

**TERMS OF REFERENCE
FOR THE
AUDIT AND RISK COMMITTEE
OF THE PARTNERSHIP BOARD**

(approved by the Partnership Board on 14 April 2016)

- Membership** The Committee will be made up of at least two independent Non-Executive Directors of the Board, the Partners' Counsellor and one Elected Director (recommended by all the Elected Directors). Membership of the Committee may include external independent members appointed from time to time. At least one member of the Committee will have recent and relevant financial experience.
- Appointments** Members of the Committee will be appointed and removed by the Board.
- Chairman of the Committee** The Chairman of the Committee will be an independent Non-Executive Director, recommended by the Chairman of the Board. In the absence of the Chairman of the Committee, the meetings will be chaired by a member appointed by the Chairman of the Committee, or failing that the remaining members present will elect one of themselves to chair the meeting.
- Secretary of the Committee** The Company Secretary or a nominee appointed by the Company Secretary will act as Secretary to the Committee.
- Quorum** The quorum necessary for the transaction of business will be three members of the Committee to include at least one member who is independent. A duly convened meeting of the Committee at which a quorum is present will be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.
- Authority** The Committee is authorised by the Board to:
- (a) investigate any activity within its terms of reference;
 - (b) seek any information it requires from any Partner (all such requests for information should be channelled through the Finance Director);
 - (c) obtain independent professional advice.

The Committee will have no executive powers

Meetings and reporting

1. Meetings will be held not less than three times a year.
2. Only members of the Committee will have the right to attend Committee meetings. However, the External Auditor and Finance Director will be invited to attend meetings on a regular basis and other non-members may be invited to attend all or part of any meeting as and when appropriate and necessary.
3. The Committee will report its activities, observations and recommendations to the Board, normally through tabling its draft minutes at the next following Board meeting.

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4. At least once a year the Committee will have separate meetings with the External Auditor and the Head of Internal Audit and Risk Management, without management being present, to discuss their remit and any other matters arising.
5. The External Auditor and/or the Head of Internal Audit and Risk Management may request a meeting with the Committee at their own discretion and at any time.
6. The Committee Chairman will convene a meeting upon the request of any Committee member who considers it necessary.
7. The Committee will review annually its terms of reference and its own effectiveness and recommend any necessary changes to the Board.

Responsibilities

8. The Audit and Risk Committee is responsible to the Board for the oversight of:
 - (a) The integrity of the Partnership's Annual Report and Accounts, and other formal announcements relating to the Partnership's financial performance;
 - (b) External Audit activities;
 - (c) Internal Audit activities;
 - (d) The Partnership's systems of risk management and internal control.

Duties

9. The Committee will carry out the duties below for the Partnership.

Financial Reporting

10. The Committee will monitor the integrity of the formal financial statements of the Partnership, including its annual and half-yearly reports 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 matters communicated to it by the External Auditor.
11. In particular, the Committee will review, challenge management where necessary and advise the Board on:
 - (a) compliance with generally accepted accounting principles, accounting standards, legal and other regulatory requirements;
 - (b) the consistency of, and any changes to, significant accounting policies;
 - (c) the methods used to account for significant or unusual transactions where different approaches are possible;

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- (d) whether appropriate accounting standards have been followed and appropriate estimates and judgements have been made, taking into account the views of the external auditor;
 - (e) the clarity and completeness of disclosure in the company's financial reports and the context in which statements are made;
 - (f) all material information presented with the financial statements, such as the business review and the corporate governance statements relating to the audit and to risk management.
12. The Committee will consider and advise the Board on those matters which will inform the Board's assessment of whether the Partnership is a going concern.

Narrative Reporting

13. The Committee will 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 Partnership's performance, business model and strategy.

External Audit

14. The Committee will recommend to the Board the firm of External Auditors to be appointed, their terms of engagement and remuneration (including both fees for audit and non-audit services), or their removal.
15. The Committee will ensure that at least once every ten years the audit services contract is put out to tender and, in respect of such tender, oversee the selection process and ensure that all tendering firms have such access as is necessary to information and individuals during the duration of the tendering process.
16. The Committee will review and be satisfied with the scope and planning of the External Auditor's work, and any significant changes to its audit plans and to approve these on behalf of the Board.
17. The Committee will review the findings of the audit with the External Auditor. This will include but not be limited to, the following:
- a discussion of any major issues which arose during the audit;
 - key accounting and audit judgements;
 - levels of errors identified during the audit; and
 - the effectiveness of the audit process.
18. The Committee will review any management letter and management's response to the External Auditor's findings and recommendations.

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19. The Committee will review the representation letter(s) requested by the External Auditor before they are signed on behalf of the Board.
20. The Committee will review and monitor annually the External Auditor's independence and objectivity, taking into account relevant professional and regulatory requirements.
21. The Committee will monitor the External Auditor's compliance with relevant ethical and professional guidance and assess annually the qualifications, expertise and resources of the External Auditor and the effectiveness of the audit process, which will include a report from the external auditor on their own internal quality procedures.
22. The Committee will determine, implement and monitor compliance with the Partnership's policy on the engagement of the External Auditors to supply non-audit services, taking into account relevant professional ethical guidance.
23. The Committee will be satisfied that the work of the External and Internal Auditors is properly co-ordinated, to avoid any unnecessary duplication of effort and business disruption.

Internal Audit

24. The Committee will consider and approve Internal Audit's terms of reference.
25. The Committee will satisfy itself that Internal Audit has the necessary resources to perform in accordance with appropriate professional standards for internal auditors and has access to information to enable it to fulfil its mandate.
26. The Committee will review and assess Internal Audit's workplans, the results of audit assignments, and management's responses and actions taken.
27. The Committee will monitor and consider the performance, objectivity, quality and effectiveness of the Internal Audit function.
28. The Committee will consider any significant difficulties or disputes encountered during the course of internal audit work, any restrictions placed on internal audit work or the Internal Auditor's access to required information or personnel, and any other matters that the Head of Internal Audit and Risk Management wishes to draw to the Committee's attention.
29. The Committee will ensure that the Head of Internal Audit and Risk Management has direct access to the Chairman and to the Committee Chairman, and is accountable to the Committee.
30. The Committee will approve the appointment or dismissal of the Head of Internal Audit and Risk Management.

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Risk Management and Internal Control

31. The Committee will keep under review the Partnership's capability to identify, assess and manage risk within the risk appetite set by the Board.
32. The Committee will monitor the adequacy and effectiveness of the Partnership's internal financial controls and internal control and risk management systems and satisfy itself that there are adequate resources and management reporting to support such controls and systems.
33. The Committee will review and advise the Board on the statements to be included in the annual report concerning internal controls and risk management.
34. The Committee will review the arrangements by which Partners and contractors may, in confidence, raise concerns about possible improprieties concerning the Partnership's assets, finances, financial accounting, reporting, systems of internal control and other matters. The Committee will ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.
35. The Committee will review the Partnership's systems and controls for the detection of fraud and the prevention of bribery and receive appropriate reports from management.