

Terms of Reference: Group Audit Committee

1. Name of Committee

Group Audit Committee.

2. Purpose

The RCN Council has resolved under the Rules to the Charter to establish a Group Audit Committee.

The purpose of the Committee is to oversee the Group's risk management, financial reporting, internal control systems, and the internal and external audit programmes.

3. Delegated responsibilities

3.1 The responsibilities of the Committee are;

Corporate Governance and Internal Audit

- a) 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.
- b) To seek assurance that management has adequately considered the key risks to the Group and developed appropriate alternative strategies.
- c) 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.
- d) To consider periodically the effectiveness of the internal audit contract, reporting findings and recommendations to Council for decision.
- e) To review the internal audit reports on the effectiveness of the systems for internal financial control, financial reporting and risk management.
- f) To consider management's responses to major external and internal audit recommendations.
- g) 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.

- h) To agree the process for the annual reporting of whistleblowers. Further, to receive reports of the numbers of whistleblowing incidents and to review the response to such incidents
- i) To give consideration to laws and regulations of all applicable regulators.
- j) To consider other topics as defined by RCN Council and the Boards of RCN Foundation and RCNi.

External Audit

- k) 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.
- l) 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.
- m) 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
- n) 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.
- o) To review with the external auditors the audit and their findings
- p) To assure themselves of the external auditor's independence and objectivity
- q) To review the external auditor's management letter and management response

RCN Group Annual Financial Statements

- r) 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
- s) To review the external audit representation letters before signature and give particular consideration to matters where representation has been requested
- t) The chair of the committee shall attend the meeting at which the accounts are approved

RCN Foundation and RCNi Boards

- u) 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.

Authority

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

4. Reporting and accountability

- 4.1 The Group Audit Committee is responsible and accountable to RCN Council for all aspects of its governance responsibilities.
- 4.2 Formal minutes of meetings will be kept and approved at subsequent meetings of the Group Audit Committee. The minutes shall be made available to RCN Council.
- 4.3 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.
- 4.4 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.
- 4.5 The Committee's duties and activities during the year should be reported in the annual financial statements.
- 4.6 The Chair should attend the AGM and answer questions on the Committee's activities and its responsibilities.

5. Meetings and quorum

- 5.1 Meetings shall take place not less than three times a year and where possible should coincide with key dates in the financial reporting cycle.
- 5.2 The external and internal auditors may ask for a meeting if they consider one is necessary.
- 5.3 The quorum for decision making is two members of RCN Council and two external advisers/independent non-executive members

(including the Chair).

- 5.4 The Chief Operating Officer (or a designated deputy from the Executive team), and/or the Director of Finance (or a designated deputy) must be in attendance.
- 5.5 Other members of the Executive Team shall attend meetings as appropriate.
- 5.6 The RCN Honorary Treasurer is invited to attend the Committee as an observer.
- 5.7 The rules and procedures in the *RCN Meetings policy and process* apply to this Committee.

6. **Membership**

- 6.1 The Committee shall consist of;
 - an independent Chair.
 - up to four members of RCN Council.
 - up to four external advisers with relevant professional expertise.
 - one independent non-executive member representative from the RCN Foundation Board.
 - one independent non-executive member representative from the RCNi Board of Directors.
- 6.2 The Honorary Treasurer will attend as an observer.
- 6.3 In line with best practice, an independent Chair will be appointed by the Council.

7. **Observers**

- 7.1 Observers may attend any Committee meetings at the discretion of the Chair and with the agreement of the Committee. Observers can speak and/or participate in the meeting only with the permission of, or at the request of, the Chair.
- 7.2 Individuals attending in observer status will receive those papers relating to the areas relevant to their observer role.

8. **Election/appointment to the committee**

- 8.1 Elections/appointments to the committee will be conducted in accordance with the RCN's Elections and Appointments policies and with the specific procedure for each election/appointment.

Council members on the Committee shall be appointed on agreement with the Chair of Council.

9. **Terms of office**

- 9.1 Council members appointments will be reviewed at least every two years.
- 9.2 External Advisers first term of office will be for a period of four years. Thereafter, their appointment will be reviewed and extended for a period of up to four years in agreement with the lead executive director(s) (12.1) and Chair.
- 9.3 The RCN Foundation Board of Trustees and RCNi Board of Directors will determine their independent non-executive member representative and terms of office.

10. **Casual vacancies**

- 10.1 The Chair of Council will review Council member allocation if any casual vacancies arise.
- 10.2 External advisers will be recruited in accordance with the RCN Appointments Policy if any casual vacancy arises.

11. **Chair and Vice Chair**

- 11.1 In accordance with Rule 2.2 in the *Royal Charter* the Group Audit Committee shall have a Chair. A Vice Chair shall also be elected.
- 11.2 The Chair of the Group Audit Committee will be an external adviser recruited in accordance with the requirements as agreed by the Finance and HR directorates and in line with the RCN Appointments Policy.
- 11.3 The Vice Chair of the Group Audit Committee will be a Council member elected by members of the Committee.

12. **Staff support, advice and guidance**

- 12.1 The lead Executive Directors will be the Chief Operating Officer and the Group Director of Finance who will ensure support and advice to the Committee from their directorates, as appropriate.
- 12.2 Committee members and staff will work together positively and constructively, in line with the RCN's Respect Charter, to deliver the purposes of the Committee and within the Operating Framework**.

12.3 In the unlikely situation where key professional advice presented by staff is not accepted by the Committee, the advice and reasons for not accepting the professional advice will be fully documented in the minutes of the meeting. Should the responsible director conclude this position poses a risk to the organisation and its members, the circumstances will be brought to the attention of the General Secretary/Chief Executive who will assess the seriousness of the position and advise the Chair of Council accordingly. Should a resolved position not be reached the matter will be escalated to Council for a determination on the way forward.

12.4 The Governance directorate will ensure Secretariat support is provided.

13. **Removal from the Committee**

13.1 A Committee member may be removed before the end of their term of office on the grounds if they:

- a) have exceeded their powers in a way that is detrimental to the RCN
- b) have failed to discharge their duties
- c) have acted in breach of the RCN's Code of Conduct and/or Respect Charter
- d) have acted in a manner likely to bring the RCN into disrepute
- e) they have failed to attend three consecutive meetings (excluding special ad hoc meetings)
- f) have any active NMC cautions against their name, are currently subject to any NMC sanction, and/or they are subject to any ongoing disciplinary proceedings with any of their employers or professional disciplinary proceedings before the NMC. are subject to ongoing disciplinary proceedings in respect of any role they hold at the RCN and/or currently subject to any RCN disciplinary sanction.

13.2 The processes for such removal will be in accordance with the Member Resolution policy.

Approved by:
RCN Council in April 2021
RCN Council on 22 June 2023.

These Terms of reference will be reviewed annually.

*Note – these terms of reference are subject to ongoing change in line with the implementation of the recommendations of the Council-led governance review (2022). *Scheme of delegation under revision. ** Operating Framework for Committees in development [July 2022]*