

## **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)).

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### 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.

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- 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)

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## **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.

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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

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