



Her Majesty's Treasury Exchequer Funds Audit Committee
Terms of Reference



HER MAJESTY'S TREASURY EXCHEQUER FUNDS AUDIT COMMITTEE TERMS OF REFERENCE

1. Introduction

The Exchequer Funds Audit Committee has been established by the relevant Accounting Officers within the HMT Group (the "Accounting Officers") to support them in discharging their respective responsibilities for issues of risk, internal control, governance and associated assurance in respect of the Exchequer Funds for which they are accountable.

2. Scope

The scope of the Exchequer Funds Audit Committee (the "Audit Committee") encompasses all matters relating to the:

- Debt Management Account
- Public Works Loan Board
- Commissioners for the Reduction of the National Debt
- Exchange Equalisation Account
- National Loans Fund
- Consolidated Fund
- Contingencies Fund

3. Purpose

The Audit Committee will provide assurance and support to the Accounting Officers by:

- Reviewing the comprehensiveness of assurances in meeting their assurance needs;
- Reviewing the reliability and integrity of these assurances;
- Providing an opinion on how well each Accounting Officer is supported in decision taking and in discharging their stewardship and accountability obligations (particularly in respect of financial reporting).

In doing this the Audit Committee may provide advice to the Accounting Officers in respect of the:

- Strategic processes for risk management, internal control and governance purposes relating to their relevant areas of responsibility;
- Critical accounting policies and any changes to these;
- Processes for preparing the annual report and accounts, including the Statements on Internal Control;
- Management's letters of representation to the external auditors;
- Annual work programmes and their delivery for both internal and external audit;

- Adequacy of management response to issues reported by internal and external audit, including external audit's management letters;
- Assurances relating to the corporate governance requirements relating to the Accounting Officers' respective areas of responsibility including relevant funds;
- Adequacy of whistle-blowing arrangements for confidentially raising and investigating concerns over possible improprieties in the conduct of business; and
- Processes for monitoring compliance with relevant laws, regulations and codes of conduct.

4. Authority

The Accounting Officers and their respective boards authorise the Audit Committee to access any records, staff and physical properties deemed necessary to assist the Audit Committee in meeting its objectives.

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.

The Chair of the Audit Committee will have free and confidential access to the Accounting Officers and to the National Audit Office but will keep the Accounting Officers informed of his discussions.

5. Membership, Independence, Objectivity and Understanding

Members of the Audit Committee will act with independence and objectivity in the conduct of their responsibilities. In addition each member should have a sound understanding of the objectives and priorities of the organisations within the Audit Committee's scope and of their role as an Audit Committee member.

The Chair will be appointed for a period of up to three years, extendable by no more than one additional three-year period, by the Permanent Secretary to the Treasury ("the Permanent Secretary").

The Chair of the Committee reports directly to the Permanent Secretary.

Audit Committee members will be non-executive and will be selected by the Chair in consultation with the Accounting Officers. In selecting a member, the Chair will take due account of the need to ensure that the Audit Committee as a whole has the range of skills needed to allow it to carry out its overall function.

Audit Committee members will be appointed for periods of up to three years. Membership may be extended by no more than one additional three-year period subject to approval by the Chair in conjunction with the Accounting Officers.

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	Colin Price	January 2007	December 2009
AC Member	Brian Larkman	January 2007	December 2009
AC Member	Mark Clarke	June 2007	May 2010

6. Other Attendees

Audit Committee meetings will normally be attended by the relevant Accounting Officers, other senior managers as appropriate, the Head of Internal Audit for the Exchequer Funds, the Head of Treasury Group Internal Audit and a representative(s) of the external auditors – the National Audit Office.

The Audit Committee may request the attendance of other officials of the constituent organizations within the HMT Group or external professional advisers as necessary.

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.

The Chair of the Audit Committee or an 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 declared 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 Chair will appoint the secretary to the Audit Committee.

Written agendas and supporting papers will be produced and distributed to members and attendees.

Minutes will be circulated to Audit Committee members and other attendees, to members of the Group Resource Audit Committee and to members of the HMT Board and the DMO Managing Board.

9. Access to the Audit Committee

The Head of Internal Audit for the Exchequer Funds, the Head of Treasury Group Internal Audit and the representative(s) of the external auditors will have free and confidential access to the Chair of the Audit Committee.

The Chair of the Exchequer Funds Audit Committee will be invited to attend meetings of the Group Resource Audit Committee and will draw relevant issues to the attention of both committees, as will the Chair of the Group Resource Audit Committee, who will be invited to attend meetings of the Exchequer Funds Audit Committee.

10. Responsibilities relating to internal and external audit

The Audit Committee will advise the Accounting Officers 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 and quality assurance processes of internal and external audit;
- Any proposed restructuring of the internal audit service, including the purchase of audit services from external sources;

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

11. Information Requirements

For each meeting the Audit Committee will be provided with:

- A report showing any significant changes to the relevant risk registers;
- A report showing progress made in implementing internal and external audit recommendations and any other recommendations arising from the risk management procedures;
- A progress report from the external audit representative; and
- A progress report from Internal Audit covering:
 - Work performed and progress against the annual audit plan;
 - Key findings arising from internal audit and where appropriate compliance work;
 - A summary of management responses to audit recommendations;

- Any proposed changes to the annual audit plan for the Audit Committee's review and approval; and
- Any resourcing or other issues affecting the delivery of internal audit objectives.

As appropriate the Audit Committee will be provided with:

- Proposals for changes to the Terms of Reference of Internal Audit;
- The Internal Audit strategy and proposed annual programme of internal audit work;
- The annual opinion and report of the Head of Internal Audit for the Exchequer Funds, including performance against key indicators and quality assurance mechanisms;
- The draft annual report and accounts (DMA, CRND, PWLB, EEA, NLF, Consolidated Fund and Contingencies Fund);
- The Risk Management Assurance Strategy;
- The draft Statements on Internal Control;
- Proposals for changes to accounting policies;
- External audit strategy memoranda;
- External audit management letters; and
- Status reports for mission-critical projects.

12. Reporting to HMT's Board & the DMO's Managing Board

The minutes of each Audit Committee meeting will be circulated to all members of HMT's Board and the DMO's Managing Board.

The Chair of the Audit Committee will produce and present to HMT's Board and the DMO's Managing Board an annual report summarising the activities of the Audit Committee.

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 HMT's Board and DMO's Managing Board for approval.