

Terms of Reference

# Board Audit and Risk Committee

*Approved by Board on 16 June 2021*

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## CONSTITUTION

1. The Board has established a sub-committee known as the Board Audit and Risk Committee (“the Committee”). The Committee has no executive decision making powers, other than those delegated to it by the Board. Changes to these terms of reference can only be made by the Board.

## MEMBERSHIP OF THE COMMITTEE

2. The Committee shall be appointed by the Board from amongst the non-executive directors and shall consist of not less than three members. Changes to committee membership are subject to the approval of the Board.
3. The members of the Committee are:
  - An independent non-executive Chair (Committee Chair)
  - Two independent non-executive members
  - An additional member with recent relevant financial experience if such experience is not held by any other existing member of the Committee.

(An up to date membership schedule is held by the General Counsel & Company Secretary).

4. Attendees (not members) of the Committee, unless otherwise agreed shall be:
  - Group Chief Executive
  - Chief Financial Officer
  - The Head of Internal Audit
  - General Counsel & Company Secretary
  - Representatives from the External Auditor
  - An observer from the Department for Infrastructure
  - The Committee Secretary
  - Any other invitee called to attend by the Committee Chair from time to time
5. The quorum for meetings shall be two members present. In emergency situations where a quorum of members cannot be established, it shall be permissible to co-opt the requisite number of non-executive members of the Board for that meeting only. For the purposes of that meeting, he or she will be recorded as a member of the Committee.
6. The Committee may co-opt additional members for a period not exceeding two years to provide specialist skills, knowledge and experience.

## ATTENDANCE

7. Members attending a Committee meeting by telephone or video conferencing facility shall be deemed present at that meeting.

## FREQUENCY OF MEETINGS

8. Meetings shall be held at least four times a year to coincide with key dates within the financial and reporting cycle (see Indicative Annual Cycle at Appendix 1).
9. The Accounting Officer or Board may ask the Committee to convene further meetings to discuss particular issues or where the Committee's advice is requested.
10. At least once a year the Committee shall meet separately with Internal Auditors and External Auditor, without Executive employees present.
11. The External Auditor or Head of Internal Audit may also request a meeting at any stage if they consider that one is necessary.
12. The Head of Internal Audit and External Auditor have free and confidential access to the Committee Chair.

## CONFIDENTIALITY

13. Information which is shared at a Committee meeting and identified as needing confidential protection shall be treated as such by all those present, including co-opted members, or attendees, as the case may be.
14. The Committee may ask any or all of those who normally attend but who are not members to withdraw to facilitate open and frank discussion of particular matters.

## FUNCTIONS

15. The Committee is appointed by the Board to assist the Board in discharging its audit, risk and scrutiny functions in respect of Translink's activities.

The Committee will therefore aim to carry out the following:

### ***External Audit***

16. Review, on an annual basis, the performance of the external auditor.
17. Make recommendations to the Board for the appointment or termination of the external auditor and to approve the remuneration and terms of engagement of the external auditor subject to agreed delegated limits.
18. Approve any permitted extension to the external auditor contract.
19. Review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements and any potential conflicts of interest.
20. Review the external auditor's proposed audit scope, other regularity and regulatory requirements.

21. Review the annual financial statements before submission to the Board, focusing particularly on:
  - any changes in accounting policies and practices;
  - major judgmental areas;
  - significant adjustments resulting from the audit;
  - the going concern assumption;
  - compliance with accounting standards;
  - compliance with legal requirements; and
  - compliance with requirements for Whole of Government Accounts and the preparation of the Whole of Government Accounts checklist.
22. Discuss problems and reservations arising from the interim and final audits, and any matters the auditors may wish to discuss (in the absence of management where necessary).
23. Review the external auditor's management letter and management's response.
24. Review policies on the engagement of the external auditor to supply non-audit services, taking account of relevant guidance regarding the provision of non-audit services by the external audit firm, and to report to the Board if necessary, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.
25. Review the regularity opinion and statutory opinion produced by the external auditor.

#### ***Internal Audit***

26. Review and approve the Internal Audit Plan for the forthcoming year and ensure that it addresses the key areas of risk.
27. Review the activities and resources of the Internal Audit function and ensure that no unjustified restrictions or limitations are made.
28. Review the role and effectiveness of the Internal Audit function and ensure that it has appropriate standing within the Group.
29. Ensure that the significant findings and recommendations made by the internal auditors and management's proposed response are discussed and appropriately acted upon.
30. Receive a report on the results of the internal auditors' work on a periodic basis and the delivery of Key Performance Indicators (KPIs)
31. Make recommendations with respect to the appointment or termination of the Head of Internal Audit and the internal auditors and approve policy for the provision of non-audit services by the internal auditors.
32. Approve any permitted extension to the Head of Internal Audit and internal auditor contract.
33. Review policies on the engagement of the internal auditor to supply non-audit services, taking account of relevant guidance regarding the provision of non-audit services by the internal audit firm, and to report to the Board if necessary, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.

### ***Financial Reporting***

34. Gain an understanding of the current areas of greatest financial risk and how these are being managed.
35. Monitor the integrity of the annual financial statements of the Group and determine whether they are complete and consistent with the information known to the Committee members, and assess whether the financial statements reflect appropriate accounting principles.
36. Oversee the periodic financial reporting process implemented by management and review the principal statements, annual financial statements, regulatory accounts and reports prior to release.
37. Meet with management and the external auditor to review the financial statements, the key accounting policies and judgement, and the results of audits.
38. Consider material misstatements detected by the external auditor that individually or in aggregate have not been corrected and management explanations as to why they have not been adjusted.
39. Review the annual report before its release and consider whether the information is understandable and consistent with the Committee members' knowledge about the Group and its operations, and that it lacks bias.

### ***Internal Control***

40. Review the Group's corporate governance statement prior to endorsement by the Board, and in particular, to review:
  - management and the effectiveness of management's system for identifying business risks and controlling their financial impact on the Group;
  - the effectiveness of the Group's Anti-Fraud Theft and Bribery Policy & Fraud and Theft Response Plan and Whistleblowing Policy and all related arrangements to guard against bribery and corruption of any kind;
  - the operational effectiveness of the policies and procedures:
  - corporate governance issues; and
  - value for money and the stewardship of public money.

### ***Risk Management***

41. Review the overarching risk strategy or framework at least annually to ensure it reflects the Group's current environment.
42. Review the Corporate Risk and Assurance Framework at each quarterly meeting.
43. Review the effectiveness of the internal control system for managing the significant risks and whether amendments need to be made to control systems;
44. Review progress on action plans developed as part of the risk management process and emerging risks.

## ***Fraud Investigations***

45. The Committee will have an oversight role in relation to fraud investigations:
- Committee members will be updated regularly on any fraud investigations being undertaken
  - In most cases this will take the form of updates to the Fraud and Theft Register at each meeting and progress reports from the CFO.
  - When necessary between meetings, the CFO will brief the Committee Chair
  - Member requests for more detailed scrutiny of reports will be facilitated as appropriate.

## **POWERS**

The Committee shall have powers:

46. To determine the annual cycle of work to be accomplished, having first consulted with the Board Chairman.
47. To commission and oversee any investigation of activities which are within these terms of reference or seek information from whatever source and in whatever form, including from any employee.
48. To obtain any independent technical or professional advice to enable it to carry out its duties.
49. To work and liaise as necessary with any other Board Committee.
50. To make recommendations and reports to the Board as it deems appropriate on any area within its remit.
51. To review the application of public sector requirements emanating from Dear Accounting Officer letters, Dear Finance Director letters, related letters, and related Memoranda of Reply arising from Public Accounts Committee recommendations.
52. To require any senior member of the organisation to report on the management of risk or the control environment within their area of responsibility.
53. To input into the strategic policy on fraud and irregularity, including being notified of any action taken under that policy.

## **REPORTING RESPONSIBILITIES**

54. To prepare an annual report consistent with relevant guidance covering the Group's financial year and any significant issues up to the date of preparing the report, timed to support finalisation of the Accounts and the Governance Statement. The report will summarise its conclusions from the work it has done for the year. It will give the Committee's opinion on the adequacy and effectiveness of the Group's arrangements for risk management, control and governance; and will also explain to stakeholders and sponsor branch (in lieu of shareholders) how, if the auditor provides non-audit services, auditor objectivity is safeguarded.

To report any actual or emerging risks within its sphere of activity which are not contained within the Company's risk and assurance framework. In such event, the Committee Chair shall consult with the Accounting Officer for further guidance.

55. To undertake annual reviews of its own performance in accordance with good practice and relevant guidance and shall report the results of that review to the Board.
56. To review its own terms of reference annually, and make resulting recommendations to the Board for approval.

## **OTHER MATTERS**

57. Training will be provided to members of the Committee as appropriate and will include relevant developments in financial reporting, audit & risk, and related company law.
58. The Committee shall abide by relevant good practice and corporate governance as applicable to audit and risk committees (including provisions within the management statement and financial memorandum).
59. The Committee shall be supported administratively by the Committee Secretary whose duties in this respect will include:
  - Agreement of agenda with the Committee Chair;
  - Collation and distribution of papers sufficiently in advance of each meeting to facilitate their full consideration and discussion at the meeting;
  - Taking the minutes and keeping a record of matters arising and issues to be carried forward;
  - Horizon scanning and advising the Committee on pertinent areas.
  - Arranging the attendance of appropriate officers at Committee meetings.
  - Assisting the Committee Chair in ensuring the effective operation of the Committee.



## Appendix 1 - BARC

### Indicative Annual Cycle

		March/ April	June	Sept	Dec
1	Terms of reference	•			
2	Cycle of work for Committee	•			
3	Review of assurance framework	•			
4	Internal audit plan for year	•			
5	Internal audit annual report	•			
6	National Fraud Initiative update	•			
7	Annual reports for statutory accounts	•	•		
8	Meet Head of Internal Audit without executives	•			
9	Meet external auditor without executives		•		
10	Private meeting with GCE and CFO			•	
11	Limited status reports update		•		
12	Statutory accounts		•		
13	Annual review of fraud protocols		•		
14	External auditor planning report				•
15	External auditor update report	•		•	
16	External auditor report on annual accounts		•		
17	Letters of representation		•		
18	Management letters		•		
19	External auditor effectiveness and independence		•		•
20	Committee self-assessment			•	
21	Chair to attend Departmental Audit Committee				•tbc
22	Chair of Departmental Audit Committee to attend				•tbc
23	Internal audit summary report	•	•	•	•
24	Fraud & Theft register	•	•	•	•
25	Whistleblowing register	•	•	•	•
26	Corporate risk & assurance register	•	•	•	•
27	Near miss/emerging risk register	•	•	•	•
28	Departmental guidance/MoU	•	•	•	•

### Other periodic activities

		Next due	BARC
1	Peer review under public sector Internal Audit Standards	2024/25	Sep 2024
2	Appointment/extension of Internal Auditors	Y/E 2023	Apr 2021
3	Appointment/extension of External Auditors	Y/E 2024	Apr 2023