

Transport for Wales

**Audit and Assurance Policy
for the three years ending
31 March 2025**



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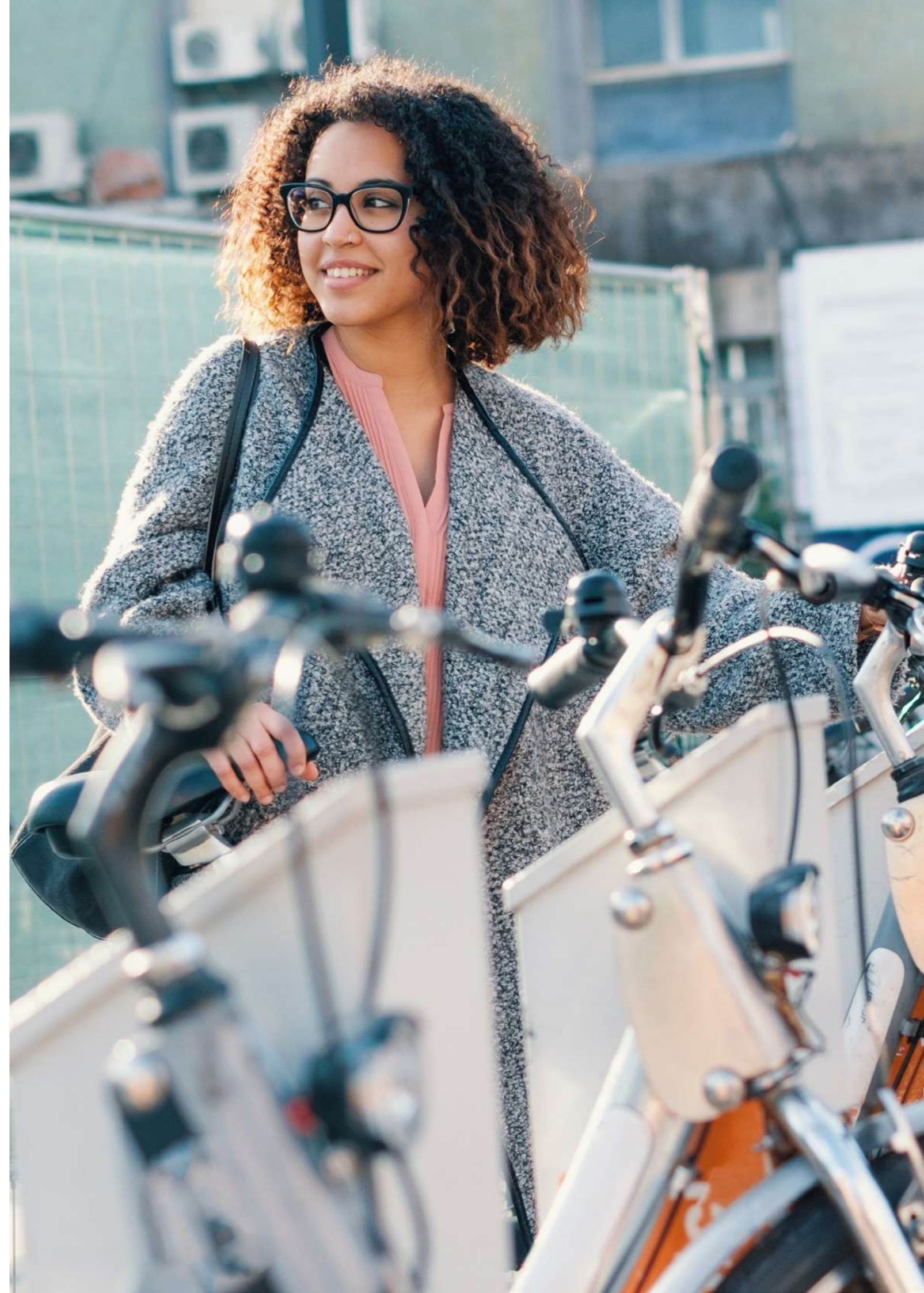
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Introduction

Transport for Wales' (TfW) Audit and Risk Committee, with the support of its Board, has determined that preparing and publishing an Audit and Assurance Policy will enhance transparency of TfW's audit and assurance processes. In particular, the Audit and Risk Committee wishes to ensure that its shareholder and stakeholders are consulted and have an opportunity to provide their input to the Audit and Assurance Policy annually as it is a three-year rolling document.

In August 2021, TfW's Audit and Risk Committee prepared and approved a draft Audit and Assurance Policy for the three years ending 31 March 2025 and published it for consultation on TfW's website on 1 September 2021.

This Audit and Assurance Policy was amended by TfW's Audit and Risk Committee in the light of subsequent developments and feedback received and was approved by the Board at its meeting held on 19 June 2022.





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TfW's approach to risk

The management of the risks that TfW faces in implementing its strategies are a fundamental part of ensuring that TfW can deliver Welsh Government policy.

During the year ended 31 March 2023, the Board will finalise its work on determining its risk appetite for each of its major risks, namely the risk that TfW is willing to take in order to achieve its various objectives and ensuring that the organisation builds this into its planning and decision making.

The Board has also almost completed the work in integrating TfW Rail and Pullman Rail into its risk and internal control framework.

TfW's risk and internal control framework

TfW's risk and internal control framework is continually evolving as TfW acquires more responsibilities for implementing Welsh Government policy. Oversight of the risk and internal control framework is also changing to reflect the underlying activity and provide comfort and assurance to the Senior Leadership Team, the Audit and Risk Committee and the Board that the framework is operating efficiently and (most importantly) effectively.

TfW's internal control framework has adopted a three lines of defence model (further details are provided below). This ensures the right level of accountability and oversight for enterprise risks and issues.

In the first line of defence risks are directly managed by the teams in control of the project activity or task. The second line of defence provides assurance to the Safety and Sustainability Director (who is effectively the Chief Risk Officer) through technical expertise in engineering, safety and sustainability. The third line of defence is provided to the Board by the Audit and Risk Committee, supported by the internal audit function.

The organisational structure is aligned to the three lines of defence model and is designed to support TfW's management of risk. The TfW Board has the principal oversight responsibility, in conjunction with TfW's Accounting Officer, with detailed oversight activity carried out by the Audit and Risk Committee. The Board sets organisational risk appetite, reviews emerging corporate risks and mitigations, approves priorities for risk management activities and supports horizon scanning for new corporate risks.

The Senior Leadership Team is accountable for ensuring each directorate follows the organisational process for adding and maintaining risks on ARM, the software programme used throughout the TfW group, to track mitigation actions, escalation and new risks.

At each Board meeting a discussion takes place on TfW's Principal Risks and how the risk may have changed since the last meeting, the actions that have been taken or planned to mitigate these risks and receives assurance from the Safety and Sustainability Director on progress or otherwise in relation to each Principal Risk and emerging risks.

The Board of TfW's current view of the Principal Risks that TfW faces is set in TfW's Annual Report, which was published at the same time as this Audit and Assurance Policy.

Fraud risk

TfW has commenced a fraud risk assessment to endeavour to identify any gaps or weakness in its framework for preventing and detecting fraud.

The major fraud risks currently facing TfW are in the area of procurement and non-payment of fares. In relation to procurement, TfW adopts best public sector practice to ensure that suppliers are who they say they are, that the prices quoted are market tested through a thorough public tender processes and strict controls and limits are applied, including approval by the Board where necessary, where contracts are sourced with only one supplier.

TfW only took over full responsibility for fare collection in February 2021 and action to reduce the level of non-payment only began again in earnest now that the COVID-19 restrictions have been fully lifted.

Financial and non-financial reporting risk

TfW's systems are currently being reviewed and consolidated as a result of the acquisition of the operations of TfW Rail and the principal steps in establishing a framework of internal controls over financial reporting is well underway.

The finance function, overseen by the Audit and Risk Committee, commenced a detailed exercise in Autumn 2021 to:

- » document the internal controls in the financial and non-financial reporting systems
- » assess the design and quality of those controls
- » ensure that the key controls are effective
- » eliminate those controls which do not provide any assurance over financial and non-financial reporting.

The objective of the finance function and the Audit and Risk Committee is to develop an internal control system over financial and non-financial reporting which will provide even greater assurance over

TfW's reporting systems and meet the enhanced stakeholder expectations of the UK Government arising from the various reviews carried out in the last few years and be "best-in-class" as far as non-financial reporting systems is concerned.

Three lines of defence model: The first line of defence

The acquisition by TfW of the operational responsibility for running (as opposed to overseeing) the Wales and Borders train service has given TfW the opportunity of further enhancing its three lines of defence model. It has meant there is now greater clarity in relation to the first line of defence, where it has been made clear where responsibility for risk and related internal control lies, and a clearer

distinction has been made between those individuals responsible for managing risk and those that provide assurance to first line management.

Risk owners are accountable for identifying risks and issues, adding, and maintaining risks on ARM, taking actions to mitigate risks and issues, and employing consistent good business practices to manage existing, emerging and new risks.

Three lines of defence model: The second line of defence

The Head of the Safety and Sustainability Department, as mentioned above, is effectively the Chief Risk Officer and, accordingly, as well as reporting to the Chief Executive, has a reporting line to the Chair of the Audit and Risk Committee.

There is also now clear delineation as far as individuals in the second line of defence are concerned. They provide oversight and independent assurance in relation to activity and internal control in the first line of defence and are not involved directly in the management of risk or the operation of controls.

Reporting to the Safety and Sustainability Director, the Assurance Function acts independently to check not just compliance with internal processes, procedures or governance but also test the end-to-end risk process including external factors and internal governance and to validate reporting on project management, TfW's major projects, supply chain and key business partners.

This enables assurance to be provided to the Senior Leadership Team, Board, Major Projects Committee and the Audit and Risk Committee.

The Major Projects Committee provides an additional level of oversight on some of the risks arising from TfW's larger and most risky projects, such as the Core Valleys Lines transformation. The more well-established Health Safety and Well-being Committee provides oversight for safety, clearly one of TfW's principal risk issues, with operational safety on the railways being the responsibility of a separate, dedicated committee of TfW Rail Limited.

Risk management throughout TfW is supported by the Risk Team which is responsible for managing ARM, helping define and challenge risk and issue definition, scoring, action planning and escalation. The Risk Team publishes monthly reports by directorate and has risk review meetings and issues a corporate risk report which is presented by the Chief Risk Officer (Safety and Sustainability Director) independently to the Board and the Audit and Risk Committee.

The Risk Team is responsible for ensuring that appropriate oversight and governance takes place, helping define the risk or issue, testing the scoring and tracking mitigations or treatment actions. Each month the Risk Team produce a risk report which is presented at a regular risk meeting where significant risks are reviewed, new risks are checked and future potential risks are considered through horizon scanning.

All significant or corporate risks are escalated and reported through the Senior Leadership Team, the Audit and Risk Committee the TfW Board and where necessary the Welsh Government.

Third line of defence – the Audit and Risk Committee and the internal audit function

The Audit and Risk Committee, in conjunction with the internal audit function activity, is responsible on behalf of the Board for ensuring that risk and internal control system is operating effectively.

At each meeting the Chief Risk Officer reports to the Audit and Risk Committee on risk activity since the last meeting and particularly discusses the status of TfW's principal risks, emerging risks and the second line assurance that has taken place to ensure that the risk and control system is operating effectively. The Audit and Risk Committee provides oversight and challenge during these discussions and regularly requests follow-up actions to be carried out by first line management, the Chief Risk Officer or by the internal audit function.

The Audit and Risk Committee works closely with the Major Projects Committee (the Chair of the Audit and Risk Committee is a member of the Major Projects Committee) in ensuring there is a strong risk perspective in the "deep dives" that the Major

Projects Committee carries out on major projects, discussing and challenging the first line managers of these projects and also receiving commentary from the Chief Risk Officer on the perspective of the second line of defence.

The Audit and Risk Committee ensures that the internal audit function's work, which is set out in the next section, is focused on ensuring that risk and internal control is appropriate on a system wide basis, complementing the work done by the first and second lines of defence, identifying any weaknesses and proposing remedial action and ensuring that this is implemented in a timely manner.





TfW's internal audit function

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TfW's internal audit function

The internal audit function is governed by an Internal Audit Charter, which has been drafted in accordance with the recommendations of the International Institute of Internal Auditors, amended as appropriate for the guidance provided in March 2017 in applying the recommendations in the UK public sector, and is available on TfW's website [here](#).

Annual Internal Audit Plan

The Annual Internal Audit Plan is developed from a consideration of the principal risks facing TfW. A cycle of audit testing and management requests and input from the Audit and Risk Committee, in advance of approving the plan.

The 2022/23 Annual Internal Audit Plan was developed based on TfW's risk universe, derived by reviewing the risk registers and discussions with relevant risk and executive management to ensure that the entirety of TfW's risks, as far as possible, is captured, which will include, for example, legislative and regulatory change, organisational changes and external factors.

Audits in the current areas are included in the draft 2022/23 Annual Internal Audit Plan:

- » Customer relationship management
- » Procurement
- » Supply chain
- » MS Dynamics and GP Dynamics financial systems
- » Non-CVL asset management
- » Budget and management accounting
- » Infrastructure programmes
- » Project bank accounts
- » Payroll and expenses
- » Risk management
- » ERDF claims
- » Integration of projects and rail operations
- » Governance of TfW Innovation Services Limited
- » TfW website
- » Freedom of information requests
- » Mental Health
- » Fraud and whistleblowing
- » Changes in regulations and Welsh Government requirements
- » Commercial contracts and customer invoicing

At the time of approving the draft 2022/23 Annual Internal Audit Plan, the Audit and Risk Committee also considered outline 2023/24 and 2024/25 plans to be satisfied that appropriate coverage on a three-year cycle takes place.

The estimated resources required to deliver the draft plan is 250 days. Resources will be a mixture of TfW audit staff, resources provided by Welsh Government and specialist resource.

Reporting

After each audit is completed, a report is produced, awarded a rating, agreed with management and actions and timetables for implementation agreed. Implementation is monitored on a regular basis.

The Head of Internal Audit meets regularly with the Chair of the Audit and Risk Committee, without management present, to discuss any concerns or issues that the Head of Internal Audit might have.

The Head of Internal Audit also liaises closely with the head of the internal audit service of the Welsh Government to ensure that there is a shareholder and public sector perspective on the work being carried out.

At the end of the year the Head of Internal Audit produces a report for the Audit and Risk Committee and the Accounting Officer on the internal audit function's assessment of the effectiveness of the internal control system.





The approach taken to the preparation of the Resilience Statement

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Introduction

Many of the activities that TfW is involved with require a long-term view, such as planning for infrastructure projects, greater integration of Wales' transport system, the regeneration of the Core Valleys Lines, the development of the North East Wales and South Wales Metros, planning for multi-modal transport and achieving a lower-carbon future.

TfW is primarily funded from the public purse by remit grant and other funding for services delivered to Welsh Government. Welsh Government issues TfW with an annual remit letter, which includes the budget allocated to carry out specific activities for that financial year.

The Welsh Government can issue additional remit letters (as well as other direct instructions) as a result of changing circumstances as it did, for example, in relation to the coronavirus pandemic

This remit grant includes the grant subsidy for rail passenger services for the Wales and Borders.

Background

TfW is a not-for-profit organisation and does not have borrowing facilities. As an organisation wholly owned by the Welsh Government, its only source of financing is the Welsh Government and other government-related bodies.

The Audit and Risk Committee believes, however, there is value to its shareholder, stakeholders and the public in preparing a Resilience Statement which is designed to assist readers in understanding the financial effect of certain selected scenarios on the funding requirements of TfW.

The Audit and Risk Committee has considered the possibility of designing reverse stress scenarios as suggested in HM Government's White Paper, "Restoring Trust in Audit and Corporate Governance" (March 2021). However, in view of TfW's funding arrangements, it does not believe that reverse stress tests are appropriate in TfW's circumstances.

TfW's Resilience Statement

TfW has prepared a Resilience Statement each year since issuing its Annual Report for the year ending 31 March 2020.

The Resilience Statement involves an assessment over the following time periods:

- » short-term resilience—a twelve-month period from the date of approval of the financial statements—the "going concern" assessment
- » medium term resilience—a period of between two and five years
- » longer-term resilience—a five to 15-year time horizon.

Short-term resilience

Short term resilience has been determined to coincide with the period of the directors' assessment that Tfw is a going concern for the purpose of preparing Tfw's financial statements, which is the

twelve months after the signature of the financial statements and is typically 15 months after the year end.

Medium-term resilience

Tfw's Audit and Assurance policy, written after consultation with stakeholders, includes two potential scenarios to illustrate Tfw's resilience:

- » the financial sensitivity to changes in transport passengers' behaviour
- » financial sensitivity of potential delays in Tfw's capital expenditure and regeneration programme.

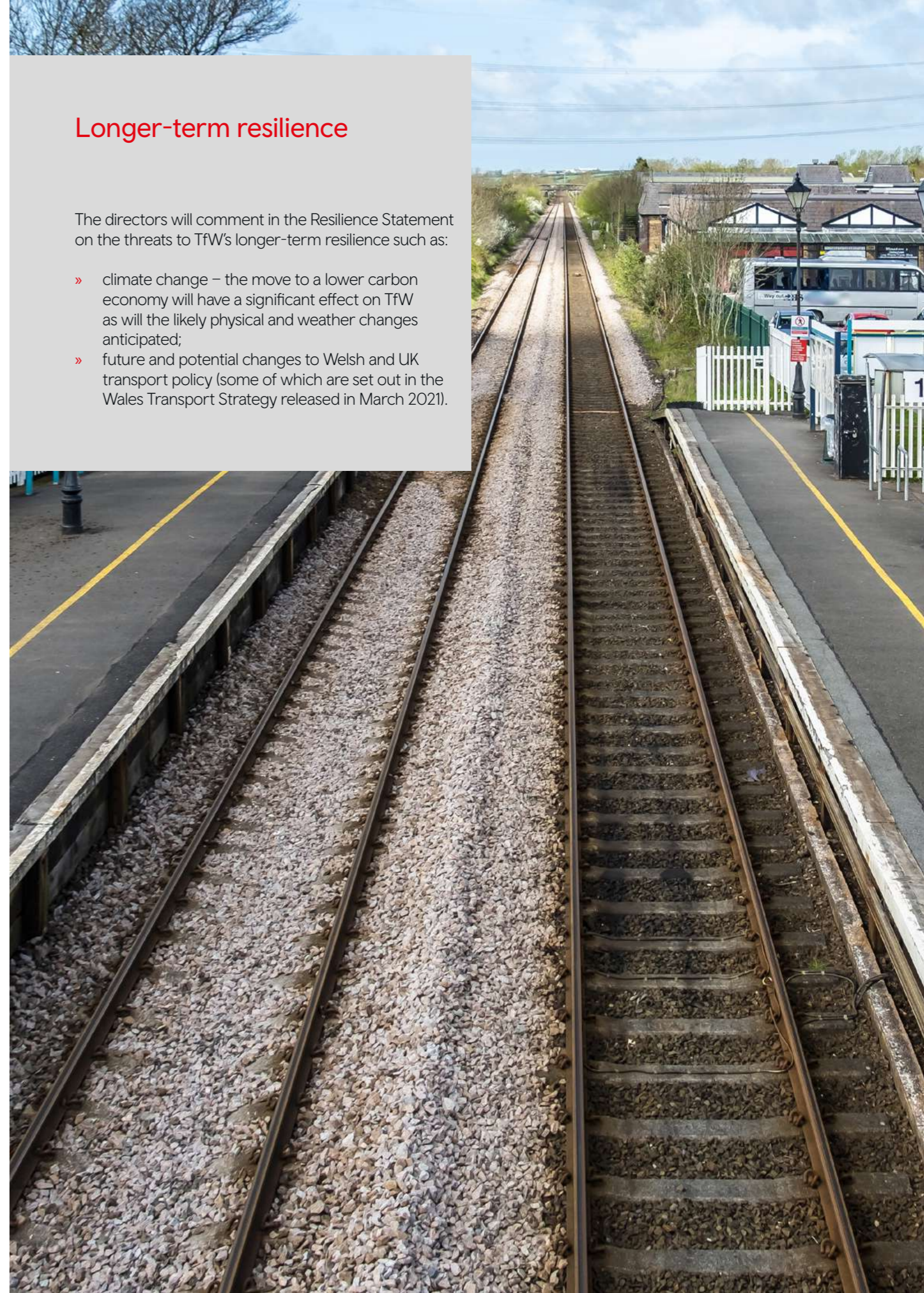
The Audit and Risk Committee have chosen to illustrate the financial effect of the first scenario by using a 10% rise or fall in rail passenger numbers. This sensitivity assumes that the mix and the average spend per passenger stays the same and management does not carry out any steps to discourage or encourage demand. Such a rise or fall, which also does not taken into account potential overcrowding in the peak time in the event of a rise in passenger numbers, would lead to a reduced or increased funding requirement from the Welsh Government.

The second scenario, ignoring any revenue implications, would primarily give rise to a loss of funding from European Regional Development Funds, as expenditure after the final date would not be eligible to receive those funds. Assuming a three month delay to the CVL programme of works, with no activity in the period, and assuming no mitigating actions are taken by Tfw management (an unlikely scenario), this would result in the Welsh Government needing to make an additional capital contribution.

Longer-term resilience

The directors will comment in the Resilience Statement on the threats to Tfw's longer-term resilience such as:

- » climate change – the move to a lower carbon economy will have a significant effect on Tfw as will the likely physical and weather changes anticipated;
- » future and potential changes to Welsh and UK transport policy (some of which are set out in the Wales Transport Strategy released in March 2021).





Process for appointing TfW's external auditor

28 Timing of review of audit arrangements

28 External auditor selection process

Timing of review of audit arrangements

TfW has, in the past, planned to carry out a full review of its audit arrangements on a regular basis. The last external auditor selection process took place in 2019.

The substantial change that took place within TfW, as a result of the acquisition of the Core Valley Lines in March 2020 and the Wales and the Borders train operations in February 2021, has resulted in the Audit and Risk Committee and the Board determining that the next external auditor selection process should take place during 2022.

A full external auditor selection process including a tender will take place every five years after 2022 unless, for example, a substantial change in TfW's organisation takes place and TfW is required, in accordance with public procurement rules, to carry out a tender for its external audit.

External auditor selection process

The external auditor selection process (the first audit will be for the year ending 31 March 2023) will be as follows:

June 2022

Firms will be invited to tender for the audit through the Crown Commercial Services (CCS) framework, which has a list of suppliers who have been evaluated as capable of delivering Government's requirements, with standardised contract terms.

Early July 2022

The Audit and Risk Committee will determine which firms, based on the response to the CCS framework, and its own knowledge have the capability and the reputation to become TfW's external auditor. The selected firms will be asked to nominate the Senior Statutory Auditor that the firm believes is most suitable for TfW.

The Audit and Risk Committee has determined that the critical success factors to be TfW's external auditor are:

- » A firm and a Senior Statutory Auditor with a good track record in relation to audit quality.
- » A firm and Senior Statutory Auditor with a genuine commitment to "no surprises" and a consultation process with specialists and risk management which is efficient and effective.
- » A Senior Statutory Auditor who is supported by a strong team.
- » An efficient, modern audit (maximising the use of data analytics), with minimal disruption, within agreed deadlines.
- » A firm experienced in providing public assurance on non-financial information.

Late July 2022

The Audit and Risk Committee meets with the prospective Senior Statutory Auditors to assess their experience and commitment to audit quality. If there are issues, the Audit and Risk Committee may ask the firm to submit another prospective Senior Statutory Auditor for consideration.

Sept 2022

The formal appointment process will commence allowing the participating firms to interact with management and receive a greater insight into TfW's operations. Discussions will take place between the Chair of the Audit and Risk Committee and representatives of each of the participating firms. These discussions will cover the:

- » firm's approach to audit quality
- » relationship with the audit regulator and results of inspections
- » approach to actual or perceived conflicts of interest.

Early October 2022

The firms submit their written proposal to the Audit and Risk Committee to become TfW's external auditor.

Late October 2022

The firm will make an oral presentation to the Audit and Risk Committee (which will also be attended by key members of financial management). The audit team will be asked to discuss how they would handle specific audit issues. The primary purpose of the oral presentation is for the Audit and Risk Committee to get a better understanding of the strength in depth of the team who will actually carry out the work and how they act as a team.

After the oral presentation the Audit and Risk Committee will recommend an external auditor to the Board, and after Board approval, the external auditor will be appointed. Immediately after the decision by the Board, the successful firm will be notified, and all firms will be provided with detailed written feedback and an opportunity for an oral discussion with the Chair of the Audit and Risk Committee.

The appointment of the external auditor will be approved by the shareholder at TfW's next Annual General Meeting.



Consideration of materiality in the preparation of the financial statements

34	Approach to materiality	34	Materiality considerations for the preparation of the financial statements for the year ending 31 March 2023	35	Role of the Audit and Risk Committee
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Approach to materiality

Management while preparing TfW's financial statements considers the impact information could reasonably be expected to have on users of its individual and consolidated financial statements.

Management endeavours to identify information that has the potential to be material (i.e. information that if omitted or misstated could influence decisions that users might make in relation to TfW's financial information). Management then assesses the quantitative and qualitative factors they have identified to determine whether the information identified is actually material and organise the information in as clear and concise a way as possible for users of its financial statements.

Management then reviews the draft financial statements to determine whether, in their view, all material information has been identified and materiality considered from a wide perspective and in aggregate.

Materiality considerations for the preparation of the financial statements for the year ending 31 March 2023

The consolidated balance sheet of TfW, principally as a result of the acquisition of the Core Valleys Lines, has assets which are denominated at depreciated replacement cost, such as earthworks and stations, and hence there is a significant element of subjectivity in the valuation, as they are long-life specialist assets.

Accordingly, TfW has a higher level of materiality in determining the carrying value of these assets than other more financially related assets in the balance sheet. These assets, as far as far as management is concerned, have a materiality of £50 million and other assets and liabilities in the balance sheet have a materiality of £2 million.

In relation to the income statement, a lower level of materiality of £250,000 is applied to items other than depreciation on CVL assets where £1 million is applied.

Role of the Audit and Risk Committee

The Audit and Risk Committee provides oversight of this process by drawing on its knowledge and experience of TfW's transactions, other events and conditions and the business and general environment to identify whether, in its view, all material information has been provided in the financial statements, and with appropriate prominence.



The scope of the external auditor's work

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The scope of the external auditor's work on the various financial statements issued by TfW is set out below:

- » An audit under UK Auditing Standards of the consolidated financial statements of TfW prepared in accordance with International Financial Reporting Standards ("IFRS").
- » An audit under UK Auditing Standards of the standalone financial statements of TfW; Transport for Wales Rail Limited; and any other subsidiaries or associated companies of TfW where an audit is required, in accordance with UK Financial Reporting Standards and/or IFRS, as appropriate.

The audit approach

The Audit and Risk Committee's expectation is that the external auditor adopts a risk-based approach to the audit, with its primary focus being on the internal controls that TfW management has in place in its control environment to reduce the amount of substantive testing required to obtain appropriate audit evidence to a minimum.

To this end, the Audit and Risk Committee's expectation is also that the external auditor will use data analytics and other similar techniques extensively during the course of its audit. All matters of material significance raised by the external auditor will be described and discussed in the Chair of the Audit and Risk Committee's report, which is included in the Annual Report, as well as in the external auditor's report.

In addition, generally all audit misstatements suggested by the auditors are adjusted before finalising the financial statements.

Scope of the audit

As part of the planning for each year's audit, the Audit and Risk Committee discusses with the external auditor the scope of the audit of the group and the entities that will be subject to full scope audit and those entities and divisions where only principal account balances will be audited. In the last few years 100% of TfW's total assets revenue have been subject to full scope audit.

The Audit and Risk Committee anticipates its external auditor continuing this level of coverage for the period of this Audit and Assurance Policy, assuming there are limited changes in the period to the structure of the TfW group.

Materiality in the audit

The Audit and Risk Committee also discusses with TfW's external auditor the materiality at which it believes that financial misstatements will reasonably influence users of TfW's financial statements, taken as a whole.

In particular the Audit and Risk Committee and TfW's external auditor discuss and agree the materiality that the external auditor will use for planning the scope of its audit work and in evaluating the results of its work. For the audit of the consolidated financial statements for the year ending 31 March 2022, the Audit and Risk Committee and the external auditor agreed that materiality should be £37.5 million and a threshold of £2.5 million was set for reporting misstatements uncorrected by management to the Audit and Risk Committee.

Involvement of the external auditor with the Resilience Statement

The "going concern" assessment will be subject to work by the external auditor in accordance with UK auditing standards, as in previous years.

The Audit and Risk Committee does not plan to involve the external auditor in providing assurance on any aspect of the medium or long-term resilience of TfW at this stage, although as guidance for reviews of resilience statements by external auditors is developed this will be reconsidered.

Relationship between the external auditor and the Audit and Risk Committee

Members of the Audit and Risk Committee and the external auditor will have a private meeting prior to each Audit and Risk Committee and afterwards if necessary.

The Senior Statutory Auditor will be required to rotate after five years or in accordance with UK auditing standards if these change. The Audit and Risk Committee will interview prospective replacements before they are appointed.

Non-financial information

It is possible that in future years the external auditor might be engaged to produce a published assurance report on non-financial information or key performance indicators, requested by the Audit and Risk Committee and the Board, informed by this and future consultations on TfW's Audit and Assurance Policy.



The principal sources of assurance received by TfW's Board on information used to monitor business performance

44 Introduction

46 TfW's priorities

Introduction

TfW is a relatively new organisation and its strategy and priorities continue to change from year-to-year.

Accordingly, it is still evolving how and what TfW measures in relation to the performance of the business. It has established some key performance indicators (KPIs) in the context of its priorities and the issues and risks that it faces. For example, customer experience is currently concentrated on the rail offering. Developments in multi-modal travel and end-to-end journey experience will mean that more sophisticated KPIs will be required to be developed in the future to measure business performance in this and other areas.

The Welsh Government, in its annual remit letter, sets out a number of objectives for TfW to achieve in a year. In the main, these set the direction and the Welsh Government's preferred approach for TfW to deliver Welsh Government policy. These objectives are built into TfW's business performance management processes, as appropriate.

Set out in the following table are TfW's priorities and some of the risks and issues it faces in achieving those priorities, relevant KPIs and the principal sources of assurance that the Board receives.



TfW's priorities	Issue or risk	KPI	Source of assurance for the Board
Create a safe, sustainable, resilient and effective transport network	Safety	TfW or contractor accidents; Customer, passenger or member of the public accidents	The first item on the TfW Board is a presentation on safety by the responsible individual. The presentation includes commentary on safety performance compared with historical and industry experience. Board members have the opportunity to challenge the information presented. More detailed information is presented regularly and challenged at the Health, Safety and Well-being Committee.
	Cost efficiency and carbon and nitrous oxide efficiency	Cost per passenger, passenger kilometre and passenger carried; Carbon Dioxide equivalent emissions (CO ₂ e) per passenger kilometre; Nitrous oxide emissions per passenger kilometre	This information is presented at each TfW Board with trends and industry comparisons, enabling Board members to challenge the information presented.
	Resilience	Total cancellations across the network percentage; Skipped stops percentage Passenger time lost (Core Valleys Lines and Wales and the Borders); Pre-cancellations and total cancellations; Short formations (services operating below timetable capacity)	These KPIs are presented at each TfW Board with trends and industry comparisons (where available), enabling Board members to challenge the information presented.
	Effectiveness	Total passengers carried; Passenger revenue; Passenger kilometres;	This information is presented at each TfW Board with trends, enabling Board members to challenge the information presented.

	Core Valleys Lines regeneration and Metros	Meeting timetable; Meeting budget; Securing maximum ERDF funding	Information on the Core Valleys Lines regeneration and South East Wales metro is provided to each Board, enabling Board members to challenge the information presented. It is scrutinised in greater depth at the Major Projects Committee. Information is reviewed at Major Projects Committee and will be presented regularly at the Board when the plans for the North East Wales metro are further advanced.
	Upgrade of rolling stock	Meeting timetable; Meeting budget	Information on the status of the upgrade of rolling stock is provided at every Board meeting by the Chief Executive.
Develop a continuously improving experience - placing the customer at the heart of what we do	Customer experience	Customer satisfaction; Service quality (stations); Service quality (trains)	This information is presented at each TfW Board with trends, enabling Board members to challenge the information presented.
Deliver trusted expert advice through leading, innovating and collaborating	Quality advice	A suite of KPIs is in an advanced stage of development covering both the customer and the advisory supply chain, addressing efficiency, effectiveness and the realisation of the benefits of the advice provided.	It is planned that later in the year that this information will be presented to the TfW Board.
Build an organisation and partnerships capable of delivering our purpose	Organisation effectiveness	Brand perception; Board effectiveness; Employee engagement surveys; Stakeholder engagement.	This information is presented regularly to the TfW Board and can be challenged by members of the Board.



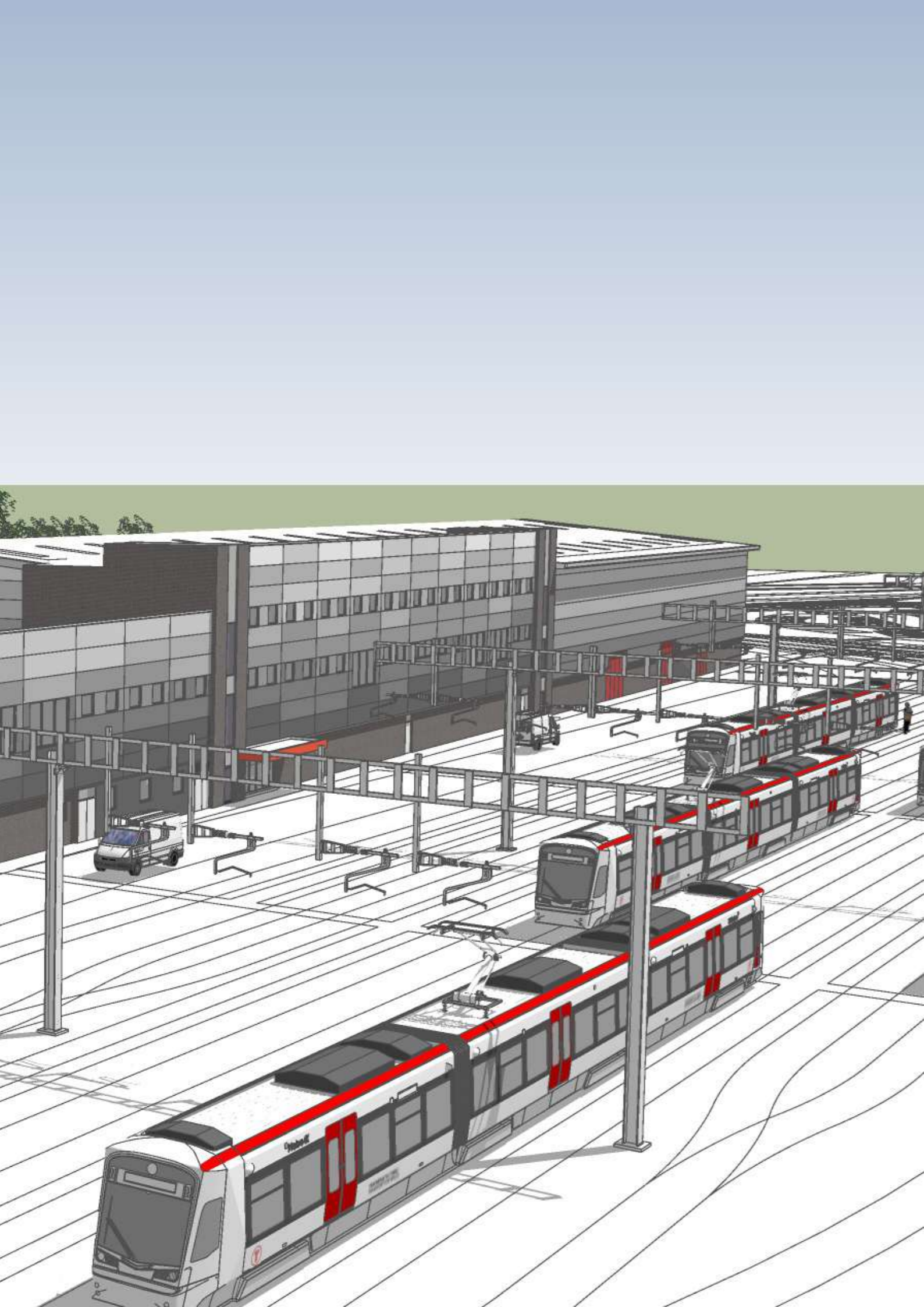
The Audit and Risk Committee's plans for obtaining assurance on information used to monitor business performance

As commented in the previous section, the KPIs for measuring TfW's business performance metrics are still evolving.

A number of the KPIs (for example total passengers carried and CO₂e emissions per passenger kilometre) are produced on a UK basis, albeit based on information provided by TfW and hence are subject to analysis and review externally. Other KPIs such as passenger revenue will be included in the financial statements and hence will be covered by the audit of the financial statements carried out by the external auditor.

The Audit and Risk Committee's view is that it is too early to have any of the KPIs subject to external

assurance until they are more fully developed, have matured through regular review by the TfW Board and the TfW Board has determined they are the most appropriate KPIs for measuring TfW's business performance. Accordingly, the Audit and Risk Committee does not plan to have any KPIs be the subject of external assurance in the year ending 31 March 2023. By the year ending 31 March 2024, it may be more appropriate and there will be an opportunity for the shareholder and stakeholders to provide input during the next consultation on TfW's Audit and Assurance Policy.



The TfW group budget for external audit and assurance

TfW's Board has allocated a budget of £300,000 to the Audit and Risk Committee to carry out audit and assurance work in the year ending 31 March 2023, the first year of the three-year Audit and Assurance Policy.

Any non-audit fees provided by the external auditor are approved by the Audit and Risk Committee in accordance with TfW's non-audit services policy, which was approved by the Board on 10 June 2019.



Future updates and feedback

This Audit and Assurance Policy will be updated annually and a revised plan for the following three years issued every September. It will reflect feedback received from the shareholder and stakeholders and the plans of the Audit and Risk Committee in relation to audit and assurance.

The Audit and Risk Committee regards its Audit and Assurance Policy as a “live document” and it encourages stakeholders to provide any feedback, outside of the time allocated for consultation, to the Chair of the Audit and Risk Committee at alun.bowen@tfw.wales.



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