

**GREATER LINCOLNSHIRE LEP LIMITED (GLLEP)**  
**FINANCE AND AUDIT COMMITTEE TERMS OF REFERENCE**  
**ADOPTED BY RESOLUTION OF THE BOARD ON 29<sup>TH</sup> November 2019**

Terms defined in the articles of association of the GLLEP shall have the same meaning in these terms of reference.

**1. CONSTITUTION**

The Committee was constituted at a full meeting of the Board held on 29<sup>th</sup> November 2019 in accordance with the Articles.

**2. DUTIES AND TERMS OF REFERENCE**

2.1 The Committee shall monitor the integrity of the financial statements and reports of the GLLEP, including its annual and half yearly reports, interim management statements, preliminary results' announcements (if any) and any other formal announcement relating to its financial performance, reviewing and reporting to the Board on significant financial reporting issues and judgements which they contain having regard to the matter communicated to it by the auditor.

2.2 The Committee shall review the maintenance of an effective internal control environment, encompassing:

- (a) assessing the adequacy of the nature, extent and effectiveness of accounting and other internal control systems of the GLLEP;
- (b) assessing the adequacy of the control and maintenance of the GLLEP's assets; and
- (c) receiving reports prepared by the external auditors on the effectiveness of the financial systems, operations and management.

2.3 The Committee shall:

- (a) review the financial policies of the GLLEP to ensure that these comply with company law and current accounting standards and other standards promoting good practice;
- (b) approve the timetable for the preparation of the accountable body's annual report and if necessary the GLLEP's year end accounts and agreeing priority areas to be addressed by the auditors; and
- (c) review the annual financial year end accounts, financial statement, and the report of the auditors to the Board and making recommendations for the approval of the Board.
- (d) Review annual budget and scenario planning and make recommendations for the approval of the Board

2.4 The Committee shall monitor and make recommendations to the Board in relation to the GLLEP's reserves and interest policies and ensure the GLLEP distributes its reserves and interest accrued responsibly in line with this policy and the Articles of Association.

2.5 The Committee shall scrutinise any proposed distributions of the reserves of the GLLEP.

2.6 The Committee shall review and challenge where necessary:

- (a) the consistency of, and any changes to, accounting policies both on a year on year basis and across the GLLEP;
- (b) the methods used to account for significant or unusual transactions where different approaches are possible;

- (c) whether the GLLEP has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
  - (d) the clarity and completeness of disclosure in the GLLEP's financial reports and the context in which statements are made; and
  - (e) all material information presented with the financial statements, such as the strategic report and any corporate governance statement (insofar as it relates to the audit and risk management).
- 2.7 If the Committee is not satisfied with any aspect of the proposed financial reporting by the GLLEP, it shall report its views to the Board.
- 2.8 Where requested by the Board, the Committee should review the content of the annual report and accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary to assess the GLLEP's performance, business model and strategy and the Committee should also advise the Board on whether the annual report and accounts informs the Board's statement in the annual report on these matters.
- 2.9 The Committee shall, unless expressly addressed by a separate risk committee:
- (a) keep under review the GLLEP's internal financial controls and internal control and risk management systems; including the Local Assurance Framework; and make recommendations to board on actions to be undertaken, and;
  - (b) review and approve the statements to be included in the annual report concerning internal controls and risk management, and make recommendations to board on actions to be undertaken
- 2.10 The Committee shall:
- (a) consider and make recommendations to the Board, to be put to Members for approval at the Annual General Meeting, in relation to the appointment, re-appointment and removal of the GLLEP's external auditor. If an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;
  - (b) develop and oversee the selection procedure for the appointment of the audit firm, ensuring that all tendering firms have such access as is necessary to information and individuals during the tendering process.
  - (c) oversee the relationship with the external auditor including (but not limited to):
    - (i) approval of their remuneration, including fees for audit or non-audit services and that the level of fees is appropriate to enable an effective and high quality audit to be conducted;
    - (ii) approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
    - (iii) assessing annually their independence and objectivity taking into account relevant UK professional and regulatory requirements (including any relevant ethical standard) and the relationship with the auditor as a whole, including any threats to the auditors' independence and safeguards applied to mitigate those threats including the provision of any non-audit services;
    - (iv) satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the GLLEP (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;

- (v) monitoring the auditor's compliance with relevant ethical, legal regulatory and professional guidance on the rotation of audit partners, the level of fees paid by the GLLEP compared to the overall fee income of the firm, office and partner and other related requirements;
  - (vi) assessing annually the qualifications, expertise and resources of the auditor and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures;
  - (vii) seeking to ensure co-ordination with the activities of the internal audit function; and
  - (viii) evaluating the risks to the quality and effectiveness of the financial reporting process and consideration of the need to include the risk of the withdrawal of their auditor from the market on that evaluation.
- 2.11 The Committee shall meet the external auditor at least once a year, without management being present, to discuss their remit and any issues arising from the audit.
- 2.12 Review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
- (a) a discussion of any major issues which arose during the audit,
  - (b) any key accounting and audit judgements,
  - (c) the auditor's explanation of how the risks to audit quality were addressed;
  - (d) the auditor's view of their interactions with senior management;
  - (e) levels of errors identified during the audit, and
  - (f) the effectiveness of the audit.
- 2.13 Review the management letter and management's response to the auditor's findings and recommendations before they are approved by board and members.
- 2.14 Review the effectiveness of the audit process, including an assessment of the quality of the audit, the handling of key judgements by the auditor and the auditor's response to questions from the Committee;
- 2.15 The chair of the Committee or nominated representative shall report formally to the Board on its proceedings at Financial Year End on all matters within its duties and responsibilities and shall also report to the Board on how it has discharged its responsibilities. The report shall include:
- (a) the significant issues that it had considered in relation to the financial statements and how these were addressed;
  - (b) the assessment of the effectiveness of the external audit process and its recommendations on the appointment/reappointment of the external auditor.
  - (c) any other issues on which the Board has requested the Committee's opinion.
- 2.16 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 2.17 The Committee shall compile an annual statement on its activities to be included in the GLLEP's annual report. The Committee shall:
- (a) be responsible for co-ordination of the internal and external auditors;
  - (b) oversee any investigation of activities which are within its terms of reference; and
  - (c) arrange for periodic review of its own performance and, at least once a year, review its constitution and terms of reference to ensure it is operating at

maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

2.18 The Committee shall work and liaise as necessary with all other statutory Board committees (Board, Investment Board, Appointments Committee), taking particular account of the impact of risk management and internal controls being delegated to different committees.

2.19 The Committee shall consider such other matters as may be requested by the Board.

### **3. MEMBERSHIP**

3.1 For the purposes of transparency, members may be drawn from outside of the Directors and company membership with the approval of the Board. The members of the Committee shall be appointed by the Board and may be removed at any time by the Board following the procedure in the Articles of Association. The majority of the members of the Committee should be Private Sector. The Committee shall have at least three members and shall include at least two Private Sector and one Non Private Sector member (of whom at least one shall constitute a Director).

3.2 Appointments to the Committee shall be for a period of up to three years, which may be extended for further periods of three years provided the member still meets the criteria for the membership of the committee.

3.3 The Board shall appoint the Chair of the Committee who, where possible, should be from an independent organisation and not a Director.

### **4. ATTENDANCE AT MEETINGS**

4.1 The Committee will meet at least twice a year. The Committee may meet at other times during the year as agreed between the members of the Committee or as otherwise requested by the Board and may approve recommendations via written procedure.

4.2 Only members of the Committee have the right to attend Committee meetings and will have the right to vote including the independent committee chair.

4.3 The GLLEP's external auditors may be required to attend Committee meetings with a view to consulting with the Committee.

4.4 Any member may participate in a meeting by means of a conference telephone or similar communications equipment whereby all persons participating in the meeting can communicate with each other and participation in a meeting in this manner shall be deemed to constitute presence in person at such meeting and, subject to the Articles, the Statutes and these terms of reference, he or she shall be entitled to vote and be counted in a quorum accordingly. Such a meeting shall be deemed to take place where the largest group of those participating is assembled or, if there is no such group, where the Chair of the meeting is.

4.5 An identified senior LEP officer or his or her nominee shall be the secretary of the Committee.

4.6 Outside of the formal meeting programme, the Committee chair will maintain a dialogue with key individuals involved in the GLLEP's governance, including the chair, chief executive, accountable body, the external audit lead partner and head of internal audit.

### **5. NOTICE OF MEETINGS**

5.1 Meetings of the Committee shall be called by the identified senior LEP officer at the request of the Chair of the Committee or the Board.

5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of the matters to be discussed at the meeting shall be forwarded to each member and any other person required to attend no later than seven business days before the date of the meeting, except in exceptional circumstances where an emergency meeting is deemed necessary. Any supporting papers shall be sent to each

member of the Committee and other attendees (as appropriate) at the same time and minutes published on the website.

**6. QUORUM**

A quorum shall be 2 members present in person including at least one Private Sector and one Non Private Sector member.

**7. DECLARATION OF INTEREST**

Whenever a member has an interest in a matter to be discussed at a meeting the member so conflicted shall immediately declare the nature of the conflict or potential conflict and withdraw from any meeting where the conflict would be relevant unless the necessary authority as set out in the Articles has been obtained.

**8. VOTING ARRANGEMENTS**

8.1 Each member of the Committee shall have one vote which may be cast on matters considered at the meeting. Votes can only be cast by members attending a meeting of the Committee, or by proxy vote.

8.2 The general rule about decision-making by the Committee is that any decision of the Committee must be a majority decision at a meeting (or a decision taken in accordance with paragraph 8.5 of these terms of reference) provided that no decision shall be made at any meeting (or in accordance with paragraph 8.5 of these terms of reference).

8.3 If a matter that is considered by the Committee is one where a member of the Committee, either directly or indirectly has a personal interest, save as otherwise approved by the Board in accordance with the Articles, that member shall not be permitted to vote at the meeting.

8.4 Save where he or she has a personal interest, the Chair will have a casting vote.

8.5 A resolution in writing, sent to all members entitled to receive notice of a meeting of the Committee and signed by a majority of the members shall be valid and effectual as if it had been passed at a meeting of the Committee duly convened and held and may consist of several documents in materially the same form each signed by one or more member.

**9. AUTHORITY**

The Committee is authorised by the Board to examine any activity within its terms of reference and is authorised to obtain, at the GLLEP's expense, professional advice on any matter within its terms of reference. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee. The Committee is authorised to seek any information it requires from any employee or director, and all such employees or directors will be directed to co-operate with any request made by the Committee.

**10. REPORTING**

10.1 The proceedings and resolutions of meetings of the Committee, including the names of those present and in attendance, shall be minuted by the secretary of the Committee. Draft minutes of each meeting will be circulated promptly to all members of the Committee. Once approved, the minutes of each meeting will be submitted to the Board as a formal record of the decisions of the Committee on behalf of the Board unless it would be inappropriate to do so.

10.2 The Chair of the Committee shall report to the Board on its proceedings on all matters within its duties and responsibilities.

10.3 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

**11. GENERAL MATTERS**

- 11.1 The Chair of the Committee should make themselves available at each annual general meeting of the GLLEP to answer questions concerning the Committee's work.
- 11.2 The committee shall duly sign and return the LEP's Code of Conduct and Declaration of Interests on an annual basis.
- 11.3 The committee shall 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.
- 11.4 The committee shall have access to sufficient resources in order to carry out its duties, including access to the identified senior LEP Officer for assistance as required.
- 11.5 The committee shall be entitled to invite relevant third parties to attend any meeting of the Committee as observers providing that such third parties agree to be bound by the Observer Code of Conduct and shall be entitled to speak at meeting of the Committee with the prior permission of the Chair but shall not be entitled to vote.
- 11.6 The committee shall give due consideration to all laws and regulations as appropriate.
- 11.7 The Board will, from time to time, consider projects and proposals of a "commercial in confidence" or sensitive nature. All Board Directors and Observers will observe the need for confidentiality in this respect.

<b>Reference 7: Finance &amp; Audit Committee Terms of Reference</b>
<b>Reviewed:</b> November 2019
<b>Review Date:</b> November 2021
<b>Reference Lead Officer:</b> Kate Storey