveness and to recommend any changes it considers necessary.

## **Appendix 1: Nolan Principles of Public Life**

### **Selflessness**

Holders of public office should act solely in terms of the public interest.

### **Integrity**

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

### **Objectivity**

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

### **Accountability**

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

### **Openness**

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

### **Honesty**

Holders of public office should be truthful.

### **Leadership**

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.



## Appendix 2: Written Procedures

1. A copy of the written resolution must be sent to every member of the committee together with a statement informing the member how to signify their agreement to the resolution and the date by which the resolution must be passed if it is not to lapse.
2. A member of the committee signifies their agreement to a proposed written resolution when the Company receives from him or her an authenticated Document identifying the resolution to which it relates and indicating his or her agreement to the resolution.
3. If the Document is sent to the Company in Hard Copy Form, it is authenticated if it bears the member's signature.
4. If the Document is sent to the Company by Electronic Means, it is authenticated if it bears the member's signature or if it is from an email Address notified by the member to the committee for the purposes of receiving Documents or information by Electronic Means.
5. A written resolution is passed when the required majority of eligible members have signified their agreement to it.
6. A proposed written resolution lapses if it is not passed within 28 days beginning with the circulation date.