

## **Black Country Consortium Limited**

### **Audit Committee, Scrutiny and External Auditors**

#### **Audit Committee - Terms of Reference**

##### **1. Role and Purpose**

- 1.1 The Audit Committee shall be given authority under agreed terms of reference to undertake specific duties. It will have no executive powers of its own.
- 1.2 The Committee shall have the overall objective of providing oversight of, and advising, the Board of Directors on the effectiveness of Black Country Consortium Limited systems of governance, internal financial control and risk management. This will ensure that the highest standards of propriety in the use of public monies are maintained and proper accountability for the use of those monies.
- 1.3 In undertaking its role, the Audit Committee shall have access to any individual who can supply relevant information, including employees and professional advisors and be able to examine any of the records and information held by the Company subject to the requirements of any relevant legislation.

##### **2. Membership**

- 2.1 Members of the Audit Committee shall be appointed by the Board of Directors and will comprise Chair, a Suitable Cabinet Member or officer nominated and drawn from the Guarantee Members, one member drawn from or nominated by Black Country Consortium members and one representative drawn from the private sector and having suitable financial experience and qualifications.
- 2.2 The Chair of the Audit Committee shall be approved by the Board of Directors and will not be the Chairman of the Company. The Chair will be nominated by or drawn from the non-executive Directors of the Company (the private sector members of the Black Country Local Enterprise Partnership (LEP))

Version	Date	Created by	Approval & date	Protection	Page Number
1.1	18/10/2018	BCC ltd	BCJC January 2019	Not Protectively Marked	1

### 3. Responsibilities

- 3.1 The key responsibilities of the Audit Committee will be to monitor and make recommendations to Directors on the corporate governance, risk management and control systems of Black Country Consortium Limited. More specifically, these include:
- Selection and dismissal of the external auditors
  - External auditors' remuneration
  - Oversight of the external audit process
  - Review, monitor and ensure the effectiveness of risk management systems and internal controls
  - Monitor and Review the efficiency and effectiveness of accounting and financial control and management systems
  - Policy on whistleblowing
  - Ensuring that resources are used efficiently and effectively
- 3.2 The Audit Committee will also keep under review and make recommendations concerning the management and co-ordination of the investment and other funding streams that are the responsibility of the Company or LEP to ensure that the funds are used efficiently and effectively in a manner that maximises the benefits for the Partnership, Company, partners and stakeholders and the Black Country as a whole
- 3.3 The Audit Committee shall prepare a separate section of the annual report to describe its work, and the Audit Committee Chair shall be present at the AGM to answer questions.
- 3.4 Directors shall review the effectiveness of the Audit Committee on an annual basis and amend its remit as necessary.

### 4. Meetings

- 4.1 The Audit Committee shall meet quarterly, prior to Directors meetings, and will report back on its recommendations to Directors at subsequent meetings. The Chair may call additional meetings if necessary, and may have private meetings with the external auditors if required.
- 4.2 The agenda and any supporting papers shall be circulated at least 7 days before Committee meetings.
- 4.3 The attendance of at least two Audit Committee Members will be necessary for the meeting to be quorate.

Version	Date	Created by	Approval & date	Protection	Page Number
1.1	18/10/2018	BCC Ltd	BCJC January 2019	Not Protectively Marked	2

- 4.4 The Chief Executive will be invited to attend the meetings, and the Chairperson of the Board of Directors may attend by specific invitation. The attendance of other third parties with relevant experience and expertise will be secured if it is considered necessary.
- 4.5 The Clerk to the Board of Directors will be the Clerk to the Audit Committee.
- 5. UK Combined Code on Governance**
- 5.1 The relevant provisions of the UK Combined Code on Corporate Governance are appended.

### **Scrutiny Arrangements**

- 1.1 There are no formal internal scrutiny arrangements.
- 1.2 LEP Board decisions receive final approval at the Black Country Joint Executive Committee (BCJC) (attached at the Appendix is the Constitution of the BCJC.)
- 1.3 When BCJC make a decision, then the relevant Accountable Body have five working days after the meeting to exercise their right to “request a call in” of a decision.
- 1.4 If a decision is “called in” then the local Scrutiny procedures apply.
- 1.5 Please see Walsall Metropolitan Borough Council’s Scrutiny processes at [www.walsall.gov.uk](http://www.walsall.gov.uk)

Version	Date	Created by	Approval & date	Protection	Page Number
1.1	18/10/2018	BCC ltd	BCJC January 2019	Not Protectively Marked	3

## **EXTERNAL AUDIT**

Extract from the Relevant Section of the Financial reporting Council Combined Code on Corporate Governance – C.3 Audit Committee and Auditors

### **Main Principle**

The board should establish formal and transparent arrangements for considering how they should apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the company's auditors.

### **Code Provisions**

C.3.1 The board should establish an audit committee of at least three, or in the case of smaller companies two, members, who should all be independent non-executive directors. The board should satisfy itself that at least one member of the audit committee has recent and relevant financial experience.

C.3.2 The main role and responsibilities of the audit committee should be set out in written terms of reference and should include:

- to monitor the integrity of the financial statements of the company, and any formal announcements relating to the company's financial performance, reviewing significant financial reporting judgements contained in them;
- to review the company's internal financial controls and, unless expressly addressed by a separate board risk committee composed of independent directors, or by the board itself, to review the company's internal control and risk management systems;
- to monitor and review the effectiveness of the company's internal audit function;
- to make recommendations to the board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment, re- appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor;
- to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements
- to develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and to report to the board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.

C.3.3 The terms of reference of the audit committee, including its role and the authority delegated to it by the board, should be made available. A separate section of the annual report should describe the work of the committee in discharging those responsibilities.

Version	Date	Created by	Approval & date	Protection	Page Number
1.1	18/10/2018	BCC Ltd	BCJC January 2019	Not Protectively Marked	4

- C.3.4 The audit committee should review arrangements by which staff of the company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The audit committee's objective should be to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.
- C.3.5 The audit committee should monitor and review the effectiveness of the internal audit activities. Where there is no internal audit function, the audit committee should consider annually whether there is a need for an internal audit function and make a recommendation to the board, and the reasons for the absence of such a function should be explained in the relevant section of the annual report.
- C.3.6 The audit committee should have primary responsibility for making a recommendation on the appointment, reappointment and removal of the external auditors. If the board does not accept the audit committee's recommendation, it should include in the annual report, and in any papers recommending appointment or re-appointment, a statement from the audit committee explaining the recommendation and should set out reasons why the board has taken a different position.
- C.3.7 The annual report should explain to shareholders how, if the auditor provides non-audit services, auditor objectivity and independence is safeguarded.

**Sarah Middleton**

Chief Executive

Black Country Consortium Limited

Version	Date	Created by	Approval & date	Protection	Page Number
1.1	18/10/2018	BCC Ltd	BCJC January 2019	Not Protectively Marked	5

## Appendix – BCJC – Constitution

Black Country Executive Joint Committee  
Dudley, Sandwell, Walsall and Wolverhampton

BLACK COUNTRY EXECUTIVE JOINTCOMMITTEE CONSTITUTION

26 March 2014

1. Dudley MBC, Sandwell MBC, Walsall MBC and Wolverhampton City Council established an Executive Joint Committee known as the Black Country Joint Committee ("the Committee") for the purpose of discharging the functions mentioned in Annex A. The Committee is a joint committee of the Executive for the purposes of Part VI of the Local Government Act 1972 and Part I Chapter 2 of the Local Government Act 2000 and the provisions of thereof that are applicable to Joint Committees of the Executive shall apply to the Committee.
  
2. (i) The Committee shall comprise four members, each Council being entitled to appoint one voting member who shall be a member of the Councils Cabinet making the appointment. In the event of a voting member of the Committee ceasing to be a member of the Council which appointed him/her, the Council shall forthwith appoint another voting member in his/her place. Only a voting member is entitled to be elected as Chair or Vice-Chair of the Committee.
  
- (ii) Each Council may appoint members of its Executive as substitute for the voting members appointed under (i) above to attend meetings of the Committee and its sub-committees in the absence for any reason of the voting members or observer members appointed under (i) above and in attended meetings of the Committee and its sub-committees the substitute voting members or observer members shall be treated in all respects if they were appointed under (i) above as the case may be. The Secretary for the Committee shall be informed prior to the commencement of the meeting of the names of the substitute members.
  
- (iii) The Chairman of the Black Country Local Enterprise Partnership shall be an ex officio member of the Committee on matters relating to City Deal and Growth Deal. Ex officio members may speak at meetings of the committee but not vote. The Chairman of the Black Country Local Enterprise Partnership shall present reports to the Joint Committee from the City Deal and Growth Deal Advisory Board.

Version	Date	Created by	Approval & date	Protection	Page Number
1.1	18/10/2018	BCC ltd	BCJC January 2019	Not Protectively Marked	6

Black Country Executive Joint Committee  
Dudley, Sandwell, Walsall and Wolverhampton

- (iv) The Black Country Consortium Ltd will be responsible for writing reports to the Joint Committee from the City Deal and Growth Deal Advisory Board in the format provided for at Annex B. All other reports from any subcommittee and or Council will also take the form as set out in Annex B. A representative of the Black Country Consortium Ltd can be in attendance at meetings of the Joint Committee on matters relating to City Deal and Growth Deal in an advisory role as the Joint Committee see fit.
- (v) The Committee shall at its Annual Meeting, elect a Chair and Vice- Chair from among its voting members or chose to adopt for that year to have a rolling Chair and Vice Chair being upon rotation. In the event of both being absent from the meeting, the Chair and Vice-Chair for whatever reason, the Committee shall elect a chair from amongst the voting members present for that meeting but shall not count for purposes of rotation.
- (vi) Three voting members of the Committee shall constitute a quorum. Except as otherwise provided by statute, all questions shall be decided by a majority of the votes of the voting members present, the Chair having the casting vote in addition to his/her vote as a member of the Committee.
- (vii) The Committee shall meet as agreed at its AGM. However a meeting of the Committee may be convened at any time by the Secretary in consultation with the Chair for the meeting that would be convened. A meeting of the Committee must also be convened by the Chair within 28 days of the receipt of a requisition of any two voting members of the Committee addressed to the Secretary of the Committee. All requisitions shall be in writing and no business other than that specified in the requisition shall be transacted at such a meeting.
- (viii) The Committee shall from time to time make such standing orders for the carrying on of the business of the Committee as the Committee shall deem necessary and or desirable.
- (ix) For the avoidance of doubt and subject to there being no changes to the law on this issue, where a Council is operating executive arrangements pursuant to the Local Government Act 2000 (and any regulations made under it}, it will be a matter for the Executive of the Council to appoint any voting member, or substitute member of the Committee as long as that member is a member of the appointing Councils Cabinet.

Version	Date	Created by	Approval & date	Protection	Page Number
1.1	18/10/2018	BCC ltd	BCJC January 2019	Not Protectively Marked	7

# BCJC

Black Country Executive Joint Committee  
Dudley, Sandwell, Walsall and Wolverhampton

3. The Committee (as could a Cabinet) can delegate authority, but the law restricts that delegation only to officers of the four Local Authorities not any other persons. Annex C lists delegations to officers.
4. The Committee shall from time to time appoint such sub-committees and Advisory Boards to consider and deal with any of the functions of the Committee as may be thought desirable.
5. The Committee Secretary and such other officers as may be deemed necessary for the due conduct of the business of the Committee shall be Walsall Metropolitan Borough Council.
6. Meetings of the Joint Committee shall be held at Walsall Metropolitan Borough Council unless otherwise directed by the Joint Committee.
7. The Secretary shall:
  - (i) Be responsible for preparing the agenda and submitting reports prepared by either of the Councils or other bodies to the Joint Committee and minutes of the Joint Committee.
  - (ii) Be responsible for making arrangements for the publishing in accordance with Access to Information requirements the Forward Plan and all meetings, agenda, agenda items, decisions and minutes as appropriate.
8. That the relevant Standing Orders for Black Country Joint Committee are those of Walsall Metropolitan Borough Council.

Version	Date	Created by	Approval & date	Protection	Page Number
1.1	18/10/2018	BCC ltd	BCJC January 2019	Not Protectively Marked	8

Black Country Executive Joint  
Committee  
Dudley, Sandwell, Walsall and  
Wolverhampton

Annex  
A Terms of  
Reference

## FUNCTIONS OF BLACK COUNTRY EXECUTIVE JOINT COMMITTEE

1. To receive reports from any Sub Committee of the Joint Committee or Advisory Board of the Joint Committee.
2. At any time review and agree proposed changes to the Functions of the Committee, and seek approval of the same from the four Council Executives of the Black Country authorities.
3. To agree and approve any proposed governance and or reporting structure that the committee sees fit.
4. In relation to the City Deal and Growth Deal:
  - 4.1 To act as a strategic body; setting and reviewing objectives for strategic investment across the Black Country, including;
    - a. Providing a coherent single position on the major strategic City Deal and Growth Deal issues;
    - b. Agreeing allocation of spending;
    - c. Agreeing major priorities;
    - d. Consider and agree recommendations made by any Sub Committee of the Joint Committee or Advisory Board of the Joint Committee;
    - e. Refer recommendations received back to any Sub Committee of the Joint Committee or Advisory Board of the Joint Committee for further consideration as and when minded in the first instance to not follow recommendations at all or to materially change the substance of the decision except in the case of genuine urgency requiring a decision to be made at that time;
  - 4.2 Agreeing Lead and or Accountable Body status for a body or organisation;
  - 4.3 Agree, review and amend options at any time for City Deal and Growth Deal governance which is fit for purpose;
  - 4.4 Influence and align government investment in order to boost economic growth

Version	Date	Created by	Approval & date	Protection	Page Number
1.1	18/10/2018	BCC ltd	BCJC January 2019	Not Protectively Marked	12

---

<b>Version</b>	<b>Date</b>	<b>Created by</b>	<b>Approval &amp; date</b>	<b>Protection</b>	<b>Page Number</b>
1.1	18/10/2018	BCC ltd	BCJC January 2019	Not Protectively Marked	12

---

<b>Version</b>	<b>Date</b>	<b>Created by</b>	<b>Approval &amp; date</b>	<b>Protection</b>	<b>Page Number</b>
1.1	18/10/2018	BCC ltd	BCJC January 2019	Not Protectively Marked	12

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- 4.5 have regard to the duty to cooperate and Joint Committee's overall function as set out above;
- 4.6 to ensure alignment between decision making on City Deal and Growth Deal and decisions on other areas of policy such as land use, transportation, economic development and wider regeneration;
- 4.7 Co-ordinate and align decision making on transport with the LEPs ensuring that business views are taken on board and that LEP growth plans are reflected in strategic priorities;
- 4.8 Deciding on capital expenditure programmes and ensuring policy and programmes are delivered effectively through partners;

Version	Date	Created by	Approval & date	Protection	Page Number
1.1	18/10/2018	BCC ltd	BCJC January 2019	Not Protectively Marked	12

BCJC  
Black Country Executive Joint Committee  
Dudley, Sandwell, Walsall and Wolverhampton

REPORT OF THE CITY DEAL AND GROWTH DEAL ADVISORY BOARD

(OR COUNCIL)

TO

BLACK COUNTRY EXECUTIVE JOINT  
COMMITTEE

ON

(DAY, MONTH, YEAR)

(INSERT TITLE OF REPORT)

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Key	Yes/No
Decision:	Yes/N
Forward	
Plan:	

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PURPOSE OF REPORT

1.1 Set out the main points of the report and details of what is being sought in summary.

2. RECOMMENDATIONS

2.1 Specific recommendation from the City Deal and Growth Deal Advisory Board with approval requested by the Joint Committee.

2.2 The recommendation(s) should be clear, concise and include all relevant information.

No abbreviations or acronyms are to be used. No statements are to be used.

2.3 It is not acceptable to recommend "That the course of action set out in the report be approved" as this does not give sufficient clarity.

2.4 There must be a separate recommendation for each decision you wish the BCJC to make.

2.5 Do not set out any recommendations elsewhere in the report.

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2.6 If you have one recommendation there is no need to number it. It looks like there should be other

Version	Date	Created by	Approval & date	Protection	Page Number
1.1	18/10/2018	BCC ltd	BCJC January 2019	Not Protectively Marked	19

<b>Version</b>	<b>Date</b>	<b>Created by</b>	<b>Approval &amp; date</b>	<b>Protection</b>	<b>Page Number</b>
1.1	18/10/2018	BCC ltd	BCJC January 2019	Not Protectively Marked	19

### 3. REPORT DETAIL

- 3.1 Write clearly, concisely and focus on relevant material information. Do not use acronyms.
- 3.2 All relevant and pertinent information should be included so as to enable a fully informed decision to be made by the Joint Committee.
- 3.3 Sufficient weight and emphasis should be made on key points.
- 3.4 Sufficient information to enable an informed decision must be contained within the report.

### 4. FINANCIAL IMPLICATIONS

- 4.1 All relevant financial implications. You must to consult the appropriate finance officer at the outset of the project. Your report will not be considered if the Finance Officer has not commented.

### 5. LEGAL IMPLICATIONS

- 5.1 You must consult legal services at the outset of the project. Set out any legal obligations on and consequences for the BCJC arising from the proposals. You must give sufficient time for legal services to comment on your report. Your report will not be considered if legal services have not commented.

### 6. RISK MANAGEMENT

- 6.1 Key risk identified and explanations as to how they will be managed are to be inserted.

### 7. EQUALITY IMPLICATIONS

- 7.1 An equality impact assessment to be done and equality implications set out in the report as well as how they will be managed.

### 8. CONSULTATION

- 8.1 Identify who has been consulted and why, the outcome of the consultation and if there is any planned future consultation. For example, do not use "the report is prepared in consultation with relevant managers and executive directors".
- 8.2 There is an expectation that wherever possible, Ward Councillors should be consulted and involved in matters affecting their Ward.

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- 8.3 Consultees mentioned in this part of the report should match with those referred to in the Forward Plan, if it is a key decision. Include other consultees if they have been identified since.

Version	Date	Created by	Approval & date	Protection	Page Number
1.1	18/10/2018	BCC ltd	BCJC January 2019	Not Protectively Marked	22

---

<b>Version</b>	<b>Date</b>	<b>Created by</b>	<b>Approval &amp; date</b>	<b>Protection</b>	<b>Page Number</b>
1.1	18/10/2018	BCC ltd	BCJC January 2019	Not Protectively Marked	22

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8.4 If scrutiny panels have considered this issue, provide feedback on their recommendations/views.

Note:

It is the responsibility of the author of the report to identify and consult with relevant officers and external parties about the proposals and the contents of the draft reports. Should any changes be made before the report appears in final form then you must consult relevant people again. If the revised circumstances could impact on the legal and financial position, you must consult afresh with legal and finance colleagues.

A report consultation sheet is available from the Programme Manager and must be completed and accompany your report at all times. The consultation sheet template should not be amended. If any amendments are made to your report at any stage which requires the re-consultation of colleagues, this must be reflected in the form when submitted at the final stage.

Back Ground papers

List any background documents that you have used or which are associated with the report being produced. (This is to satisfy the legal requirements that govern public access to local authority papers and the Freedom of Information Act.) You should not list acts of Parliament or any documents that give confidential information. Do not quote file references. Such files will be open to public scrutiny if asked.

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Version	Date	Created by	Approval & date	Protection	Page Number
1.1	18/10/2018	BCC ltd	BCJC January 2019	Not Protectively Marked	25

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Version	Date	Created by	Approval & date	Protection	Page Number
1.1	18/10/2018	BCC Ltd	BCJC January 2019	Not Protectively Marked	25

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Version	Date	Created by	Approval & date	Protection	Page Number
1.1	18/10/2018	BCC ltd	BCJC January 2019	Not Protectively Marked	26

<b>Version</b>	<b>Date</b>	<b>Created by</b>	<b>Approval &amp; date</b>	<b>Protection</b>	<b>Page Number</b>
1.1	18/10/2018	BCC ltd	BCJC January 2019	Not Protectively Marked	27