



## AUDIT AND RISK COMMITTEE TERMS OF REFERENCE

The Board has established an Audit and Risk Committee to support them in their responsibilities for issues of risk, control and governance, financial reporting and associated assurance. The Committee operates as a combined Risk, Audit and Finance Committee.

### Constitution

1. The Audit and Risk Committee is a Committee of the Board.

### Purpose

2. The Audit and Risk Committee exists to:
  - (a) provide the Board and the Director, as the Museum's Accounting Officer, with the assurance that an adequate process of corporate governance, risk management and internal controls are in place and working effectively, and
  - (b) consider the adequacy of the Museum's financial strategy and the annual accounts: ensuring compliance with Government Accounting rules for non departmental public bodies (NDPBs) and Charity Commission regulations applying to the Museum as an exempt charity.

### Membership

3. The Chairman and members of the Committee are appointed by the Board. The Chairman of the Committee shall be a trustee other than the Chairman of the Board.
4. The membership of the Committee shall comprise at least three trustees plus co-opted members.
5. Trustee and co-opted members of the Committee will normally be appointed for a period of four years, but this may be extended for an additional four year term at the Board's discretion.

### Membership Induction and Skills

6. The Museum has established a Nominations Committee to ensure that the appropriate skills set is in place for membership of Board Committees. In addition, there is a formal induction programme and ongoing development programme for trustees and co-opted Board Committee members that includes training on the role of Audit and the Committee in the Museum. Specific training will be arranged for new members of the Audit and Risk Committee.

## **Audit Committee Competency Framework**

7. All members of the Audit and Risk Committee should have, or acquire as soon as possible after appointment, an understanding of:
  - the Museum's aims and current significant issues and risks affecting it;
  - the Museum's structure, including key relationships, e.g. with our sponsoring department;
  - the Museum's culture;
  - relevant legislation or other rules governing the organisation;
  - the government and Museum's environment, particularly accountability structures and current major initiatives.
  
8. The Audit and Risk Committee should corporately possess knowledge, skills and experience in:
  - \* accounting and finance,
  - \* risk management processes,
  - \* internal and external audit processes,
  - \* technical or specialist issues pertinent to the Museum's business; and
  - \* managing or working within similar sized organizations.

## **Quorum**

9. The Committee will be quorate if three members of the Committee are present, at least two of whom must be members of the Board of Trustees.

## **Attendance at Meetings**

10. Committee meetings will normally be attended by the Director, the Director of Finance and Corporate Services, the Head of Risk and Assurance and External Audit representatives. Other Board members have the right of attendance.
11. The Audit and Risk Committee members may ask any other Museum staff to attend meetings to assist them in their discussions.
12. The Audit and Risk Committee may ask any or all of those who attend meetings and are not members, to withdraw to facilitate open and frank discussion of particular matters.
13. A member's appointment may be terminated for persistent non-attendance, if attendance becomes so erratic as to interfere with the proper consideration of Committee business or for any other reason determined by the Committee.

## **Reporting requirements**

14. The Chairman of the Committee will give an oral report to the Board of Trustees on the main points arising at the previous Audit and Risk Committee meeting and Board papers will include the Audit and Risk Committee minutes.
15. The Committee is required to assess its performance annually and report the results of the review to the Board.
16. The Committee will produce an annual report that, amongst other things, summarises the work done during the year, its own effectiveness, the effectiveness of internal and external audit and the quality of assurance given to them. A copy of this report will be circulated to the Board and the DCMS.

## **Access to the Committee**

17. The Head of Risk and Assurance, the Director of Finance and Corporate Services and the most senior representative of each External Audit team will have free and confidential access to the Chair of the Audit and Risk Committee. A closed session between the Committee members, the External auditors and the Head of Risk & Assurance is a standing agenda item at the Summer meeting of the Audit & Risk Committee.

## **Frequency of Meetings**

18. The Committee shall meet four times a year. However, the Chair of the Audit and Risk Committee, the Chair of the Board of Trustees, or the Director may convene additional meetings as and when deemed necessary.

## **Authority**

19. The Audit and Risk Committee is a Committee of the Board of Trustees and operates with authority delegated by them. It is an advisory body to the Director in his capacity as Accounting Officer. The Committee is authorised by the Board to investigate any activity within its terms of reference and to seek any information it requires from staff and others employed by the museum, and carry out other duties as the Board directs.
20. The Audit and Risk Committee is authorised to obtain independent professional advice if it considers this necessary. This should be done within the financial regulations of the Museum and with due attention to the role of the Director as the Museum's Accounting Officer.

## **Responsibilities**

21. The Audit and Risk Committee will advise the Board and Accounting Officer on the following:
  - (a) strategic risk processes, governance and internal control issues, and the content of the Governance Statement and Sustainability Report;
  - (b) adequacy of the internal controls in place for the effective management of information risk;
  - (c) adequacy of the planned activity of the internal and external audit processes;
  - (d) adequacy of management response to issues identified by audit activity, including the external auditors' management letters;
  - (e) adequacy of statutory reports such as the Museum's annual report and accounts, and related disclosures;
  - (f) appropriateness of the accounting policies adopted;
  - (g) adequacy of the Museum's financial policies, plans and budget setting process and the progress against them;
  - (h) adequacy and effectiveness of Museum's internal audit service;

- (i) the adequacy and effectiveness of the external audit services;
- (j) the appointment of the external auditor for the Trading Company;
- (k) the operation of the Museum's code of practice for Board members, the Register of Interests and the code of conduct for staff, including the whistle blowing service;
- (l) the adequacy of policies against fraud and other relevant matters, the implementation of new systems, and compliance with laws and regulations;
- (m) the outcome of the Committee's annual review of its own performance, and compliance with best practice; and
- (n) any other matters requested by the Board.

### **Information requirements**

21. To achieve the above the Audit and Risk Committee will be provided with the following:

- (a) for each meeting:
  - a report summarising any significant changes to the Museum's Risk Register;
  - the Director's report on significant control issues and control failures identified since the last Committee meeting;
  - progress reports from Internal Audit, including summaries of their opinions, main findings and key recommendations of completed internal audits, together with indications of completed management actions; and
  - a progress report from External Audit.
- (b) as appropriate:
  - the Internal Auditor's strategy and annual plans;
  - the External Auditors' strategy documents;
  - the Head of Risk and Assurance's Annual Opinion and Report;
  - Quality Assurance reports on the internal audit function;
  - the Museum's draft and final accounts;
  - the draft and final Governance Statement and Summary Sustainability Report;
  - a report on any changes to accounting policies;
  - the NAO Audit Completion Report to those charged with governance; and
  - management letters arising from the audit of the annual accounts.

Last Approved February 2016