

March 2013

TERMS OF REFERENCE FOR THE DEFENCE AUDIT COMMITTEE

1. The Defence Audit Committee is a sub-committee of the Defence Board. It supports the Board and Accounting Officer in their responsibilities for risk control and governance by reviewing the comprehensiveness, reliability and integrity of the MOD's risk and assurance framework.

Membership

2. Membership of the DAC will comprise:

- A Non-Executive Chair who should also be a member of the Defence Board
- 3 Non-Executives who should also be the Chairs of TLB Audit Committees

Secretariat will be provided by the Boards Secretariat

Reporting

3. The Chair of the Audit Committee will provide oral updates at each meeting of the Defence Board.

4. The Audit Committee will provide the Board and the Accounting Officer with an Annual Report, timed to support the finalisation of the accounts and the Governance Statement, summarising its conclusions from the work it has done during the year.

Responsibilities

5. The Audit Committee will advise the Board and Accounting Officer on:

- The integrity and reliability of the risk and assurance frameworks.
- Issues raised by assurance providers, including DIA, NAO and TLB audit committees.
- The effectiveness of TLB audit committees
- The content of the Governance Statement, including recommendations on individual control issues to highlight.
- The accounting policies, the accounts and the annual report of the Department, including the process for the review of the accounts prior to submission for audit, levels of error identified, and management's letter of representation to the external auditors.
- Planned activity and results of DIA, and adequacy of management response to issue raised by both DIA and NAO.
- Effectiveness on anti-fraud policies, whistle-blowing processes and arrangements for special investigations.

To discharge these duties, the Audit Committee will scrutinise and challenge the work of the assurance providers listed above.

The Audit Committee will periodically review its own effectiveness, and report the results to the Defence Board.

Information Requirements

At every meeting the Audit Committee will be provided with:

- A report from DIA summarising:
 - Work performed (and comparison with work planned).
 - Key issues emerging from internal audit and assurance work.
 - Management response to audit recommendations.
 - Changes to audit plans.
 - Any resource issues affecting the delivery of audit objectives.
- A progress report from NAO summarising work done and emerging findings.
- A copy of or list of audit/assurance reports with a “no” or “limited” assurance opinion together with the resulting Management Action Plans.
- A list of “red traffic light” recommendations included in other audit/assurance reports.
- A summary showing progress with the implementation of audit recommendations.

Over the course of the year the Audit Committee will be provided with:

- Assurance reports from each of the TLBs that cover the extent to which they are complying with the relevant rules on:
 - Integrity of Financial Processes.
 - Compliance with safety and environmental legislation.
 - Information security, assurance and management, including cyber
 - Information Assurance
 - Security other than information, including the protection of defence sites and assets
 - Business Resilience
 - Departmental HR policies
 - MOD Commercial Policy
 - MOD Corporate Communications requirements
- Reports from those responsible for managing the Department's strategic risks as defined by the Defence Board.
- The Head of DIA's Annual Opinion and Report
- The DIA's Strategy
- The draft annual accounts.
- Reports produced by the NAO.

All papers will be sent to Audit Committee members in hard copy at least one week in advance of meetings.

Access

6. The Head of DIA and representatives of the NAO will have free and confidential access to the Chair of the Audit Committee

7. The Chair of the Audit Committee will have confidential access to the Accounting Officer
8. The Chairs of TLB audit committees will have confidential access to the Chair of the DAC.

Meetings

9. The Audit Committee will meet at least four times per year. The Chair will also convene a meeting with the Chairs of TLB audit committees at least twice a year, to inform the Committee's recommendations on the Governance Statement.
10. A minimum of two members of the Audit Committee will be present for the meeting to be deemed quorate.
11. The Permanent Secretary or DG Finance will be expected to attend every full meeting, as will the Head of Internal Audit and a representative from the National Audit Office
12. The Committee may require the owners of strategic risks, TLB holders and Process Owners to attend meetings where it judges that there are significant risks in their areas, or, for the first two, there are concerns about the adequacy of assurance provided in their reports.