

South East England Development Agency

Audit Committee

Terms of Reference

1. Constitution

At a meeting held on 6th January 1999 the Board of the South East England Development Agency (SEEDA) resolved to establish a Committee of the Board, without executive responsibilities, to be known as the Audit & Remuneration (A&R) Committee. The Board at its meeting held on 10th March 1999 agreed the original Terms of Reference. On 21st March 2002 the Board agreed to pass the remuneration remit to the Human Resources Sub-Committee, and the Committee was renamed the Audit Committee.

2. Membership and Attendance

The Audit Committee shall be appointed by the Board and shall consist of not less than three non-executive members of the Board. The Chief Executive, as Accounting Officer, the Director with lead responsibility for finance and the Head of Internal Audit of SEEDA will normally attend meetings of the Committee.

A quorum shall be two non-executive members of the Committee. The Chair of the Audit Committee shall be appointed by the Committee from amongst its members. The duties and responsibilities of a member of the Audit Committee are in addition to those set out for a member of the Board of SEEDA. Board members who are not members of the Audit Committee have the right of attendance.

The Chief Operating Officer will normally attend meetings of the Committee in view of his responsibility for Corporate Resources. It is also SEEDA's policy for another Executive Director to attend and for this responsibility to rotate after a year. Individual managers of SEEDA may be requested to attend for selected agenda items, and to provide information as necessary. Specifically, Executive Directors will attend for any Internal Audit Report resulting in a grade of 2 or less in a high or medium impact area.

Representatives of the external auditors (NAO) and the Government Office will be invited to attend meetings of the Committee.

3. Purpose and Objectives

The main purpose of the Committee is to give advice to the Accounting Officer on the adequacy of audit arrangements (internal and external) and on the implications of assurances provided in respect of risk, control and governance. The Committee will act in an advisory capacity only on audit matters and will have no executive powers. Its objectives will be to advise the Accounting Officer on:

- the strategic processes for risk, control and governance;
- the accounting policies and accounts of the organisation;
- the planned activity and results of both internal and external audit;
- the adequacy of management response to issues identified by audit activity;
- assurances relating to the corporate governance requirements of the organisation.

4. Meetings

Committee meetings will be held at regular intervals to maintain the continuity and effectiveness of its presence. Minutes of each meeting will be taken and agreed amongst the Committee members. Items for discussion at Committee meetings may include:

- a) the objectives, status and scope of internal audit and structure of the audit opinion to be provided;
- b) management's responsibility for adequate risk management, control and governance, both financial and other;
- c) the Head of Internal Audit's annual and quarterly activity reports to the Accounting Officer;
- d) internal audit's reporting arrangements;
- e) the audit strategy and the resource implications arising from it;
- f) long- and short-term plans;
- g) major and unresolved findings from audit assignments;
- h) internal audit staffing and training;
- i) the standard of audit performance and how the need for periodic reviews of internal audit should be met;
- j) major policy issues and their implications for internal audit;
- k) internal audit's working relations with auditees and other review agencies;
- l) finance and accounting policies and accounting developments;
- m) relationships with the National Audit Office;
- n) external audit's plans, findings and recommendations.

5. Frequency of Meetings

The Audit Committee will meet not less than three times a year and report in writing to the Board on an annual basis. When physical meetings cannot be arranged, "meetings" of the Audit Committee may be held by telephone or video conference. The Audit Committee may also sit privately, without any non-members present, for all or part of a meeting. The Committee Chair shall convene a meeting upon request of any Audit Committee member who considers it necessary.

6. Authority

The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.

The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary. The Board shall be informed if this is done.

7. Duties

The duties of the Committee shall be:

Overview of Corporate Governance, Risk Management and Internal Controls

- to provide advice on the strategic processes for governance, which cover:
 - a) the distribution of rights and responsibilities among different participants within the organisation;
 - b) the delegation of roles and responsibilities to third parties external to the organisation (for example partnerships and special delivery vehicles);
 - c) the rules and procedures for making corporate decisions;
 - d) the structures and mechanisms through which objectives are set;
 - e) the means of attaining corporate objectives and monitoring performance;
- to consider the adequacy of risk management and internal control through reviewing the mechanisms for the assessment and management of risk;
- to satisfy the Board that there is a sufficient, systematic review of the internal control arrangements of the business, including operations (relating to effectiveness, efficiency and economy), financial and corporate governance controls;

Overview of Financial Reporting

- to review the integrity and reliability of statutory accounts and other published financial statements and information;
- to review arrangements established by SEEDA for compliance with applicable accounting standards, procedures, laws and regulations;
- to review accounting policies adopted by SEEDA, recommend new policies and changes as appropriate to the Board;

External Audit

- to review the annual Management Report after submission to the Accounting Officer, focusing particularly on:
 - a) any changes in accounting policies and practices;
 - b) major judgmental areas;

- c) significant adjustments resulting from the audit;
 - d) the going concern assumption;
 - e) compliance with accounting standards;
 - f) compliance with legal requirements;
 - g) compliance with the Financial Memorandum and Terms and Conditions of grant;
- to discuss with the external auditors, problems and reservations arising from interim and final accounts including a review of responses to Management Reports incorporating audit responses and any other matters the external auditors may wish to discuss (in the absence of management where necessary);

Internal Audit

- to promote the understanding of internal audit's role, objectives and status within SEEDA;
- to enhance the independence and value of internal audit;
- to consider the terms of reference of the internal audit team to ensure that it is appropriate, to approve any scope limitations contained therein and to ensure that it is endorsed by formal resolution of the main Board;
- to assist the Head of Internal Audit in judging priorities and defining the scope of audit coverage;
- to review SEEDA's risk assessment and resultant planned programme of internal audit work to ensure its appropriateness;
- to consider the effectiveness, efficiency and economy of the internal audit function and to evaluate its performance on an annual basis;
- to satisfy the Board that the internal audit unit is effective (or make recommendations to the Board as appropriate);
- to monitor the effectiveness of agreed audit recommendations;
- to advise the Accounting Officer on:
 - a) the terms of reference for internal audit and internal audit charter;
 - b) the effectiveness of the internal audit strategy and periodic plan in addressing the organisation's risks;
 - c) the resourcing of internal audit;
 - d) the skill, experience and competency requirements for the post of Head of Internal Audit;
 - e) the periodic work plans of internal audit, and material changes to these plans;
 - f) the Head of Internal Audit's annual and interim audit reports and any implications arising from their findings and opinion;
 - g) the arrangements for and the results of quality assurance processes;

- h) the adequacy of management response to internal audit advice and recommendations;
 - i) the arrangements made for co-operation between internal audit, external audit and other review bodies;
- when it considers it appropriate to recommend to the Accounting Officer that audit assignments are carried out on the Committee's behalf;

General

- to provide a forum for senior management to discuss risk, control and governance issues raised by internal and external auditors with non-executive Board members;
- to aid the co-ordination of the internal audit programme and reviews undertaken by external audit and other consultancy and inspection services;
- to oversee SEEDA's policy on fraud and irregularity including being notified of any action taken under that policy;
- to consider any other matters where requested to do so by the Board;
- to report at least once a year to the Board on the discharge of the above duties.

8. Reporting Procedures

The minutes of every meeting will be circulated to all Board members and to the external auditor. Where appropriate the Chair will report directly to the Board on any issues raised by the Audit Committee.

9. Terms of Appointment

Members of the Committee shall be appointed to the Committee for fixed terms not exceeding three years in the first instance. Rotation of members shall apply with Members being eligible for immediate re-election for a maximum of three years.

The members shall be the following whose terms shall expire on the dates shown:

Phil Wood (Chair)	31.12.2009
Pamela Charlwood	31.12.2009
Keith Mitchell	31.12.2011
Zenna Atkins	31.12.2011