

## **HALLÉ CONCERTS SOCIETY AUDIT COMMITTEE**

### **Terms of Reference**

#### **Date last reviewed**

#### **Membership**

The committee shall be appointed by the Board. The majority of members of the committee shall be members of the Board but the Board may appoint external co-optees to be members of the committee. 04/16

The committee shall consist of not less than three members. A quorum shall be two members, at least one of whom shall be a member of the Board.

The chairman of the committee shall be appointed by the Board from amongst the independent non-executive directors. The chairman of the Board may be a member of the committee but should not be its chairman. 04/16

One member of the audit committee should have significant, recent and relevant financial experience.

#### **Secretary**

The secretary of the company or a suitable person designated by him/her shall be the secretary of the committee.

#### **Attendance at meetings**

No one other than the audit committee members shall be entitled to attend audit committee meetings.

The chairman, other non-executive directors, CEO, finance director, representatives of the external auditors, or other persons shall attend meetings at the invitation of the committee.

There should be the opportunity at least one meeting a year, or part thereof, for the audit committee to meet the external auditors without the presence of the CEO or finance director.

#### **Frequency of meetings**

Meetings shall be held not less than twice a year (to coincide with key dates in the company's financial reporting cycle).

External auditors may request a meeting if they consider that one is necessary.

None  
requested

#### **Authority**

The committee is authorised by the board to:

- investigate any activity within its terms of reference.
- seek any information that it requires from any employee of the company and all employees are directed to cooperate with any request made by the committee.
- obtain outside legal or independent professional advice, at the company's expense, and secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

#### **Duties**

The duties of the committee shall be:

#### **Financial reporting**

- to review, and challenge where necessary, the actions and judgments of management, in relation to the company's financial statements, CEO's and financial review and related formal statements before submission to, and approval by, the board, and before clearance by the auditors. Particular attention should be paid to:

- critical accounting policies and practices, and any changes in them;
- decisions requiring a significant element of judgment;
- the extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed
- the clarity of disclosures;
- significant adjustments resulting from the audit;
- the going concern assumption;
- compliance with accounting standards;
- compliance with Charities Commission and other legal requirements;
- to consider other topics, as defined by the board.

### **Internal control and risk management**

- to review the company's procedures for detecting fraud and whistle blowing and ensure that arrangements are in place by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control or any other matters; 04/16
- to review management's business risk assessment prior to adoption by the Board; 04/16
- to obtain information on how the Society's officers monitor the effectiveness of the Society's financial reporting controls. Inquire into any significant changes planned regarding systems or controls within the next year; 08/15
- to review and consider the appropriateness of expenditure authorisation procedures. 08/15
- to review the statement in the annual report and accounts on the company's internal controls and risk management framework; 08/15
- to assess the scope and effectiveness of the systems established by management to identify, assess, manage and monitor financial and non-financial risks. [Note: the board retains responsibility for the review of the effectiveness of the system of internal control and must form its own opinion despite aspects of that review being delegated to the audit committee.] 04/16
- to inquire into the procedures the Society has in place for monitoring compliance with laws and regulations and ask officers to provide a summary concerning compliance.
- to consider the appropriateness of, and to make recommendations to the Board about, an internal audit function.

### **External audit**

- to oversee the company's relations with the external auditor; 04/16
- to consider, and make recommendations on the appointment, reappointment and removal of the external auditor; 08/15
- to approve the terms of engagement and the remuneration to be paid to the external auditor in respect of audit services provided; 04/16
- to assess the qualification, expertise and resources, effectiveness and independence of the external auditors annually. Steps to consider include:
  - seeking reassurance that the auditors and their staff have no family, financial, employment, investment or business relationship with the company (other than in the normal course of business); seeking from the audit firm, on an annual basis, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including current requirements regarding the rotation of audit partners and staff;
  - monitoring the external audit firm's compliance with applicable ethical guidance relating to the rotation of audit partners; 04/16

- agreeing with the board and monitoring the company's policy for the employment of former employees of the external auditor;
- to review, before the audit commences, the nature and scope of the audit and if necessary discuss it with the external auditor;
- to review with the external auditors, the findings of their work, including, any major issues that arose during the course of the audit and have subsequently been resolved and those issues that have been left unresolved; key accounting and audit judgements; levels of errors identified during the audit, obtaining explanations from management and, where necessary the external auditors, as to why certain errors might remain unadjusted; 08/15
- to review the audit representation letters before consideration by the board, giving particular consideration to matters that relate to non-standard issues; 08/15
- to assess, at the end of the audit cycle, the effectiveness of the audit process by:
- reviewing whether the auditor has met the agreed audit plan and understanding the reasons for any changes, including changes in perceived audit risks and the work undertaken by the external auditors to address those risks;
- consideration of the robustness and perceptiveness of the auditors in their handling of the key accounting and audit judgements identified and in responding to questions from the audit committees, and in their commentary, where appropriate, on the systems of internal control;
- obtaining feedback about the conduct of the audit from key people involved;
- to review and monitor the content of the external auditor's management letter if issued, in order to assess whether it is based on a good understanding of the company's business and establish whether recommendations have been acted upon and, if not, the reasons why they have not been acted upon; 08/15
- to develop and recommend to the board the company's policy in relation to the provision of non-audit services by the auditor and ensure that the provision of such services does not impair the external auditor's independence or objectivity. In doing so, the audit committee should;
  - consider whether the skills and experience of the audit firm make it a suitable supplier of the non audit services;
  - consider whether there are safeguards in place to ensure that there is no threat to objectivity and independence in the conduct of the audit resulting from the provision of such services by the external auditor;
  - consider the nature of the non-audit services, the related fee levels and the fee levels individually and in aggregate relative to the audit fee;
  - set and apply a formal policy specifying the types of non-audit work: from which the external auditors are excluded; for which the external auditors can be engaged without referral to the audit committee; and for which a case-by-case decision is necessary.

### **Reporting**

The Secretary shall circulate the minutes of meetings of the committee to all members of the board. 04/16

The audit committee shall annually review its terms of reference and its own effectiveness and recommend any necessary changes to the board. 04/16

The audit committee shall prepare a report on its role and responsibilities and the actions it has taken to discharge those responsibilities for inclusion in the annual report and accounts. 04/16

The audit committee chairman shall attend the AGM and shall answer questions on the audit committee's activities and their responsibilities. 11/15

*Whole document Reviewed 26 August 2015 and 11 April 2016*