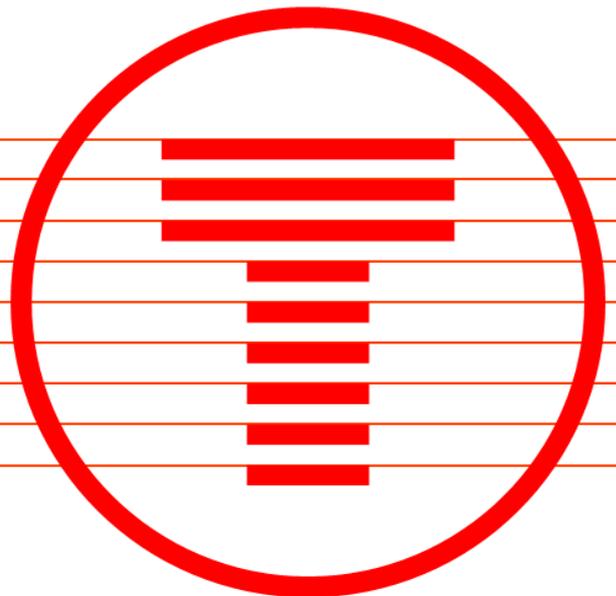




**TRAFNIDIAETH CYMRU**  
**TRANSPORT FOR WALES**

## **Audit & Risk Committee Terms of Reference**



Version 1.2



Mae Trafnidiaeth Cymru yn eiddo i  
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## 1. Purpose

- 1.1 The purpose of this document is to establish the Terms of Reference for the Audit and Risk Committee ("ARC") of Transport for Wales ("TfW").
- 1.2 Adopted pursuant to a resolution of the Board of Directors dated 21 May 2020.
- 1.3 Note: References to "the Committee" shall mean the Audit and Risk Committee and references to "the Board" shall mean the full Board of Directors of TfW.

## 2. Responsibility

- 2.1 It is the responsibility of the Chair of the Committee and the Committee to establish and maintain the terms of reference for the Committee.

It is the responsibility of the Finance Director to:

- bring these Terms of Reference to the ARC and the Board for review annually.
- implement these Terms of Reference and all subsequent revisions.

The terms of reference apply to all members of the Committee, all TfW Directors, all TfW employees and any associated persons reporting to the Committee.

## 3. Audit & Risk Committee – Terms of Reference

**In these Terms of Reference:**

**"ARC"** shall mean the Audit & Risk Committee;

**"The Articles"** shall refer to the Articles of Association of TfW;

**"Associated persons"** shall include secondees, temporary workers, consultants; contractors, advisors, agency staff, interns and people on work experience;

**"Board"** shall mean the Board of Directors of the Company;

**"Company"** shall mean TfW, its subsidiaries and subsidiary undertakings from time to time;

**"Executive Directors"** shall mean the holders, from time to time, of the post of Chief Executive Officer and of the Finance Director of TfW;

**"FD"** shall mean the holder, from time to time, of the post of Finance Director of TfW;

**"Management"** – Those employees, and associated persons whose time is paid for by TfW and who are accountable to the Board and its sub-committees for the day to day operations of TfW;



“**SLT**” – Any Executive Director of TfW and those senior members of TfW (including secondees) who constitute the Senior Leadership Team; and

“**ToR**” shall mean this terms of reference.

## **Duties**

- 3.1 The ARC is a Committee of the Board established under the Company’s Articles of Association.
- 3.2 Proceedings and meetings of the ARC will be governed by the provisions of the Articles of Association for regulating the meetings and proceedings of the Board insofar as they are applicable and not inconsistent with this ToR.
- 3.3 It is the duty of the ARC to assist the Board to fulfil its overall responsibilities in relation to internal control, risk management and governance arising out of the Company’s activities and as they affect the general public (including customers), employees, associated persons, suppliers and any other relevant stakeholders.

## **4. Purpose**

- 4.1 The purpose of the ARC is to provide assurance to the Board regarding the compliance and governance of TfW. The ARC will carry out duties relating to financial reporting, internal control and risk management, as set out in this ToR. This will be in accordance with the principles set out in relevant regulations and guidance (such as the UK Corporate Governance Code) and in the Management Agreement and Scheme of Delegations between TfW and Welsh Government. The ARC is also responsible for TfW’s relationship with the Company’s corporate and internal auditors.

## **5. Constitution and Membership**

- 5.1 The ARC has been established as a Committee of the Board by a resolution of the Board.
- 5.2 Appointments to the ARC shall be made by the Board from amongst the independent Non-Executive Directors of TfW for a period of up to three years, which may be extended for further periods of up to three years, provided the director still meets the criteria for membership of the Committee.
- 5.3 The Committee shall consist of not fewer than two independent Non-Executive Directors of the Board. These members shall be independent of TfW management and free from any business or other relationship which could materially interfere with



the exercise of their judgment.

- 5.4 The Chair of the Company shall not be a member of the Committee and at least one member of the Committee shall have recent and relevant financial experience.
- 5.5 The Chair of the Committee shall be appointed by the Board. In the absence of the Chair of the Committee, the members present shall select one of their number present to chair the meeting.
- 5.6 Any new member of the Committee shall be given induction training in accordance with an agreed programme.
- 5.7 Only members of the Committee have the right to attend committee meetings. However, the FD, head of internal audit and Senior Statutory Auditor from the corporate auditor will be invited to attend meetings of the Committee on a regular basis and other individuals may be invited to attend all or part of any meeting as and when appropriate.

## **6. Frequency of Meetings and proceedings**

- 6.1 The Committee will meet at least four times per year, having regard to the Company's financial reporting cycle and at such other times as the Chair of the Committee shall think fit.
- 6.2 Meetings of the Committee shall be called by the Committee secretariat at the request of the Chair of the Committee. The corporate and internal auditors or any member of ARC may request a meeting, at any time, via the Chair of the Committee.
- 6.3 Notice of each meeting confirming the date, the venue and time together with an agenda of items to be discussed together with the relevant papers shall be forwarded to each member of the Committee, where practical, not fewer than five working days prior to the date of the meeting.
- 6.4 Records shall be kept of all meetings of the Committee with minutes of the proceedings and resolutions.
- 6.5 The quorum for meetings of the Committee shall be two members of whom at least one must be independent of the management of the Company.
- 6.6 Decisions of the Committee will be made by majority vote. In the event of an equality of votes, the Chair of the Committee will have a second or casting vote.



## 7. Reporting

- 7.1 The Committee's Chair shall report to the Board following each meeting.
- 7.2 After preliminary approval by the Chair, copies of the minutes of the meetings shall be circulated to all members of the Committee and to the Chair of the Board. Any member of SLT may, upon request to the FD, so long as there are no conflicts of interest, obtain copies of the Committee's agenda with relevant papers and minutes.
- 7.3 The Committee shall make whatever recommendations to the Board that it deems appropriate on an area within its remit where action or improvement is needed.
- 7.4 The Chair of the Committee shall prepare a report each year to be included in the Company's Annual Report and financial statements.
- 7.5 The Committee shall have access to professional advice from employees within the Company and, where necessary, from appropriate external advisers.

## 8. Duties of the Committee

- 8.1 The Committee shall carry out the duties below for TfW's Board:

### Financial statements

- 8.2 The ARC shall monitor the integrity of the Company's financial statements and any formal announcements relating to its financial performance and reviewing significant financial reporting judgements contained within them. In particular, the Committee shall review and challenge where necessary:
  - i) the application of significant accounting policies and any changes to them;
  - ii) the methods used to account for significant or unusual transactions where different approaches are possible;
  - iii) whether the Company has adopted appropriate accounting standards and made appropriate estimates and judgments, taking into account the view of the corporate auditor on the financial statements;
  - iv) the clarity of disclosure in the Company's financial reports and the context in which statements are made;
  - v) material information presented with the financial statements, such as the business review/operating and financial review and the corporate governance statement.



## Narrative reporting

8.3 The Committee shall review the content of the Annual Report and financial statements and confirm to the Board that, taken as a whole, it is fair, balanced and understandable and provides the information necessary for its shareholder, customers and stakeholders to assess the Company's performance, business model and strategy.

## Internal Control and Risk Management

8.3 The Committee shall:

- keep under review the Company's internal financial controls systems, that identify, assess, manage and monitor financial risks, and other internal control and risk management systems;
- review and approve the statements to be included in the Annual Report and financial statements concerning internal control, risk management, including the assessment of principal risks and emerging risks;
- at least annually, the Committee will carry out a review of the Company's risk management framework, the policy and its implementation;
- review the resilience statement included in the Company's Annual Report and financial statements.

## Compliance, Whistle-Blowing and Fraud

8.4 The Committee shall:

- review the adequacy and security of the Company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting, risk management or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- review the adequacy of the policies and procedures relating to preventing and detecting fraud;
- review instances of fraud, where there have been any, and consider their implications for TfW's policies, procedures and systems including, where appropriate, reports from the FD;



- review the Company’s systems and controls for the prevention of bribery, including the Company’s including Conflicts of Interest and Gifts and Hospitality Policies and receive reports on non-compliance;

## Internal Audit

### 8.5 The Committee shall:

- approve the appointment and removal of the Head of Internal Audit;
- review and approve the role and mandate of internal audit, monitor and review the effectiveness of its work, and annually approve the internal audit charter, ensuring it is appropriate for the current needs of the organisation;
- review and approve the annual internal audit plan to ensure it is aligned to the key risks of the business, and receive regular reports on work carried out and monitor SLT’s responsiveness to internal audit’s findings and recommendations;
- ensure internal audit has unrestricted scope, the necessary resources and access to information to enable it to fulfil its mandate ensure there is open communication between different functions and that the internal audit function evaluates the effectiveness of these functions as part of its internal audit plan and ensure that the internal audit function is equipped to perform in accordance with appropriate professional standards for internal auditors;
- carry out an annual assessment of the effectiveness of the internal audit function and as part of this assessment:
  - meet with the head of internal audit without the presence of management to discuss the effectiveness of the function
  - review and assess the annual internal audit work plan and receive a report on the results of the internal auditor’s work
  - determine whether it is satisfied that the quality, experience and expertise of internal audit is appropriate for the business
  - review the actions taken by the SLT to implement the recommendations of internal audit and to support the effective working of the internal audit function
- monitor and assess the role and effectiveness of the internal audit function in the overall context of the company’s risk management system;



## Corporate Auditor

8.6 The ARC will publish a three-year rolling Audit and Assurance Policy and consult with its shareholder and other stakeholders and incorporate their comments and suggestions, as appropriate. This document will set out as a minimum:

- the process for the appointment and reappointment of the corporate auditor;
- the selection process for a new corporate auditor;
- materiality and the scope of the corporate auditor's work;
- the proposed fee for the audit, ensuring that the level of fees is appropriate to enable an effective and high-quality audit to be conducted.

8.7 In respect of the Company's corporate auditor the Committee shall:

- consider and make recommendations to the Board in relation to the appointment, re-appointment and removal of the Company's corporate auditor;
- approve the corporate auditor's terms of engagement, including any engagement letter issued at the start of each audit, and the scope of the audit;
- assess annually the corporate auditor's independence and objectivity, taking into account relevant professional and regulatory requirements and the relationship with the corporate auditor as a whole, including the provision of any non-audit services;
- satisfy itself that there are no relationships (such as family, employment, investment, financial or business) between the corporate auditor and the Company (other than in ordinary course of business) which could adversely affect the corporate auditor's independence and objectivity;
- monitor the corporate auditor's compliance with relevant ethical and professional guidance on the rotation of the Senior Statutory Auditor, the level of fees paid by the Company compared with the overall fee income of the firm, office and other related requirements;
- review any representation letter requested by the corporate auditor before it is signed by an Executive Director of TfW;
- review the management letter issued by the corporate auditor and SLT's response to the corporate auditor's findings and recommendations;



- develop and recommend to the Board the Company’s policy on the provision of non-audit services by the corporate auditor;
- monitor the application of the policy on the engagement of the corporate auditor to supply non-audit services;
- at least once a year, meet with the external auditor without management being present, to discuss the auditor’s remit and any issues arising from the audit;
- review the effectiveness of the audit process, including an assessment of the quality of the audit, the handling of key judgements by the auditor, and the auditor’s response to questions from the Committee.

### Insurance

8.8 The Committee shall review, from time to time, and at least annually, the effectiveness of the Company’s insurance arrangements.

### Welsh Language

8.9 The Committee shall oversee the Company’s implementation of the requirements of the Welsh Language (Wales) Measure 2011.

### Corporate Governance

8.10 The Committee shall review, from time to time and at least annually, the effectiveness of the Company’s corporate governance arrangements and recommend to the Board any changes it considers appropriate.

### Policies

8.11 The Committee shall, apart from those policies mentioned elsewhere in these terms of reference, review, from time to time and at least annually, the Company’s policies which are relevant to its responsibilities.