



United Kingdom  
Debt Management  
Office

## **Audit Committee Terms of Reference**

### **1. Introduction**

The Accounting Officer for the UK Debt Management Office has established an Audit Committee to support him and the Secretary and Comptroller General of the CRND and the Secretary of the PWLB in discharging their responsibilities for issues of risk, internal control and governance and associated assurance, including the assurance that the Accounting Officer gives to the Secretary and Comptroller General of the CRND and to the Secretary of the PWLB.

### **2. Scope**

The scope of the Audit Committee encompasses all issues of risk, internal control and governance and associated assurance, including any value for money issues identified in audit reports, relating to the:

- Debt Management Account
- Public Works Loan Board
- Commissioners for the Reduction of the National Debt
- DMO Agency

### **3. Responsibilities**

The Audit Committee's overall objective is to give advice to the Accounting Officer and, as appropriate, to the Secretary and Comptroller General of the CRND and to the Secretary of the PWLB on:

- The overall processes for risk, control and governance and the Governance Statement;
- Management assurances and appropriate actions to follow from internal and external audit findings, risk analysis and reporting undertaken;
- The financial control framework and supporting compliance culture;
- Accounting policies and material judgements, the accounts and the annual report and management's letter of representation to the external auditors;

- Whistle-blowing arrangements for confidentially raising and investigating concerns over possible improprieties in the conduct of the DMO's business;
- Processes to protect against money laundering, fraud and corruption; and
- The planned activity and results of both internal and external audit.

#### **4. Authority**

The Accounting Officer and the Managing Board authorise the Audit Committee to have access to any records, staff and physical properties deemed necessary to assist the Audit Committee in meeting its objective.

The Audit Committee can decide to obtain, in agreement with the Accounting Officer, outside legal or professional advice for the Accounting Officer, who will ensure sufficient funds are made available for this purpose.

Members of the Audit Committee will have free and confidential access to the Accounting Officer and to the NAO but will keep the Accounting Officer informed of any discussions with the NAO.

#### **5. Membership**

Audit Committee members and the Chair are appointed by the Accounting Officer for periods of up to three years. Membership may be extended by no more than two additional three-year periods subject to approval by the Accounting Officer.

There will be no fewer than two members of the Audit Committee at any time.

The current members of the Audit Committee are:

<b>Position</b>	<b>Name</b>	<b>Appointment Date</b>	<b>Appointment due to end</b>
AC Chair	Brian Duffin	1 January 2010	31 December 2018
AC Member	Brian Larkman	1 January 2010	31 December 2016
AC Member	Caroline Mawhood	1 July 2010	30 June 2016

#### **6. Other Attendees**

Audit Committee meetings will normally be attended by the Accounting Officer, either or both of the Co-Heads of Policy & Markets/Deputy Chief Executive, the Chief Operating Officer, the Head of Internal Audit, the Head of Finance and the Head of Risk. The Head of Treasury Group Internal Audit and a representative(s) of the NAO will be invited to attend.

Audit Committee may request the attendance of other officials of the DMO or external professional advisers.

## **7. Conflicts of Interest**

An Audit Committee member or attendee who becomes aware of a potential conflict of interest relating to matters being discussed by the Audit Committee should give prior notification to the Chair or if this is not possible declare this at the meeting and, where necessary, withdraw during discussion of the relevant agenda item.

## **8. Meetings**

Meetings shall be held not less than four times a year. (See Annex for schedule and key documents).

The Chair of the Audit Committee or the Accounting Officer may convene additional meetings as deemed necessary.

A minimum of two members of the Audit Committee must be present for the meeting to be quorate.

In the absence of the Chair the meeting will be chaired by another member.

The Chair may ask any or all of those who normally attend but who are not members of the Committee to withdraw should he deem this to be appropriate.

The Managing Board will appoint the secretary to the Audit Committee. At present the secretary is the Head of Internal Audit.

The Audit Committee will meet at least annually with the NAO in private.

The Audit Committee will meet at least annually with the Head of Internal Audit in private.

Written agendas and supporting papers will be produced and distributed to members and attendees, normally at least a week before the meeting.

Minutes will be circulated to Audit Committee members, other attendees and members of the DMO's Managing Board.

## **9. Access to the Audit Committee**

The Head of Internal Audit and the representative(s) of the NAO will have free and confidential access to the Chair of the Audit Committee.

## **10. Responsibilities relating to internal and external audit**

The Audit Committee will advise the Accounting Officer on:

- the planned activity and results of both internal and external audit;
- the effectiveness of both internal and external audit and performance against key performance indicators;
- the independence of, and quality assurance processes of internal and external audit;
- any proposed restructuring of the DMO's internal audit service, including the purchase of audit services from external sources.

The appointment or dismissal of the Head of Internal Audit requires the prior approval of the Audit Committee.

## **11. Information Requirements**

The Audit Committee has drawn up a cycle of agenda items (see Annex). Papers will be provided for each meeting in accordance with this cycle.

Agenda items additional to the cycle will be agreed with the Chair and papers provided as necessary.

## **12. Reporting to the DMO's Managing Board**

The minutes of each Audit Committee meeting will be circulated to all members of the DMO's Managing Board. The Chair of the Audit Committee may - optionally - also brief Managing Board meetings on the key issues arising from Audit Committee meetings.

## **13. Review**

The Audit Committee will review these Terms of Reference and assess the Committee's effectiveness annually and will submit recommendations for any proposed changes to the DMO's Managing Board for approval.

**Annex – Cycle of agenda items**

	Jan	Apr	June	Sept
<b>Minutes of previous meeting</b>				
Approval and matters arising	*	*	*	*
<b>Risk and Risk Management</b>				
Significant incidents	*	*	*	*
Review of selected high and persistent risks			*	*
<b>Governance arrangements</b>				
Review draft governance statement, including matters arising from	*	*		
fraud risks		*		
anti-money laundering		*		
compliance with legal and regulatory requirements		*		
whistle-blowing and escalation		*		
Review anti-fraud policy (every 3 years)	2018			
Review whistle-blowing policy (every 3 years)	2016			
Review anti-money laundering policy (every 3 years)				2016
Review processes for compliance with applicable legal and regulatory requirements (every 3 years)			2017	
<b>Financial control framework</b>				
Review financial control framework (every 2 years)				2016
Review internal reporting effectiveness (every 2 years)				2017
<b>External financial reporting</b>				
Review reporting timetable/process	*			
Review draft annual reports & accounts			*	
Consider accounting issues and policies papers		*	*	
Consider NAO Management Letters				*
Consider matters arising from WGA returns				*
<b>Internal Audit assurance</b>				
Review Internal Audit strategy and proposed annual audit plan for next financial year		*		
Review annual report from Head of Internal Audit			*	
Consider Internal Audit progress reports including timeliness, effectiveness, and resource and audit expertise.	*	*	*	*
Review independence and objectivity of IA including advisory work				*
HIA & Committee Members only discussion		*		*
<b>NAO relationships</b>				
Review NAO progress reports (as necessary)	*	*	*	*
NAO & Committee Members only discussion	*		*	
Review independence and effectiveness of the NAO				*

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<b>Others</b>				
Review own performance and terms of reference	*			
Review Committee Members' skills base and training needs		*		
<b>Date of next meeting</b>	*	*	*	*
<b>Any other business</b>	*	*	*	*

Some topics are covered periodically as significant changes are infrequent, some with a paper every other year, some with a paper every third year. If a significant change does occur between scheduled presentations, the matter will be brought to the Committee at that time.