

CPP 2.3 Audit, Risk Assurance & Remuneration Committee - Terms of Reference

1. Purpose

- 1.1. The Audit, Risk Assurance and Remuneration Committee (hereinafter ARARC) is a committee of the Transport Focus Board and reports to it after each meeting.
- 1.2. ARARC supports Transport Focus on all matters relating to corporate governance, risk, financial management and control and significant HR matters and oversees the process of internal and external audit (including the Statement on Governance). This entails providing advice, guidance and support to the Chief Executive in discharging the role of Accounting Officer.
- 1.3. ARARC is authorised by the Board to investigate any activities within its Terms of Reference (ToR), including the authority to seek any assistance, or information it requires, or attendance, from employees.

2. Primary responsibilities

- 2.1. To promote the highest standards of propriety and probity in the use of public funds and encourage proper accountability for use of those funds
- 2.2. To provide advice, support and guidance to the Chief Executive and Accounting Officer in discharging his duties through, *inter alia*, the production of an annual forward plan;
- 2.3. To select internal auditors, agree an internal audit plan and monitor the delivery of actions on outcomes;
- 2.4. To review findings of external audit and ensure compliance with agreed actions;
- 2.5. To review the statement on governance and compliance with Board delegations;
- 2.6. To review matters of corporate governance, including all corporate policies and procedures, prior to submission to the Board for formal approval, if appropriate;
- 2.7. To review quarterly outturns against budget and advise the Board on any implications;
- 2.8. To review (and if appropriate to comment on) the statement on governance (before signature by the Accounting Officer) and the Annual Report and Accounts (before submission to the Board);
- 2.9. To review annually the accounting policies adopted by Transport Focus and approve any significant changes to accounting policies or internal controls.

3. Tasks and Duties in respect of corporate governance

- 3.1. To determine the annual Internal Audit plan and consider Internal Audit reports to ensure cost effective performance and action on agreed recommendations;
- 3.2. To review the nature and scope of external audit, consider external audit reports and management letters (and management's response) and agree the external audit fee
- 3.3. To report to the Board annually summarising its conclusions from the work it has done during the year based on the template provided at Annex A. The Board may direct that any such report is included within the Transport Focus Annual Report.
- 3.4. Monitor compliance with the Management Statement and Financial Memorandum.
- 3.5. To advise and oversee risk management by:
 - Agreeing and recommending to the Board a risk management strategy and framework, including implementation and reporting.
 - Reviewing the risk register on a quarterly basis, including risk assessment and adequacy of controls in place to manage risks; and
 - Provide assurance to the Board in relation to risk management, through a biannual risk assurance report to the Board following the meeting at which it was discussed and agreed.
 - Discuss with individual management team members no less than annually the extent to which risks are being managed by the risk owners.
- 3.6. To advise the Board on all financial matters affecting the achievement of the annual work plan.
- 3.7. To monitor the Record of Projects and satisfy itself that all necessary actions have been completed before projects are formally closed.
- 3.8. To approve the anti-fraud and whistle-blowing and related policies.
- 3.9. Ensure the continuing effectiveness of measures in place for effective corporate governance and regulatory compliance, such as corporate policies and procedures, including but not limited to the Membership Code, the Registers of Members Interests and Gifts and Hospitality, and expense claim, anti-fraud and whistle-blowing polices.

4. Tasks and Duties in respect of remuneration and related matters

4.1 Pay and Grading Policy & Terms of Employment

4.1.1 In respect of this section, the Committee shall have regard to the provisions of the Transport Focus/DfT framework agreement.

4.1.2 The Committee will discuss and agree:

4.1.3 An overall pay and grading structure for the employees including, but not limited to, the introduction and operation of any performance management regime, including but not limited to any proposed changes to the terms of conditions of employment of Transport Focus employees, including the scrutiny of management consultation with employees;

4.1.4 The Committee shall have delegated authority to agree, always subject to satisfactory budget provision and taking account of the appropriate guidance, the Annual pay review prior to the annual submission to the Department and HM Treasury.

4.1.5 The Committee will be kept informed of and consulted on occupational pension scheme arrangements and any proposed changes to these arrangements

4.2 Executive Pay

In respect of this section, the Committee shall have regard to:

- Overall market positioning of any remuneration package
- Individual base salaries and increases
- Annual and longer term bonuses or incentive arrangements and corresponding performance targets
- Pension arrangements

4.2.1 The Committee shall:

- a) Determine and agree proposals from the Chief Executive for the broad policy for the remuneration of executive level staff; for the avoidance of doubt, executive level staff are those employed at pay bands F and above and any other member of staff whose overall pay is at or above the minima of band F.

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- b) Have delegated authority to set, on the basis of proposals from the Chief Executive, individual remuneration arrangements for executive level staff, and approve any proposals for subsequent changes to those arrangements.
- c) Recommend and monitor the level and structure of remuneration for executive level staff.
- d) consider and approve of proposals for the determination of the remuneration of the CEO initiated by the Chairman of Transport Focus, on behalf of the Board

5. Generally

The Committee shall:

- 5.1. Report to the Board after each meeting.
- 5.2. Periodically self-assess its own effectiveness and report to the Board; the committee shall furthermore review these terms of reference annually and seek the Board's endorsement of any changes thereto.

6. Meetings

- 6.1. ARARC will meet at least four times per year in January, April, July and October, shortly after the end of the financial quarter. Furthermore, the Chairman may convene additional meetings as s/he considers necessary, and shall convene additional meetings when required so to do by the Board or Accounting Officer;
- 6.2 The provisions of sections 5 and 6 of the Transport Focus *Constitution General* shall have effect.
- 6.3 By resolution, the committee may ask any officer or invitee to withdraw to facilitate open and frank discussion of any particular matter.

7. Membership and related matters

- 7.1. Members of ARARC are nominated triennially by the Transport Focus Chairman with the endorsement of the Board. For 2017-218, the members are

Marian Lauder

Chairman

Isabel Liu

Board Member

The Transport Focus Chairman may attend any meeting of the Committee.

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- 7.2. The Chief Executive will attend ARARC in his role as Accounting Officer; the Resources Director and Head of Business Services will also attend. The latter will also provide lead support to the Committee.
- 7.3. The Internal Audit Manager of Government Internal Audit Agency and an Engagement Director, National Audit Office, are invited to attend all ARARC meetings, and shall have free and confidential access to the Chairman of the Committee between meetings and may request a meeting of the Committee without officers present at any time.
- 7.4 ARARC may co-opt additional members for a period of not more than three months to provide specialist skills, knowledge and experience and may, subject to the agreement of the Board, procure specialist ad-hoc advice at the expense of Transport Focus.

Document history

Version	Author	Comments	Approved by	Date
V1	Jon Carter	Original draft	Board, London	23 July 2005
V2	Jon Carter	General update	Board, Edinburgh	13 May 2008
V3	Jon Carter	Membership update and amends following annual report to Board	Board, Manchester	16 May 2011
V4	Jon Carter	Name and membership changes	Board, Edinburgh	12 September 2013
V5	Jon Carter	Tidying up and amends to 2.9, 3.7 & 3.8	Board, London	13 February 2014
V6	Michelle Calvert	Rebranding to Transport Focus	Board, London	11 March 2015
V7	Jon Carter	Incorporating new governance arrangements for 2017-18	Board, Birmingham	16 November 2016

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Annex A

Annual Report to the Board

ARARC's annual report to the Board shall include:

- A summary of the role of the committee
- The names and qualifications of all members of the committee during the period
- The number of committee meetings
- A report on the way the committee has discharged its responsibilities
- An explanation of how auditor objectivity and independence is safeguarded.