

**Terms of Reference**  
**Finance Wales Group ("the Group") - Audit Committee**

**Constitution**

1. The Board of Directors of Finance Wales plc ("the board") hereby resolves to establish a committee of the Board to be known as the Finance Wales Group Audit Committee ('the committee').

**Membership and attendance**

2. The membership of the committee shall be decided by the Board and shall consist of at least two independent members. All members shall be non-executive directors. At least one member shall have recent and relevant financial sector or accounting experience.
3. Neither the Chairman nor the Chief Executive of Finance Wales plc shall be members of the committee.
4. At the invitation of the committee the Chief Executive, the Director of Finance and Administration, representatives of the Welsh Government, Department for Economy, Science and Transport (EST) and the group's Internal and External Auditors will normally attend meetings of the committee.
5. The Board shall appoint the Committee Chairman. In the absence of the Committee Chairman the members present shall elect one of themselves to chair the meeting.
6. The Company Secretary or their nominee shall act as the secretary of the committee.

**Quorum**

7. The quorum necessary for the transaction of business shall be two members. A duly convened meeting at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in the committee.

**Frequency of meetings**

8. The committee shall meet at least three times per year. The Internal or External Auditors may request a meeting if they think it necessary.

**Minutes of meetings**

9. The secretary shall minute the proceedings of all meetings of the committee including the names of those present and in attendance.
10. Minutes of the meetings shall be circulated promptly to all members of the committee and attendees.

**Duties**

11. The committee shall carry out the duties below for the parent company, subsidiary undertakings and the group as a whole as appropriate.

**Financial Reporting**

12. The committee shall review the consistency of and any changes to accounting policies both on a year on year basis and across the Finance Wales Group.
12. The committee shall review the accounting methods used by management, particularly where different approaches are possible.
14. The committee shall review whether the management have followed appropriate accounting standards and made appropriate assumptions and judgements taking into account the views of the external auditor.
15. The committee shall review the annual report and financial statements where appropriate recommend changes in advance of them being submitted to the Board.

**Governance, internal controls and risk management systems**

16. The committee shall keep under review the effectiveness of the Finance Wales Group internal controls and risk management systems.
17. The committee shall review the statements to be included in the report and financial statements concerning internal controls and risk management.
18. The committee shall review and discuss any reports from the external auditors on critical accounting policies including management's response.

**Whistleblowing and fraud**

19. The committee shall review the Finance Wales Group arrangements for its employees to raise concerns in confidence about possible wrongdoing in financial reporting or other matters. The committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.
20. The committee shall review the company's procedures for detecting fraud.

**Internal audit**

21. The committee shall monitor and review the effectiveness of the Finance Wales Group internal auditors in the context of the overall risk management system.
22. The committee shall review the internal audit plan and ensure the internal auditors have appropriate access to information to enable them to perform their audit activities effectively and in accordance with the relevant professional standards.

23. The committee shall review promptly all internal audit reviews prepared by the internal auditors and monitor management's responsiveness to the findings and recommendations.
24. The committee shall meet the internal auditors at least once a year without management being present to discuss their remit and any issues arising from the internal audit reviews carried out.

### **External audit**

25. The committee shall oversee the relationship with the external auditors including but not limited to:
  - Assessing their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the audit firm as a whole including the provision of non-audit work.
  - Monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Finance Wales Group compared to the overall fee income of the firm.
  - Assessing the effectiveness of the audit process.
  - Ensuring the activities of the internal auditors are co-ordinated with those performed by the external audit firm.
26. The committee shall meet the external auditors at least once a year without management being present to discuss their remit and any issues arising from the audit.
27. The committee shall review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement.
28. The committee shall review the findings of the audit with the external auditors including but not limited to a discussion of any major issues arising from the audit, any accounting and audit judgements as well as the level of errors identified during the audit.
29. The committee shall also review any representation letter required by the external auditors before they are approved for signing by the Board of Finance Wales plc.
30. The committee shall review the management's responses to the auditor's findings and recommendations.

### **Reporting**

31. The committee chairman will provide feedback to the Board of Finance Wales plc on all matters within its duties and responsibilities.
32. The committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit.
33. The committee shall report to the Corporate Governance Committee of the Department of Economy, Science and Transport (EST) at least once a year on the discharge of its duties.

### **Other matters**

34. The committee shall have access to sufficient resources in order to carry out its duties including access to the company secretariat for assistance as required
35. The committee shall be provided with appropriate information and training both in the form of an induction programme for new members and on an ongoing basis for all members.
36. The committee shall at least once a year review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

### **Authority**

37. The committee is authorised by the Board to investigate any activity within these terms of reference and to seek any information it requires from staff, who are required to co-operate with the committee, in the conduct of its enquiries. The committee is authorised to obtain independent professional advice if it considers this necessary. Procurement of these professional services should be channelled through the Company Secretary.
38. The committee is authorised to consider any other matters requested by the Board.