

# National Savings and Investments Audit Committee Terms of Reference

## Context

1. The NS&I Chief Executive, who is appointed by the Chancellor of the Exchequer, bears personal responsibility as Accounting Officer for the National Savings and Investments Agency and for the business of National Savings and Investments (NS&I), as determined from time to time by the Treasury through Managing Public Money and other guidance. They also bear separate legal responsibilities as Director of Savings which cannot be delegated.
2. The Chief Executive therefore remains ultimately accountable for the achievement of the Agency's objectives and for its financial statements, and for giving assurance, via the annual report and financial statements to the audit Committee that the Agency has an effective system of internal control. The Chief Executive is advised by the Board whose advice they are expected to accept except when they see it as conflicting with their Accounting Officer responsibilities. The Board delegates oversight of issues relating to internal control, risk management, the annual financial statements and Statement of Internal Control (SIC) to the Audit Committee.

## Audit Committee responsibilities

3. The Chief Executive cannot provide the SIC in isolation, but has to rely on assurance from their senior managers that an effective system of internal control operates within the areas for which they are responsible. This line management assurance is augmented by independent assurance from Internal Audit.
4. The Audit Committee is responsible for assuring the Chief Executive and the Board on the adequacy of:
  - assurances relating to the corporate governance requirements for the Agency
  - processes in place to ensure appropriate compliance with regulation (in particular including Anti-Money Laundering and aspects of the FSA regulation)
  - anti-fraud policies, speaking up (whistleblowing) and arrangements for special investigations
  - the processes within NS&I and Siemens IT Solutions (SIS)<sup>1</sup> for risk, control, governance, security and the SIC
  - the accounting policies and accounts and the annual report of NS&I, including the process in relation to their audit and the levels of error and the management letter of representation to the external auditors
  - internal audit arrangements within NS&I and SIS, including resourcing to provide the level of independent assurances to the Accounting Officer
  - the planned activity and results of both internal and external audit and ensuring value for money from use of overall resources
  - adequacy of management response to issues identified by audit activity, including external audit's management letters
  - the relationships between NS&I Internal Audit, SIS Audit and Risk Management (ARM) and the external auditors
  - proposals for tendering for Internal Audit services or for purchase of non-audit services from contractors who provide audit services; and will

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<sup>1</sup> In these Terms of Reference, reference to Siemens IT Solutions and Services or SIS means the part of that organisation relevant to the NS&I business

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seek assurances from the NAO on the adequacy of arrangements for tendering/subcontracting external audit services.

5. The Audit Committee will also annually review its own effectiveness and report the results of that review to the Board.
6. In addition, the Committee will provide support and guidance to the Head of Internal Audit.
7. The Audit Committee will have a private discussion at least twice a year with the External Auditors.

### **Discharge of responsibilities**

8. To meet its objectives the Audit Committee will be provided with:

#### At each meeting:

- a report showing projects rated as red, including commentary
- a report showing EMT top risks and progress on developing the risk management framework and summarising any significant changes to the NS&I top risks
- a progress report from the Head of Internal Audit summarising:
  - work performed (and a comparison with work planned)
  - key issues emerging from Internal Audit work
  - delays in responding to audit reports, and any overdue implementation of agreed high priority actions
  - changes to the Annual Plan
  - any resourcing issues affecting the delivery of Internal Audit objectives
- a summary from the Senior Information Risk Officer (SIRO) on information risk; and current and planned mitigations
- where appropriate a report from NAO on any key work and emerging findings.

#### Annually:

- reports on:
  - Compliance, including Anti-Money Laundering and overall progress towards FSA compliance
  - speaking up/whistleblowing
  - Freedom of Information
  - Data Protection
  - Health and Safety
  - Business Continuity and Disaster Recovery
- Internal Audit and NAO Plans for the coming year
- draft Annual Report and Resource and Product Accounts for clearance, including the SIC
- NAO Management Letters and Management responses
- the Annual Opinion and Report of the Head of Internal Audit.

#### As appropriate:

- proposals for the Terms of Reference of the Committee and of Internal Audit
- the proposed Internal and External Audit Strategies for NS&I
- Quality Assurance reports on the Internal Audit functions
- a report on any proposed changes to accounting policies
- a report on any proposals to tender for Internal Audit functions, the draft specification of services, the proposed list of bidders and the recommendation on the firm to be appointed

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- any issues referred to it from time to time by the Board.

### **Membership**

9. Membership of the Audit Committee comprises:
- two independent Non-Executive Directors, one of whom acts as Chairman
  - a representative of Treasury Debt and Reserves Management (DRM)

In addition the Committee may co-opt additional members for a period not exceeding three years prior to reappointment, subject to a maximum of six years to provide specialist skills, knowledge and experience; and procure specialist ad-hoc advice at the expense of the organisation, subject to budgets agreed by the Board.

### **Attendees**

10. The NS&I Chief Executive (as Accounting Officer) and Finance and Risk Director attend all meetings (subject to paragraph 12 below).
11. The NS&I Head of Internal Audit, NAO Director (and, under the NAO's framework agreement, the external Audit Partner responsible to the NAO for the external audit of NS&I's product accounts) are expected to attend all meetings or where this is not possible, ensure the attendance of a substitute.
12. All other NS&I Board members may request to attend meetings; and other members of NS&I, SIS (including the SIS Account Director, SIS Head of Audit and Risk Management), and HMT may be invited to attend meetings for specific agenda items.
13. The Audit 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. In addition the Head of NS&I Internal Audit and the representative of External Audit will have free and confidential access to the Chair of the Audit Committee.

### **Chairman**

14. The Chairman:
- chairs Audit Committee meetings, managing discussion to ensure all attendees have the opportunity to contribute as they wish; and that as far as is possible the meeting runs to time
  - agrees the final version of the agendas and minutes
  - holds meetings with the external auditors at least annually.

### **Meetings**

15. The Audit Committee meets a minimum of four times a year, on dates to be agreed annually. Meetings will be quorate only when attended by at least two committee members. The Chair of the Audit Committee may convene additional meetings, as deemed necessary; and the Board or the Accounting Officer may ask the Audit Committee to convene further meetings to discuss particular issues on which they want the Committee's advice.

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### **Reporting**

16. The Committee will formally report to the Board via the committee Chairman in writing:
- after each meeting
  - annually, timed to support finalisation of the Annual Report and Accounts and the Statement on Internal Control, summarising its conclusions from the work it has done during the year
  - annually on the performance of the Committee.

### **Papers and minutes**

17. All Audit Committee agendas, papers and minutes will be circulated to NS&I Board members and other standing invitees a minimum of three working days before each meeting.
18. Minutes of Audit Committee meetings will normally be produced in draft within three working days of the meeting.

### **Support to the Audit Committee**

19. The NS&I Board Secretary acts as Secretary to the Audit Committee. The Finance and Risk Director's PA will provide administrative support to the Board Secretary in this role.

**Agreed by the Board on 5 October 2010**