# **Performance and Audit Committee Terms of Reference**

## Purpose

* 1. Performance and Audit Committee advises National Council and the Accounting Officer on matters relating to risk, internal control, governance and performance management. It is responsible for reviewing the comprehensiveness and reliability of assurances on governance, risk management, performance management, the control environment and the integrity of financial statements and the annual report.

## Responsibilities

### Arts Council England’s Mission and Objectives

* 1. The Committee is committed to supporting the vision set out in the Arts Council’s 2020-2030 Strategy and to fulfilling the objects of Arts Council England as set out in its Royal Charter which is for the public benefit to:
  2. develop and improve the knowledge, understanding and practice of the arts;
  3. increase accessibility of the arts to the public in England; and
  4. advance the education of the public and to further any other charitable purpose which relates to the establishment, maintenance and operation of museums and libraries (which are either public or from which the public may benefit) and to the protection of cultural property; and
  5. advise and co-operate, where it is appropriate to do so, with the Departments of Our Government, Our Scottish Administration, the Northern Ireland Executive and the Welsh Ministers, local authorities, the Arts Councils and equivalent organisations in the museums and libraries sector for Scotland, Wales, and Northern Ireland (or their successors) and other bodies on any matter related to the objects.

*[Article 4 of the Royal Charter]*

### Audit and Risk Assurance

* 1. The Committee will provide advice to National Council and the Accounting Officer on the processes for risk, control and governance, this includes:
* the accounting policies, the accounts and the annual report of the organisation, including the processes for review of the accounts prior to submission for audit, levels of error identified and management’s letter of representation to the external auditors;
* monitoring and challenging the assurance provided by management on risks, corporate governance requirements and on the operation of key controls;
* reviewing the planned activity and results of both internal and external audit including reports on the Council’s accounts, and achievement of value for money;
* considering the adequacy of management’s response to issues identified by audit activity, including external audit’s management letter; and
* reviewing anti-fraud and bribery policies, whistleblowing processes, and arrangements for special investigations.

Performance and Audit Committee will also regularly receive reports from management which enable it to assess the risks involved in the Council’s activities and to consider the principle risks identified by management and how they are controlled and monitored. These will include reports to the committee on the management of any major incidents, including near misses and the lessons learned from these.

* 1. In addition, the Committee has specific responsibilities for internal audit. The Committee will:
* advise on the Council’s internal audit strategy including proposals for tendering for internal audit services;
* approve the appointment of internal auditors;
* decide on the scope and remit of internal audit, including the annual and long-term internal audit programmes; and
* monitor the performance of the Council’s internal audit service to ensure that it meets, or exceeds, the standards specified in the Government Internal Audit Standards and meets agreed levels of service.
  1. The Committee is to be informed of any instances of fraud and, where appropriate, to advise on appropriate actions on Council’s behalf in accordance with responsibilities specified in the Council’s statement of policy on fraud.
  2. The Committee through its Chair will maintain a direct relationship with the internal and external auditors. The internal and external auditors will have free and confidential access to the Chair of the Committee.

### Performance Management

2.6 The Committee will assess and advise National Council, the Chief Executive and Chief Operating Officer on performance management, on how well the performance management framework adopted by Arts Council England enables the organisation to manage and improve the delivery of its functions. This might involve the Committee reviewing and making recommendations to improve:

* The Arts Council’s business planning processes and the systems in place for monitoring and managing performance against its goals and targets
* The use of information in the organisation to support decision making and manage performance
* How well the Arts Council commissions or procures services; and
* How well the Arts Council manages its resources (people, capital assets, and environmental sustainability).
  1. It will inform the Chair of the Arts Council and/or the Chief Executive and Accounting Officer of any significant concerns or areas of note regarding actual management performance.
  2. The Committee will formally receive and review health and safety reports.
  3. National Council may refer particular items that it is concerned about to Performance and Audit Committee for more detailed investigation and scrutiny.

## 3. Frequency of Meetings

* 1. The Committee will meet 4 times a year.

## 4. Delegated Authority

* 1. The Committee has delegated authority to act within its terms of reference.

## 5. Membership

* 1. Membership will comprise at least four members of National Council and

four independent persons. The Committee will be comprised of individuals

with skills and expertise in finance, audit, performance management or in any

other area of benefit to the Committee (at least one member should have

financial management expertise).

* 1. The committee can, where necessary, request to co-opt additional members

to procure specialist expertise. They would be procured at the expense of

Arts Council England for a one-year term, with extensions being granted

under exceptional circumstances.

* 1. The meetings should be regularly attended by the Chief Executive, the Chief

Operating Officer, and the Executive Director and Chief Financial Officer.

They should not, however, be registered or regarded as official members of

the committee. Committee members can also ask these officials to withdraw

from meetings if this is necessary to ensure the free and frank discussion of

views.

* 1. The audit section of the meetings should also include representatives from

Arts Council England’s internal and external auditors.

## 6. Reporting Line

* 1. The Committee will submit a report to National Council after each meeting. It

will also produce an annual report timed to support the finalisation of the

accounts and the Governance Statement, summarising the conclusions from

the work it has done over the year. The Performance and Audit Committee

will also periodically review its own effectiveness and report the results of that

review to National Council.

## 7. Quorum

* 1. The quorum is 3, 2 of whom must be members of National Council.[[1]](#footnote-1)

1. The quorum figure was changed at the 15th April 2020 National Council meeting to ensure the effective operation of the Arts Council’s essential committees during the Covid19 lockdown. This figure will remain in place until the end of July 2020, whereupon the situation will be reassessed. At the end of October 2020 these temporary governance arrangements described above were extended until 31st March 2021, ratified by National Council on 10th November 2020. [↑](#footnote-ref-1)