

## **NATIONAL CENTRE FOR CIRCUS ARTS**

### **AUDIT COMMITTEE**

Approved by the Board on 23 January 2024

Revised: January 2024

The Audit Committee (“the Committee”) is a committee of the National Centre for Circus Arts (“National Centre”) Board of Trustees (“the Board”), from which it derives its authority and to which it shall regularly report.

#### **Purpose**

1. Advise and assist the governing body in respect of the risk profile and control environment (and related assurance work) of the institution.
2. Provide a forum for detailed discussion of matters within its remit.
3. Make recommendations to the Board of Trustees following those discussions.
4. Provide support and advice to the Senior Management Team on relevant executive level decisions.

#### **Terms of Reference**

5. Advise the governing body on the appointment of the external auditors, the audit fee, the provision of any non-audit services by the external auditors, and any questions of resignation or dismissal of the external auditors.
6. Discuss with the external auditors, before the audit begins, the nature and scope of the audit.
7. Discuss with the external auditors problems and reservations arising from the interim and final audits, including a review of the management letter, incorporating management responses, and any other matters the external auditors may wish to discuss (in the absence of management where necessary).
8. Consider and advise the governing body on the appointment and terms of engagement of the internal audit service (and the head of internal audit if applicable), the audit fee, the provision of any non-audit services by the internal auditors, and any questions of resignation or dismissal of the internal auditors.
9. Discuss with the internal auditors’ their audit risk assessment, strategy and programme prior to the audit starting.
10. Discuss with internal auditors problems and reservations arising from internal audit investigations and management response.
11. Promote coordination between the internal and external auditors. The Committee will ensure that the resources made available for internal audit are enough to meet the institution’s needs (or make a recommendation to the governing body as appropriate).
12. Keep under review the effectiveness of the risk management, culture, control and governance arrangements, including conducting an assessment not less than once every two years on the effectiveness of the other Board sub-committees.

13. The effectiveness of the Audit sub-committee will be assessed by the Chair of the Board not less than once every two years.
14. Monitor the implementation of agreed audit-based recommendations from whatever source.
15. Ensure that all significant losses have been thoroughly investigated and that the internal and external auditors – and where appropriate the regulator – have been informed.
16. Oversee the institution's policy on fraud and irregularity, including being notified of any action taken under that policy.
17. Satisfy itself that suitable arrangements are in place to ensure the sustainability of the institution and to promote economy, efficiency and effectiveness. This may include consideration of arrangements that:
  - a. Support the culture and behaviour that is prevalent within the institution;
  - b. Ensure the effective management of conflicts of interest; and
  - c. Enable the appointment of 'fit and proper persons' to the governing body and senior executive positions.
18. Satisfy itself that effective arrangements are in place to ensure appropriate and accurate data returns are made to external stakeholders and regulatory bodies.
19. Provide oversight of any Key Performance Indicators agreed with external stakeholders and regulatory bodies.
20. Receive any relevant reports from the National Audit Office and its equivalents in Scotland, Wales and Northern Ireland, the regulator and other organisations.
21. Monitor annually the performance and effectiveness of the external and internal auditors, including any matters affecting their objectivity, and make recommendations to the governing body concerning their reappointment, where appropriate.
22. Monitor other relevant sources of assurance, for example other external reviews.
23. Consider elements of the annual financial statements in the presence of the external auditors, including the auditors' formal opinion, the statement of members' responsibilities and the statement of internal control, in accordance with the regulator's accounts directions.
24. In the event of the merger or dissolution of the institution, ensure that the necessary actions are completed, including arranging for a final set of financial statements to be completed and signed.
25. The Chair will receive any whistleblowing disclosures if an employee feels they cannot be made to the Chief Executive Officer or Chair of the Board of Trustees.

## **Members**

26. Members of the Committee and its Chair will be appointed by and from the Board, and must consist of members with no executive responsibility for the management of the institution. There will be a maximum of five members.
27. Members who are absent from three or more consecutive meetings of the Trustees (either a full Board meeting or subcommittee meeting); or from more than 50 per cent of the meetings of the Trustees in any 12 month period will need to be reappointed by the Board.
28. The Chair of the Board and the Chair of the Finance Committee cannot be the Chair of the Committee, although he/she may be a member of the Committee.

29. At least one member should have recent relevant experience in finance, accounting or auditing.
30. Other members may be appointed to the Committee from outside the Board if they have skills and experience that is needed; external members may not constitute more than fifty percent of committee membership.
31. Appointments will be initially for three years with the possibility of reappointment for one further three-year term.

### **Quorum**

32. The quorum necessary for the transaction of business is three. A duly convened meeting of the Committee at which a quorum is present are able to exercise all or any of the authorities, powers and discretions of the Committee. If the meeting is inquorate decisions cannot be made and any discussions will be informal. The Committee Chair may then decide to call a special meeting to undertake the remaining business, seek resolution in writing outside of the meeting or refer any decisions to the next meeting of the Board.

### **Meetings**

33. Meetings will usually be held four times in each year at appropriate times in the reporting cycle. Meetings can be called at other times if required by the Chair of the Committee or Chair of the Board.
34. The external auditors or head of internal audit may request additional meetings if they consider it necessary.
35. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed and related papers, will be forwarded to each Committee member, any other person required to attend and all Board members no later than five days before the meeting.

### **Chair**

36. The Chair of the Board will appoint one of the other members of the Board as Chair of the Audit Committee ("the Chair"). The Chair of the Board cannot be the Chair of the Committee. In the absence of the Chair, the remaining members should elect one of themselves to chair the meeting.

### **Attendance at meetings**

37. Only members of the Committee have the right to attend Committee meetings.
38. The relevant senior managers shall attend meetings where business relevant to them is to be discussed. External and internal auditors will attend to discuss their work and results. External advisers may be invited to attend all or part of any meeting as and when appropriate. The Committee has the right, whenever it is satisfied that this is appropriate, to go into confidential session and exclude any or all other participants and observers other than the Audit Committee Secretary.

### **Access to the Chair**

39. The Senior Management Team will have free and confidential access to the Chair.

### **Secretarial support**

40. The Committee will have access to sufficient resources in order to carry out its duties. This will include the support of a note taker with responsibility for arranging meetings, drafting agendas in consultation with the Chair and CEO or COO, commissioning and circulating papers, maintaining Committee records including taking minutes and supporting Committee business that may fall outside meetings.

### **Minutes**

41. Committee proceedings, decisions and actions required from all meetings will be minuted and will include a record of the names of those present and in attendance.
42. Any potential conflicts of interest must be identified at the start of each meeting and recorded in the minutes. Each member has a duty to notify any circumstance which may constitute a conflict of interest to the Chair before the meeting to enable a decision to be made as to what procedure should be adopted to limit the member's participation in the meeting in respect of the Agenda item(s) which gives rise to the conflict or potential conflict.
43. Draft minutes will be circulated initially to the Chair of the committee and then to Committee members for approval. Minutes will be circulated to all Trustees as part of a pack of information prior to a Board meeting unless a conflict of interest or a matter of confidentiality exists.

### **Disclosure**

44. The National Centre Trustee Report within the annual accounts will describe the role, responsibilities and composition of the Committee. Membership of the Committee will be available on the National Centre's website.

### **Training**

45. The National Centre will make resources available to provide Committee members with appropriate training, with an induction process for new members and ongoing training as appropriate for existing members.

### **Conduct**

46. The same expectations for conduct as set out in the Code of Conduct for the Board apply to all members of the Board's Committees.

### **Scope of delegated authority**

47. The Committee is a committee of the Board to which it reports on a regular basis.
48. The Committee's authority extends to all relevant matters (as set out in these Terms of Reference) relating to National Centre business.
49. The Committee is authorised by the governing body 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 cooperate with requests made by the Committee. The Committee will make recommendations to the Board that are appropriate on any area within its remit where action is required.
50. The Committee is authorised by the governing body to obtain outside legal or other independent professional advice and to secure the attendance of non-members with relevant experience and expertise if it considers this necessary, normally in

consultation with the CEO and/or Chair of the governing body. The costs of this advice must have the prior approval of the governing body.

51. The Audit Committee is authorised to approve all audit planning documents on behalf of the governing body.
52. The Audit Committee will review the audit of the draft annual financial statements. These aspects will include the external audit opinion, the statement of members' responsibilities, the statement of internal control and any relevant issue raised in the external auditors' management letter. The Committee should, where appropriate, confirm with the internal and external auditors that the effectiveness of the internal control system has been reviewed, and comment on this in its annual report to the governing body.
53. Chair of the Audit Committee will co-sign the annual financial statements.

### **Reporting responsibilities**

54. Following a meeting of the Committee, the Chair will provide an oral report on Committee proceedings at the next Board meeting. The minutes of Committee meetings will be circulated to all Board members in advance of Board meetings to enable the Board to discuss items where appropriate.
55. The Committee will make whatever recommendations to the Board that are appropriate on any area within its remit where action is required.
56. The Committee Chair will be available to answer questions arising from the activities of the Committee from key stakeholders e.g. the Office for Students, other funders and partners.
57. The Committee will review an annual report covering the institution's financial year and any significant issues up to the date of preparing the report. The report will be prepared by the CEO, reviewed by the Audit Committee and recommended for approval by the Board. It will give the Board's opinion of the adequacy and effectiveness of the institution's arrangements for the following:
  - risk management, control and governance (the risk management element includes the accuracy of the statement of internal control included with the annual statement of accounts); and
  - sustainability, economy, efficiency and effectiveness.

The report will usually be published after consideration by the governing body.

### **Other matters**

58. The Committee will:
  - Review its own Terms of Reference annually and recommend to the Board any amendments it considers necessary.
  - Regularly review its own skills mix to ensure it is appropriate to the Committee's duties.
  - Assess its own performance and effectiveness bi-annually as part of an ongoing Board evaluation exercise.
  - Carry out a bi-annual effectiveness review of the other sub-Committees.
  - Promote equality, diversity and inclusion (ED&I) with specific reference to the institution's EDI policy and strategy, and to reflect regularly on how the work of the Committee are supporting the strategy.