

## **Group Audit Committee**

### **Terms of Reference**

#### **1. Constitution and purpose**

- 1.1 Council has resolved under the Rules to the Charter to establish a Group Audit Committee
- 1.2 The purpose of the Committee is to oversee the Group's risk management, internal control systems and the internal and external audit programmes.

#### **2. Membership**

- 2.1 The committee is appointed by the Council. The committee shall consist of a Chair, 4 members of RCN Council and four other independent non-executive members with relevant professional expertise (to include at least one qualified accountant)
- 2.2 In line with best practice an independent chair will be appointed by the Council
- 2.3 The quorum is 2 members of RCN Council and 2 independent non-executive members (including the Chair)

#### **3. Attendance at meetings**

- 3.1 The Chief Executive & General Secretary; the Director of Finance & Business Enablement and the Head of Finance will normally be in attendance.
- 3.2 Other members of the Executive Team shall attend meetings as appropriate.
- 3.3 The RCN Honorary Treasurer is invited to attend the Committee as an observer.

#### **4. Frequency of meetings**

- 4.1 Meetings shall take place not less than three times a year and where possible should coincide with key dates in the financial reporting cycle.
- 4.2 The external and internal auditors may ask for a meeting if they consider one is necessary.
- 4.3 At least once a year the Committee will meet with the external and internal auditors without any executives present.

## **5. Responsibility of the Chair**

- 5.1 To facilitate the workings of the Committee by fostering an open, inclusive and where appropriate challenging discussion
- 5.2 To work with the executive to shape the agenda and papers for meetings to ensure that the Committee has the information it needs to perform its tasks and devote sufficient attention to the matters within its remit
- 5.3 To report to RCN Council.

## **6. Authority**

- 6.1 The Committee has the authority to:
  - investigate any activity covered by its terms of reference;
  - seek any information it requires from a member of the Executive Team and RCN Group staff
  - obtain external legal or independent professional advice as they consider to be necessary

## **7. Responsibilities**

### **Corporate Governance and Internal Audit**

- 7.1 To review the Group's internal control systems and to review the policies and processes for identifying and assessing business risks and the management of those risks by the management of the Group.
- 7.2 To seek assurance that management has adequately considered the key risks to the Group and developed appropriate alternative strategies.
- 7.3 To recommend the annual internal audit programme to Council and ensure the internal audit function is adequately funded and is given appropriate standing across the Group.
- 7.4 To consider periodically the effectiveness of the internal audit contract, reporting findings and recommendations to Council for decision.
- 7.5 To review the internal audit reports on the effectiveness of the systems for internal financial control, financial reporting and risk management.
- 7.6 To consider management's responses to major external and internal audit recommendations.

- 7.7 To review the Group's procedures for handling allegations from whistle-blowers to ensure that the arrangements allow proportionate and independent investigation of possible wrong doing and appropriate follow-up action.
- 7.8 To agree the process for the annual reporting of whistle-blowers
- 7.9 To give consideration to laws and regulations of all applicable regulators
- 7.10 To consider other topics as defined by RCN Council and the Boards of RCN Foundation and RCNi

## **8. External Audit**

- 8.1 To oversee the tender process for, and appointment of, external auditors for the Group and review their performance and the effectiveness of the external audit process.
- 8.2 To recommend the appointment of the external auditors to RCN Council and the Boards of RCN Foundation and RCNi; monitor and annually review their performance and recommend their audit fee.
- 8.3 To pre-approve any fees in respect of non-audit services provided by the external auditor to ensure that the provision of non-audit services does not impair the external auditor's independence or objectivity
- 8.4 To discuss and agree with the external auditors, before the audits commence the audit plan and review the auditors quality control procedures and steps taken by the auditor to respond to changes in regulatory and other requirements.
- 8.5 To review with the external auditors the audit and their findings
- 8.6 To assure themselves of the external auditor's independence and objectivity
- 8.6 To review the external auditor's management letter and management response

## **9. RCN Group Annual Financial Statements**

- 9.1 To review and challenge where necessary the actions and judgements of management in relation to the annual financial statements before recommending them to Council as a true and fair view
- 9.2 To review the external audit representation letters before signature and give particular consideration to matters where representation has been requested

9.3 The chair of the committee shall attend the meeting at which the accounts are approved

## **10. RCN Foundation and RCNi Boards**

10.1 The Committee will work and liaise as necessary with the Boards of RCN Foundation and the RCNi Board. In exercising its responsibilities the Committee will have the right to request the Boards take action or provide information and documentation from time to time such as it shall determine.

## **11. Reporting procedures**

11.1 The Group Secretary will circulate the minutes of the meetings of the Committee to Members of RCN Council and Members of the Boards of RCN Foundation and RCNi.

11.2 The Chair will report to RCN Council and the Boards of RCN Foundation and RCNi on all meetings of the Committee any matters it considers that action or improvement is needed and making recommendations as to the steps to be taken. In particular it will ensure the Council is aware of any matters that may significantly impact on the financial position of the RCN Group.

11.3 The Committee Members shall conduct an annual review of their work and these terms of reference and recommend any changes to RCN Council and the Boards of RCN Foundation and RCNi

11.4 The Committee's duties and activities during the year should be reported in the annual financial statements

11.5 The Chair should attend the AGM and answer questions on the Committee's activities and their responsibilities.

**Approved by Council December 2018**