

NS&I Audit and Risk Committee Terms of Reference

June 2019

AUTHORITY

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 ('the 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. The Chief Executive also bears 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 that the Agency has an effective system of internal control.
3. The Chief Executive is advised by the Board whose advice he/she is expected to accept when she sees it as conflicting with her Accounting Officer responsibilities. The Board delegates oversight of issues relating to internal control, risk management, the annual financial statements and governance to the Audit and Risk Committee.

AUDIT AND RISK COMMITTEE RESPONSIBILITIES

4. The Audit and Risk Committee shall provide independent advice to the Accounting Officer and Board in respect of their responsibilities for issues of risk (both current and emerging), internal controls, governance and assurance. This includes determining the nature and extent of the principal risks NS&I is willing to take in order to determine its long-term strategic objectives.
5. The Audit and Risk Committee is responsible for assuring the Chief Executive and the Board on the adequacy of
 - ◆ assurances relating to the governance requirements for the Agency
 - ◆ processes in place to ensure appropriate compliance with financial services regulation (in particular including Anti-Money Laundering)
 - ◆ policies for financial crime, including anti-fraud policies, anti bribery and corruption, speaking up (whistleblowing) and arrangements for special investigations
 - ◆ the processes within NS&I and Atos IT Services UK Limited (Atos)¹ for risk, internal control, governance, security and the Governance Statement
 - ◆ 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

¹ In these Terms of Reference, reference to Atos IT Services UK Limited or Atos means the part of that organisation relevant to the NS&I business

- ◆ internal audit arrangements within NS&I and Atos, 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
 - ◆ management response to issues identified by audit activity, including external audit's management letters
 - ◆ the relationships between NS&I Internal Audit, Atos 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 seek assurances from the NAO on the adequacy of arrangements for tendering/subcontracting external audit services.
6. The Audit and Risk Committee will also annually review its own effectiveness and report the results of that review to the Board.
7. In addition, the Audit and Risk Committee will provide support and guidance to the Head of Internal Audit.
8. The Audit and Risk Committee will have a private discussion at least once a year with the External Auditors.

DISCHARGE OF RESPONSIBILITIES

9. To meet its objectives the Audit and Risk Committee will be provided with

At Each Meeting:

- ◆ a report on the programme of projects that covers system renewal, required business and operational changes, focussing on the red projects and highlighting any issues on the programme critical path
- ◆ 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, including high rated audit actions which have been granted an extension by the Committee outside the Committee meeting or which require approval at the meeting, depending on which is sooner
 - changes to the Annual Plan
 - any resourcing issues affecting the delivery of Internal Audit objectives
- ◆ where appropriate a report from NAO on any key work and emerging findings
- ◆

Bi-Annually

- ◆ a report showing ExCo top risks and progress on developing the management framework and summarising any significant changes to the NS&I top risks
- ◆ Review emerging risks on behalf of the Board
- ◆ assessing the effectiveness of Financial Crime, Anti-fraud policy and procedures in NS&I and fraud reporting

Annually:

- ◆ reports on:
 - Financial Crime and Compliance, including Anti-Money Laundering and overall progress towards regulatory compliance
 - Anti-bribery and corruption (including Speaking Up/Whistleblowing)
 - Freedom of Information
 - Data Protection
 - Business Continuity and Disaster Recovery
 - Security and Information Assurance
- ◆ Internal Audit and NAO Plans for the coming year
- ◆ draft Annual Report and Resource and Product Accounts for clearance, including the form and content of the Governance Statement
- ◆ NAO Management Letters and Management responses
- ◆ the Annual Opinion and Report of the Head of Internal Audit
- ◆ Considers management's view of risk appetite
- ◆ Determines the nature and extent of the principal risks NS&I is willing to take in order to achieve its long-term strategic objectives

As Appropriate:

- ◆ proposals for the Terms of Reference of the Audit and Risk 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
- ◆ any issues referred to it from time to time by the Board
- ◆
- ◆ Review the effectiveness of the external audit process
- ◆
- ◆ Consider whether any changes are required to the internal audit arrangements

MEMBERSHIP

10. Membership of the Audit and Risk Committee comprises:

- ◆ Up to three independent Non-Executive Directors, one of whom acts as Chairman
- ◆ A representative of Treasury Debt and Reserves Management (DRM) or their nominated representative.

The Audit and Risk Committee's membership should reflect a balance of skills and experience, including a member with recent and relevant experience in finance, accounting or auditing. In addition the Audit and Risk 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

11. The NS&I Chief Executive (as Accounting Officer), the Finance Director, Risk Director and Partnership Director shall attend all meetings (subject to paragraph 14 below).
12. 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 accounts) are expected to attend all meetings or where this is not possible, ensure the attendance of a substitute.
13. All other NS&I board members may request to attend meetings.
14. Other members of NS&I, Atos (including the Atos Account Director, Atos Head of Audit and Risk Management), and HMT may be invited to attend meetings for specific agenda items.
15. The Audit and Risk 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, the representative of External Audit, Risk Director and Finance Director will have free and confidential access to the Chair of the Audit Committee.

CHAIRMAN

16. The Chairman:

- ◆ chairs Audit and Risk 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

17. The Audit and Risk Committee meets a minimum of five 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 and Risk 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

18. The Chairman will provide a report on Audit and Risk Committee proceedings at Board meetings. The minutes of Committee meetings will be circulated to all Board members in advance of Board Meetings to enable the Board to discuss matters where appropriate.
19. The Chairman will prepare an annual report on behalf of the Audit and Risk Committee for the Board summarising its conclusions from its work in the past year which is timed to support the preparation of the NS&I's Annual Report.

PAPERS AND MINUTES

20. All Audit and Risk Committee agendas, papers and minutes will be circulated to NS&I Audit and Risk Committee members and other standing invitees a minimum of three working days before each meeting.
21. Minutes of Audit and Risk Committee meetings will normally be produced in draft within 3 working days of the meeting.

SUPPORT TO THE AUDIT AND RISK COMMITTEE

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

Agreed by the Board June 2019 (updated membership)

