

## NATIONAL SAVINGS AND INVESTMENTS (NS&I) AUDIT AND RISK COMMITTEE

### TERMS OF REFERENCE

1. The NS&I Board has established an Audit and Risk Committee, as a committee of the Board, to support the Board and the Accounting Officer in their responsibilities for issues of risk, control and governance.
2. The committee seeks to apply the good practice principles for Audit and Risk Assurance Committees published by HM Treasury (see annex).

#### **Membership, Chair, observer and secretariat**

3. All members of the committee, including any co-opted members, shall be appointed by the Board. The committee membership comprises:
  - 3.1 At least two independent non-executive NS&I Board members, other than the Chair of the Board. One of these members, with relevant experience, shall be appointed by the Board as the Chair of the committee
  - 3.2 HM Treasury representative(s) on the NS&I Board
  - 3.3 Any co-opted committee members.
4. Taken as a whole the committee shall have an appropriate skills mix to allow it to carry out its overall function, and competence relevant to the sectors in which NS&I operates (retail financial services and central government). The committee will include at least one member with recent and relevant experience in finance, accounting or auditing.
5. The Board may co-opt committee members to bring in specialist skills, knowledge and experience. As members of the committee are required to be independent and objective, members of NS&I staff cannot become co-opted members. Co-opted members will normally be appointed for a term of up to three years. They may be reappointed to serve on the committee up to a total of six years from their initial appointment. Extension beyond six years, and up to a maximum of nine years from initial appointment, will only be considered in exceptional circumstances.
6. In the absence of the Chair for any reason the other committee member who is an independent non-executive NS&I Board member shall act as Chair for the duration of that committee meeting.
7. The Chair of the Board, although not a member of the committee and not counted towards

the quorum, may attend meetings as an observer, at the invitation of the Chair of the committee.

8. The NS&I Board Secretary acts as secretary to the committee.

### Reporting to the Board

9. Following review by the Chair of the committee, the committee's draft minutes shall be provided to the Board at the next Board meeting.
10. The committee will provide an annual report to the Board and Accounting Officer summarising conclusions from the committee's work during the year. This report shall be timed to support finalisation of the accounts and the governance statement.

### Responsibilities

11. Reflecting requirements for audit committees in the FCA's Handbook<sup>1</sup> with adaptation for a non-ministerial department and executive agency, without shareholders, audited by the Comptroller and Auditor General, the committee will:
  - 11.1 monitor the financial reporting process and submit recommendations or proposals to ensure its integrity;
  - 11.2 monitor the effectiveness of the NS&I's internal quality control and risk management systems and its internal audit, regarding NS&I's financial reporting, without breaching its independence;
  - 11.3 monitor the statutory audit of the annual financial statements;
  - 11.4 review and monitor the independence of the statutory auditor and in particular the appropriateness of any provision of non-audit services to the NS&I;
  - 11.5 inform the Board of the outcome of the statutory audit and explain how the statutory audit contributed to the integrity of financial reporting and what the role of the committee was in that process.
12. The committee will also advise the Board and Accounting Officer on:
  - 12.1 NS&I's strategic processes for risk, control and governance<sup>2</sup> and assurances relating to the management of risk and corporate governance requirements for the organisation. The committee leads the assessment of the annual Governance

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<sup>1</sup> Disclosure Guidance and Transparency Rules sourcebook, Chapter 7 Corporate Governance, section 7.1 Audit Committees

<sup>2</sup> Including but not restricted to processes to ensure compliance with relevant financial services regulations, processes relating to cyber security and business continuity, and processes to prevent and detect fraud and money laundering,

#### Statement for the Board.

- 12.2 whistle-blowing (speaking up) processes and arrangements for special investigations
  - 12.3 NS&I's accounting policies, judgements and estimates, accounts, and annual report, including the levels of error identified, and management's letter of representation to the external auditors
  - 12.4 the planned activity and results of both internal and external audit
  - 12.5 the adequacy of management's response to issues identified by audit activity, including the external audit management letter
  - 12.6 (where appropriate) proposals for tendering for either internal or external audit services or for purchase of non-audit services from contractors who provide audit services.
13. The committee will scrutinise and advise on other areas as requested by the Board or Accounting Officer.
  14. The committee will take into consideration the risk and control environment, and audit findings, applicable to NS&I as well as those of its providers of outsourced services, to the extent that the suppliers' risk and control environments and audit findings are relevant to the achievement of NS&I's strategic objectives. The committee will also consider the effectiveness of the relationships between NS&I's internal and external auditors and the audit and risk functions of NS&I's providers of outsourced services.
  15. The committee will periodically review its own effectiveness and report the results of that review to the Board.

#### **Rights and authority**

16. Subject to compliance with NS&I's procurement rules and delegated authorities for expenditure, the committee may procure specialist ad-hoc advice at NS&I's expense. The Committee has no other executive authority and shall take care to maintain its independence.
17. The committee may require any member of NS&I staff to report on the control environment, governance or management of risk within their areas of responsibility, in general terms or in respect of specific issues, either by:
  - attending a committee meeting; or
  - providing written report(s) to the committee for the purpose of providing information to assist the committee in fulfilling its role.

The committee may also invite representatives of HM Treasury and of NS&I's providers of outsourced services to report to the committee in person or in writing.

#### **Access**

18. There shall be mutual free and confidential rights of access between each of the Chair of the committee, the Accounting Officer, the Risk Director, the committee secretary the Head of Internal Audit and the external audit representative.
19. The committee will normally meet the external and internal auditors, without others present, at least once a year.
20. The committee members with normally meet once a year without others present.

### **Meetings, quorum, attendees, minutes and papers**

21. The committee normally meets five times a year. The Chair may convene additional meetings, as deemed necessary, and the Board or the Accounting Officer may request further meetings to discuss particular issues on which they want the Committee's advice.
22. The quorum for meetings shall be two members including at least one independent non-executive member of the NS&I Board.
23. Committee meetings will normally be attended by the Accounting Officer, the Chief Operating Officer, the Executive Directors with responsibility for finance and risk, the Head of Internal Audit, and a representative of external audit. The committee may ask other NS&I officials to attend to assist it with its discussions on any matter.
24. The committee may ask any or all of those attending who are not members to withdraw to facilitate open and frank discussion of particular matters.
25. Draft minutes of the committee's meetings will normally be sent to the Chair for review within one week of each meeting and to the Board at its next meeting, before submission to the committee for approval at its next meeting.
26. Committee agendas, papers and draft minutes will be circulated to the members and other standing invitees normally one week before each meeting.

### **Conflicts of interest**

27. Committee members must declare any personal or business interests or involvement with private sector, public sector and voluntary, community or charitable organisations.
28. The register of Board members' interests shall be reviewed at the start of each committee meeting. Committee members and other Board members in attendance will be asked to disclose any changes to their interests and any interests that are relevant to the matters on the agenda for that meeting. Any conflicts of interest identified will be managed in accordance with NS&I's conflicts of interest policy.

### **Information requirements**

29. To fulfil its remit the Audit and Risk Committee will be provided with:

*29.1 at each meeting:*

- a report from the Risk Director addressing, among other things, the top and emerging risks and the status of NS&I policies
- 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
  - management response to audit recommendations
  - changes to the agreed internal audit plan; and
  - any resourcing issues affecting the delivery of the objectives of internal audit
  - where appropriate an external audit report on any key work and emerging findings
- 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)
- management assurance reports; and
- reports on the management of major incidents, “near misses” and lessons learned.

*29.2 twice each year: reports on*

- financial crime and compliance, including fraud reporting and anti-money laundering
- compliance report
- cyber security report

*29.3 annually, reports on:*

- internal and external audit plans for the coming year
- the Head of Internal Audit’s annual opinion and report
- the draft annual report and resource and product accounts for recommendation to the Board and Accounting Officer, including the form and content of the governance statement
- external audit management letters and management responses
- management’s view of risk appetite
- management’s recommendations regarding the nature and extent of the strategic risks NS&I should be willing to take in order to achieve its long-term strategic objectives
- the risk management framework (to support its annual review by the committee)
- anti-bribery and corruption (including speaking up/whistle-blowing)
- freedom of information

- data protection
- business continuity and disaster recovery
- security and information assurance

29.4 *as appropriate:*

- proposals for the committee's terms of reference
- a report on any proposed changes to accounting policies
- the organisation's risk management strategy
- proposals for the terms of reference of internal audit / the internal audit charter
- the internal and external audit strategies
- quality assurance reports on the internal audit functions
- recommendations regarding any changes required to the internal audit arrangements.
- 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
- reports on co-operation between internal and external audit
- reports on reviews of the effectiveness of the external audit process
- information about any significant issues arising in the multi supplier environment
- reports on the findings of the internal auditors of NS&I's suppliers.

30. In addition, the committee will address horizon scanning at each meeting other than the short June meeting to review the final annual report and accounts.

## Review

31. These terms of reference will be reviewed as required but no less frequently than annually.
32. The terms of reference were approved by the NS&I Board on 4 December 2024.

**Annex: Good practice principles for Audit and Risk Assurance Committees from the ‘Audit and risk assurance committee handbook’ published by HM Treasury**

<p><b>Principle 1: Membership, independence, objectivity and understanding</b></p>	<p>The Audit and Risk Assurance Committee should be independent and objective; in addition, each member should have a good understanding of the objectives and priorities of the organisation and of their role as an Audit and Risk Assurance Committee member.</p>
<p><b>Principle 2: Skills</b></p>	<p>The Audit and Risk Assurance Committee should corporately own an appropriate skills mix to allow it to carry out its overall function.</p>
<p><b>Principle 3: The role of the Audit and Risk Assurance Committee</b></p>	<p>The Audit and Risk Assurance Committee should support the Board and Accounting Officer by reviewing the comprehensiveness and reliability of assurances on governance, risk management, the control environment and the integrity of financial statements and the annual report.</p>
<p><b>Principle 4: Scope of work</b></p>	<p>The scope of the Audit and Risk Assurance Committee work should be defined in its terms of reference, and encompass all the assurance needs of the Board and Accounting Officer. Within this, the Audit and Risk Assurance Committee should have particular engagement with the work of internal audit, risk management, the external auditor, and financial management and reporting issues.</p>
<p><b>Principle 5: Communication and reporting</b></p>	<p>The Audit and Risk Assurance Committee should ensure that it has effective communication with all key stakeholders, for example, the Board, the group chief internal auditor, head of internal audit, the external auditor, risk manager and other relevant assurance providers.</p>