

**APPENDIX 1: PROPOSED TERMS OF REFERENCE OF THE ESPO FINANCE AND
AUDIT COMMITTEE**

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TO THE CONSTITUTION OF THE ESPO MANAGEMENT COMMITTEE
TERMS OF REFERENCE OF THE ESPO FINANCE AND AUDIT COMMITTEE

1. MEMBERSHIP

One (1) Member from each Member Authority currently sitting on the Management Committee.

2. FUNCTIONS

The functions delegated to the Finance and Audit Subcommittee shall be:

1. To receive and approve Internal Audit reports (annual plans, progress and annual reports, and the Internal Audit Charter), escalating high importance recommendations and significant governance concerns to Management Committee for review.
2. To receive and approve the results of the independent external audit, escalating any material control deficiencies or financial irregularities identified to Management Committee for review.
3. To overseeing the process of risk management by:
 - i. Influencing the culture of risk management within the Organisation.
 - ii. Ensuring that a Corporate Risk Register is maintained, including details of the actions taken to mitigate the risks identified.
 - iii. Annually reviewing the Director's statement on the effectiveness of the Organisation's internal control system / Annual Governance Statement
 - iv. Review the Organisation's approach to risk management and approve changes or improvements to key elements of its processes and procedures. (*Note - Changes to risk appetite or the level of risk exposure to remain the responsibility of Management Committee – see 8 below.*)
 - v. Ensuring that the organisation's Contract Procedure Rules are maintained and kept under reasonable review.

The functions referred to the Finance and Audit Subcommittee shall be:-

4. To support the financial planning process by reviewing the content and presentation of draft financial plans and significant Business Cases for the Management Committee;
5. To contribute to the setting of financial performance targets and the monitoring of financial improvements;
6. To receive and review regular reports on monitoring of budgets and performance and other financial management;
7. To receive and review the draft annual financial statements for the Management Committee.
8. To support the Management Committee overseeing the process of risk management and advising on any changes to the risk appetite or level of risk exposure.

3. QUORUM

The quorum at meetings of the Finance and Audit Subcommittee shall be at least 3 (three) Members who are entitled to attend and vote.

4. SUBSTITUTES

Members appointed to serve on the Subcommittee may nominate another member from their Authority to act as a substitute member at a particular meeting provided that at least one day's notice is given to the Consortium Secretary.