

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. Objectives

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

- High quality processes are in place to manage and control risk for the DMO's financial and non-financial activities;
- Overall governance arrangements are appropriate and operating effectively;
- The financial control framework is effective and supported by an appropriate compliance culture;
- External financial reporting is prudent, accurate, timely, appropriate and consistent with relevant guidance;
- Internal financial and management reporting is timely, prudent, appropriate and consistent with external financial reports;
- Whistle-blowing arrangements for confidentially raising and investigating concerns over possible improprieties in the conduct of the DMO's business are adequate;
- Internal Audit assurance provides an appropriate level of comfort to the Accounting Officer; and
- Relationships with the National Audit Office (NAO) are effective.

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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:

Position	Name	Appointment Date	Appointment due to end
AC Chair	Brian Larkman	1 January 2010	31 December 2014
AC Member	Brian Duffin	1 January 2010	31 December 2015
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 Joint 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

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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 A 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.

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;

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- 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 A). 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.

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Annex – Cycle of agenda items

	Jan	Apr	June	Sept
Minutes of previous meeting				
Approval and matters arising	*	*	*	*
High quality risk assessment and mitigation				
Updates re key risks (as necessary) and review of governance statement principal risks	*	*	*	*
Overall governance arrangements				
Review draft governance statement		*		
Review anti-fraud policy and fraud risks	o			
Review whistle-blowing processes	o			
Review anti-money laundering processes				o
Presentations or special topics	*	*		*
Financial control framework				
Review financial control framework				e
Review processes for compliance with applicable legal and regulatory requirements				e
External financial reporting				
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				*
Internal financial and management reporting				
Review internal reporting effectiveness				o
Internal Audit assurance				
Review Internal Audit strategy and proposed programme of work for next financial year		*		
Review annual report from Head of Internal Audit			*	
Review timeliness and content of Internal Audit reports		*		
Review Internal Audit expertise, effectiveness and resources		*		
Consider Internal Audit progress reports	*	*	*	*
HIA & Committee Members only discussion	*		*	
NAO relationships				
Review NAO progress reports (as necessary)	*	*	*	*
NAO & Committee Members only discussion		*		*
Review independence and effectiveness of the NAO				*
Others				

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

Some topics are covered every other year or sooner if major changes occur:
e in even-numbered years, o in odd-numbered years