

NATURAL HISTORY MUSEUM
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.

1. Membership

1.1 The committee shall comprise at least three Trustees plus independent external members. At least one member shall have recent and relevant financial experience and the committee as a whole shall have competence relevant to the sector in which the Museum operates. The Chair of the Board shall not be a member of the committee.

1.2 Members of the committee shall be appointed by the board, on the recommendation of the nomination committee in consultation with the chair of the audit committee. Appointments shall be for a period of up to four years which may be extended for an additional four-year period, provided members continue to be independent.

1.3 Independent external members are also subject to Board Members' Standards of Conduct

2. Reporting

2.1 After each meeting, the Audit and Risk Assurance Committee will report to 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.

2.2 the Committee will consider the adequacy of the Museum's financial management, controls, 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.

2.3 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 and will be timed to support finalisation of the accounts and the Governance Statement.

3. Responsibilities

3.1 The Audit and Risk Assurance Committee will advise the Board and Accounting Officer on:

- a) the strategic processes for risk, control and governance and the Governance Statement and Sustainability Report
- b) the accounting policies, the accounts, and the annual report of the organisation, including the process for review of the accounts prior to submission for audit, levels of error identified, and management's letter of representation to the external auditors
- c) adequacy of the Museum's financial policies, plans and budget setting process and the progress against them;

- d) the appointment of the external auditor for the Trading Company, Special Funds and Benevolent Fund Accounts;
- e) the planned activity and results of both internal and external audit
- f) adequacy of management response to issues identified by audit activity, including external audit's management letter
- g) assurances relating to the management of risk and corporate governance requirements for the organisation
- h) the operation of the Museum's code of practice for Board members and the Register of Interests
- i) anti-fraud policies, whistle-blowing processes, and arrangements for special investigations
- j) every two-years the Committee will review a schedule of the policies forming part of the Governance Principles
- k) any other matters requested by the Board; and
- l) the Audit and Risk Assurance Committee will review its own effectiveness each year and report the results of that review to the Board

3.2 Every three years there will be an independent formal review by external consultants commissioned by the Board of Trustees.

4. Rights

4.1 The Audit and Risk Assurance Committee may:

- a) co-opt additional members for a period not exceeding a year to provide specialist skills, knowledge and experience
- b) procure specialist ad-hoc advice at the expense of the organisation, subject to budgets agreed by the Board

5. Access

5.1 The Chair of the Audit and Risk Committee will have regular meetings with the Accounting Officer, Director of Finance and Corporate Services and the Head of Risk and Assurance outside of the formal meetings.

6. Meetings

- 6.1 The Audit and Risk Assurance Committee will meet at least four times a year. The Chair of the Audit and Risk Assurance Committee may convene additional meetings, as they deem necessary
- 6.2 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.
- 6.3 Conflicts will be declared and recorded at the start of each meeting.
- 6.4 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 members of the Board of Trustees have the right of attendance.

- 6.5 The Audit and Risk Assurance Committee may ask any other officials of the organisation to attend to assist it with its discussions on any matter
- 6.6 the Audit and Risk Assurance Committee may ask any or all of those who normally attend but who are not members to withdraw to facilitate open and frank discussion of particular matters
- 6.7 the Board or the Accounting Officer may ask the Audit and Risk Assurance Committee to convene further meetings to discuss issues on which they want the Committee's advice

7. Information requirements

- 7.1 For each meeting the Audit and Risk Assurance Committee will be provided no later than five working days before the date of the meeting with:
 - a) a report summarising any significant changes to the organisation's strategic risks and a copy of the strategic/corporate Risk Register
 - b) a progress report from the Head of Internal Audit summarising:
 - i. work performed (and a comparison with work planned)
 - ii. key issues emerging from the work of internal audit
 - iii. management response to audit recommendations
 - iv. changes to the agreed internal audit plan; and
 - v. any resourcing issues affecting the delivery of the objectives of internal audit
 - c) a progress report (written/verbal) from the External Audit representative summarising work done and emerging findings (this may include, where relevant to the organisation, aspects of the wider work carried out by the NAO, for example, Value for Money reports and good practice findings)
 - d) management assurance reports; and
 - e) reports on the management of major incidents, "near misses" and lessons learned.
- 7.2 As and when appropriate the Committee will also be provided with:
 - a) proposals for the terms of reference of internal audit / the internal audit charter
 - b) the internal audit strategy
 - c) the Head of Internal Audit's Annual Opinion and Report
 - d) quality Assurance reports on the internal audit function
 - e) the draft accounts of the organisation
 - f) the draft Governance Statement
 - g) a report on any changes to accounting policies
 - h) external Audit's management letter
 - i) a report on any proposals to tender for audit functions
 - j) a report on co-operation between internal and external audit; and
 - k) the organisation's Risk Management strategy

8. Other matters

8.1 The committee shall:

- a) Have access to sufficient resources to carry out its duties, including access to the Director's Office for advice and assistance as required
- b) Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members
- c) Be responsible for oversight of the coordination of the internal and external auditors.
- d) Oversee any investigation of activities which are within its terms of reference.
- e) Work and liaise as necessary with all other board committees ensuring interaction between committees and with the board is reviewed regularly
- f) Ensure that a periodic evaluation of the Committee's performance is carried out
- g) At least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the board for approval.

9. Authority

9.1 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.

9.2 The Audit and Risk Committee is authorised to obtain independent professional advice it considers 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.