

NATIONAL SAVINGS AND INVESTMENTS AUDIT COMMITTEE

TERMS OF REFERENCE AND RESPONSIBILITIES

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 Statement on Internal Control (SIC), 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, the annual financial statements and 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
 - ◆ the strategic processes within NS&I and Siemens IT Solutions and Services (SIS)¹ for risk, control and governance and the Statement on Internal Control
 - ◆ the accounting policies, the accounts, and the annual report of NS&I, 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
 - ◆ the planned activity and results of both internal and external audit
 - ◆ adequacy of management response to issues identified by audit activity, including external audit's management letter
 - ◆ assurances relating to the corporate governance requirements for the organisation
 - ◆ the relationships between NS&I Internal Audit, SIS Audit and Risk Management (ARM) and the National Audit Office (NAO) and any organisations appointed by the NAO to audit NS&I's Accounts.
 - ◆ internal audit arrangements within NS&I and SIS, including resourcing, to provide the level of independent assurance which the Accounting Officer requires
 - ◆ anti-fraud policies, whistle-blowing processes, and arrangements for special investigations

¹ 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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- ◆ the planned activity, and achievements against that plan, of both internal and external audit
 - ◆ arrangements to ensure best value for money from the use of overall audit resources consistent with the achievement of the requisite level of assurance
 - ◆ proposals for tendering for either Internal or External Audit services or for purchase of non-audit services from contractors who provide audit services
 - ◆ the Audit Committee will also periodically review its own effectiveness and report the results of that review to the Board
5. In addition, the Committee will provide support and guidance to the Head of Internal Audit.

DISCHARGE OF RESPONSIBILITIES

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

At each meeting:

- ◆ a report showing the risk mitigation strategies for residually red top risks and summarising any significant changes to the NS&I and SIS Risk Registers
- ◆ 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 progress report from the NAO summarising work done and emerging findings.

Annually:

- ◆ reports on
 - ◆ Compliance, including Anti-Money Laundering
 - ◆ Whistleblowing
 - ◆ Freedom of Information
 - ◆ Data Protection
 - ◆ Health and Safety
 - ◆ Business Continuity and Disaster Recovery
 - ◆ Progress towards voluntary compliance with Financial Services Authority (FSA) requirements as agreed with the FSA
- ◆ Internal Audit Plan for the coming year
- ◆ draft Resource and Product Accounts for clearance, including the Statement on Internal Control (SIC)
- ◆ NAO Management Letters and Management responses
- ◆ Annual Risk Register
- ◆ the Annual Opinion and Report of the Head of Internal Audit

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As appropriate:

- ◆ a report of any significant issues arising from the NS&I/SIS Joint Audit and Risk Management Committee (JARMC)
- ◆ proposals for the Terms of Reference of the Committee and of Internal Audit
- ◆ the proposed Internal Audit Strategies for both NS&I and SIS
- ◆ 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 Audit functions, the draft specification of services, the proposed list of bidders and the recommendation on the firm to be appointed
- ◆ a report on progress towards achieving an integrated Audit Plan encompassing both Internal and External Audit effort
- ◆ any issues referred to it from time to time by the Board

MEMBERSHIP

7. Membership of the Audit Committee comprises
 - ◆ Two (three) 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 a year 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

8. The NS&I Chief Executive (as Accounting Officer) and Finance and Risk Director attend all meetings (subject to paragraph 11 below)
9. The NS&I Head of Internal Audit, NS&I Head of Risk, SIS Account Director SIS Head of Audit and Risk Management NAO Director and Audit Manager responsible for the external audit of NS&I's accounts are expected to attend all meetings or where this is not possible, ensure the attendance of a substitute
10. All other NS&I board members also have standing invitations to attend meetings; and other members of NS&I, SIS and HMT may be invited to attend meetings for specific agenda items.
11. 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

12. 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.

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MEETINGS

13. 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.

REPORTING

14. The Committee will formally report to the Board via the committee Chairman in writing
 - ◆ after each meeting
 - ◆ bi-annually on the status of top risks shown residually as red, and the adequacy of mitigation plans
 - ◆ annually with an Annual Report, timed to support finalisation of the 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

15. 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.
16. Minutes of Audit Committee meetings will normally be produced in draft within 3 working days of the meeting.

SUPPORT TO THE AUDIT COMMITTEE

17. 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.