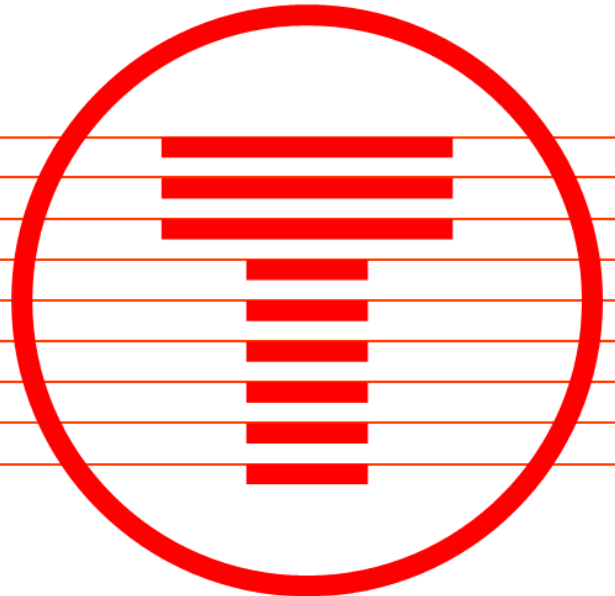




TRAFNIDIAETH CYMRU
TRANSPORT FOR WALES

Audit & Risk Committee Terms of Reference



Mae Trafnidiaeth Cymru yn eiddo i
Lywodraeth Cymru
Transport for Wales is owned by the
Welsh Government



Contents

1.	PURPOSE	3
2.	RESPONSIBILITY	3
3.	AUDIT & RISK COMMITTEE – TERMS OF REFERENCE	3
4.	PURPOSE	4
5.	CONSTITUTION AND MEMBERSHIP	4
6.	ATTENDANCE	5
7.	FREQUENCY OF MEETINGS AND PROCEEDINGS	6
8.	REPORTING	6
9.	DUTIES OF THE COMMITTEE	7
10.	AUTHORITY OF THE AUDIT AND RISK COMMITTEE	12



1. Purpose

- 1.1 The purpose of this document is to establish Terms of Reference for the Audit and Risk Committee of Transport for Wales.
- 1.2 Adopted pursuant to a resolution of the Board of Directors dated 16 October 20018.
- 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 Transport for Wales (“the Company”).

2. Responsibility

- 2.1 It is the responsibility of the Chair of Audit & Risk (ARC) 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 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

- 3.1 Adopted pursuant to a resolution of the Board of Directors dated 16 January 2018.

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;

“**CEO**” shall mean the holder, from time to time, of the post of Chief Executive Officer of TfW;

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



“Director” shall mean a Non-Executive Director of the Company who serves on the Board;

“Executive Directors” shall mean the holder, from time to time, of the post of CEO 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 it’s sub-committees for the day to day operations of TfW

“SMT” – Any Executive Director of TfW and those senior members of TfW (including secondees) who constitute the Executive Committee

“ToR” shall mean terms of reference;

Duties

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

4. Purpose

- 4.1 The purpose of the ARC is to provide surety 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, including supply chain management, as set out in this ToR. This will be in accordance with the principles set out in the relevant regulations (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 statutory 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 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 Independent members of ARC shall be recruited by an open and fair process and appointed by the Directors serving on the ARC. Independent members shall be recruited to ensure the ARC has the necessary financial and governance qualifications and experience required to give surety to the Board.
- 5.4 The Committee shall consist of not less than one Non-Executive Director of the Board, and, at least one Qualified Accountant. 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.
- 5.5 The Chair of the Company shall not normally be a member of the Committee and at least one member of the Committee shall have recent and relevant financial experience.
- 5.6 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.
- 5.7 Any new member of the Committee shall be given induction training in accordance with an agreed programme.
- 5.8 The Finance Director and Commercial and Customer Experience Director will normally attend meetings.

6. Attendance

- 6.1 The Chair of The Board and the Chief Executive Officer shall have the right to attend and speak at meetings of the ARC; others may be called upon or shall be able to speak by prior arrangement with the Chair of The Committee.
- 6.2 The Committee shall meet regularly with statutory and internal auditors without management being present. Such meetings should happen at least once per annum and should last for all or part of a scheduled meeting of the ARC.



7. Frequency of Meetings and proceedings

- 7.1 The Committee will meet at least four times per annum, having regard to the Company's financial reporting cycle and at such other times as the Chair of the Committee shall think fit.
- 7.2 Meetings of the Committee will be arranged to tie in with the publication of the Company's financial statements. Meetings should be held at least ten working days prior to any Board meeting at which accounts or financial statements are to be approved, unless all the members of the Committee agree otherwise.
- 7.3 Meetings of the Committee shall be called by the Committee secretariat at the request of the Chair of the Committee. The Statutory and Internal auditors or any member of ARC may request a meeting, at any time, via the Chair of The Committee.
- 7.4 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.
- 7.5 Records shall be kept of all meetings of the Committee with minutes of the proceedings and resolutions.
- 7.6 The quorum for meetings of the Committee shall be three members of whom at least one must be independent of the management of the Company.
- 7.7 The Committee shall meet with statutory and internal auditors, without management being present, at least once per annum.
- 7.8 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.

8. Reporting

- 8.1 The Committee or its Chair shall report to The Board following each meeting.
- 8.2 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 SMT may, upon request to the FD, so long as there are no conflicts of interests, obtain copies of the Committee's agenda with relevant papers and minutes.



- 8.3 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.
- 8.4 The Committee shall prepare a report each year to be included in the Company's annual report and accounts.
- 8.5 The Committee shall have access to professional advice from employees within the Company and, where necessary, from appropriate external advisers.

9. Duties of the Committee

- 9.1 The Committee shall carry out the duties below for the Board of TfW:

Financial statements

- 9.2 The ARC shall monitor the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgements contained in them. In particular, the Committee shall review and challenge where necessary:-

i) the consistency of, and any changes to, accounting policies, both on a year to year basis and across the Company and its subsidiaries;

ii) the methods used to account for significant or unusual transactions (including the supply chain) where different approaches are possible;

iii) whether the Company has followed appropriate accounting standards and made appropriate estimates and judgments, taking into account the view of the statutory auditor;

iv) the clarity of disclosure in the Company's financial reports and the context in which statements are made; and

v) all material information presented with the financial statements, such as the business review/operating and financial review and the corporate governance statement (insofar as it relates to audit and risk management).

Narrative reporting

- 9.3 The Committee shall review the content of the annual report and accounts and confirm that, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.



Internal Control and Risk Management

9.4 The Committee shall, to the extent that such matters do not come within the remit of other Board Committees keep under review:

- the effectiveness of the Company’s financial reporting and internal control policies and systems, covering all material controls, including financial, operational and compliance controls,
- review and approve the statements to be included in the annual report concerning internal controls and risk management. This shall include reviewing IT and data security issues but not responsibility for reviewing the safety, security, health and environmental risks, policies and procedures for which the Safety Committee is charged in its ToR.
- monitor the adoption and application of the Company’s strategy and policy for risk management and any subsequent amendments thereto, including taking account of the current and prospective macroeconomic and financial environment and the impact on the Company of any change projects;
- the Company’s procedures for the identification, assessment, management and reporting of risks, including the risk register, risk categories and risk quantification. ARC will prioritise the mitigation of risk and process improvements in its role of providing surety to the Board.
- ensure that all relevant entities within the Company comply with the risk management policy;
- agree a methodology for how risks are to be recorded in the risk register;
- assess the effectiveness of the systems established by SMT to identify, assess, manage and monitor any existing or new financial and non-financial risks, paying particular attention to supply chain risk; and
- review and confirm to the Board that the contents of the annual statement of internal control are correct.



Compliance, Whistle-Blowing and Fraud

9.5 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 for all work relating to preventing and detecting fraud, corruption and bribery.;
- review the Company's Conflicts of Interest and Gifts and Hospitality Policies and related systems and controls for the prevention of bribery and receive reports on non-compliance;
- reviewing of instances of fraud, where there have been any, and considering their implications for TfW's policies, procedures and systems including, where appropriate, reports from the Finance Director;
- have a role in deciding when police involvement is required during investigations; and
- have a role in investigating any allegations of fraud, bribery or corruption by the Executive Directors of the Company.

Internal Audit

9.6 The Committee shall:

- monitor and review the effectiveness of the Company's internal audit function.
- approve the appointment and removal of a Risk Manager/management function and any supplier of internal audit services;
- consider and approve the remit of the internal audit function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with relevant professional standards. The Committee shall also ensure the function has adequate standing and is free from management control or other restrictions;
- develop, then in future consider, the planned programme of internal audits for each financial year and the reasons for any changes or delays in the programme;



- review the planned programme of internal audits for each financial year and the reasons for any changes or delays in the programme;
- review and monitor SMT’s responsiveness to the findings and recommendations of the internal audit function
- receive regular reports on the results of internal audit work and monitor SMT’s responsiveness to the findings and recommendations of the internal audit function; and
- review promptly all reports to the Committee from the internal auditors.

Statutory Auditors

9.7 In respect of the Company’s statutory auditors and any independent provider of internal audit services, the Committee shall: -

- consider and make recommendations to the Board in relation to the appointment, re-appointment and removal of the Company’s statutory auditors. The Committee shall oversee the selection process for a new auditor, including recommendations for fees. Appointment shall be for an initial 3 years with a possible extension to 5 years if approved by ARC. If an auditor resigns, the Committee shall investigate the issues leading to this and decide whether any action is required;
- oversee the relationship with the statutory auditors, including (but not limited to):
 - i) approval of the auditors’ terms of engagement, including any engagement letter issued at the start of each audit, and the scope of the audit;
 - ii) assessing annually their independence and objectivity, taking into account relevant professional and regulatory requirements and the relationship with the auditors as a whole, including the provision of any non-audit services;
 - iii) satisfying itself that there are not relationships (such as family, employment, investment, financial or business) between the auditors and the Company (other than in ordinary course of business) which could adversely affect the auditor’s independence and objectivity;
 - iv) agreeing with the Board a policy on the employment of former employees of the Company’s auditors, then monitoring the implementation of this policy;



- v) monitoring the auditors' compliance with relevant ethical and professional guidance on the rotation of the audit partner, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements;
 - vi) assessing annually the qualifications expertise and resources of the auditors and the effectiveness of the audit process which shall include a report from the statutory auditors on their own internal quality procedures; and
 - vii) seeking to ensure co-ordination with the activities of the internal audit function;
- meet at least twice per annum with the statutory auditor, including once at the planning stage before the audit, and once after the audit at the reporting stage.;
 - review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
 - review the findings of the annual audit with the statutory auditor. This shall include, but not be limited to, the following:
 - i) a discussion of any major issues which arose during the audit;
 - ii) any accounting and audit judgements;
 - iii) levels of errors identified during the audit; and
 - iv) the effectiveness of the audit;
 - review any representation letter(s) requested by the statutory auditor before they are signed by an Executive Director of TfW
 - review the Management letter and SMT's response to the statutory auditor's findings and recommendations; and
 - monitor the application of the Policy on the engagement of the statutory auditors to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by statutory auditors.

Insurance

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

Corporate Governance



- 9.9 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

- 9.10 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 policies.

10. Authority of the Audit and Risk Committee

- 10.1 The ARC is authorised to:

- Seek any information it requires from any employee or associated person of the company in order to perform its duties.
- Obtain, at the company's expense, any independent legal, accounting or any other professional advice on any matter it believes necessary.
- Call any employee or associated person to be questioned at a meeting of the ARC as and when required, and
- Have the right to publish in the company's annual report, details of any issues that cannot be resolved between the ARC and the Board.