

## **Terms of Reference of the Audit Committee**

### **Main responsibilities**

#### **The role of the Audit Committee is:**

To advise Council on the effectiveness of its control environment so as to support and enhance the delivery of the organisation's work and strategic priorities.

To oversee the financial reporting process to ensure the balance, transparency and integrity of published financial information for the RCN and RCN Group; and

To review the effectiveness of:

- the RCN and RCN Group's internal control, risk management and compliance systems; and
- the independent audit process, including recommending the appointment and assessing the performance of the internal and external auditor and the provision of non-audit services.

### **Main tasks**

#### **Financial reporting:**

To oversee the financial reporting process implemented by management;

To monitor the integrity of the annual accounts to ensure that they provide a true and fair view of the RCNs affairs, meet legal requirements and take account of best practice

To meet with management and external auditors to review the annual accounts, the key accounting policies and judgements about the treatment of unusual items and determine that they are complete, reflect appropriate accounting policies and contain adequate disclosure

To review relevant sections of the annual report before its publication and consider whether the information is adequate, consistent and easy to understand.

#### **Internal control, risk management and compliance**

To keep under review the effectiveness of internal controls and risk management systems, including compliance with the legal and regulatory environment within which the RCN group operates; and

To review and approve the statements to be included in the trustees' report concerning internal controls and risk management

#### **Internal Audit**

To consider and make recommendations to Council on the appointment re-appointment and removal of the internal auditors. The Committee should oversee the selection process for new auditors.

To oversee the relationship with the internal auditor including approval of their terms of engagement (including a policy on the supply of non-audit services) and

remuneration and assessing their effectiveness and compliance with relevant professional and regulatory requirements.

To consider and approve the annual internal audit plan and ensure it is adequately resourced and the internal audits have appropriate access to information to enable them to perform their function effectively and in accordance with the relevant professional standards

To review and assess an annual review of internal audit work

To review all reports to the audit committee from the internal auditors

To review and monitor management's responsiveness to the findings and recommendations of the internal auditors; and

To meet the internal auditors at least once a year without senior management being present to discuss their remit and any issues arising from internal audit work.

In addition the internal auditors should have direct access to the Chair of the Committee if required.

### **External Audit**

To consider and make recommendations to Council on the appointment re-appointment and removal of the external auditors. The Committee should oversee the selection process for new auditors.

To oversee the relationship with the external auditor including approval of their terms of engagement (including a policy on the supply of non-audit services) and remuneration and assessing their effectiveness and compliance with relevant professional and regulatory requirements.

To review and approve the annual audit plan

To review the findings of the audit and discuss any major issues which arise, any accounting and audit judgements and levels of error identified; and

To meet the external auditors at least once a year in the absence of management to their remit and any issues arising from the audit and the management's response to the auditor's findings and recommendations.

### **Whistleblowing**

To review the arrangements for employees to raise concerns in confidence and ensure that the arrangements allow proportionate and independent investigation of possible wrongdoing and appropriate follow-up action.

### **Reporting and Ways of Working**

Regularly to update the Council about its activities and make appropriate recommendations;

To ensure that the Council is aware of any matters that may significantly impact on the financial position of the RCN group; and

To prepare any reports required or requested by the Council for example the report on the audit committee's activities and duties to be included in the section on corporate governance in the trustees' report.

### **Evaluating performance**

To evaluate the Committee's own performance both of individual members and collectively, on a regular basis and provide for ongoing training needs; and  
To assess the achievements of the responsibilities specified in the terms of reference and report the findings to the Council.

### **Reviewing its role and responsibilities**

To review the audit committee role and responsibilities and discuss any required changes with the Governance Support Committee and Council.

### **Membership**

**Chaired by**

External adviser appointed by Council

+

**Membership**

Four Council members  
Two other external advisers with relevant professional expertise (to include at least one qualified accountant)

**Attendees**

Director of Finance and Corporate Services,  
internal and external auditors will always attend Audit Committee meetings.

The Head of Finance should also normally attend for relevant items.

At least once a year the Committee will meet with the external and internal auditors without any officers present

**Frequency of meetings**

Meetings shall be held at least three times each financial year. The internal or external auditors may request a meeting if they consider it necessary.

**Quorum**

Three, being two Council members and one external adviser who should be a qualified accountant

### **Qualities and Experience**

A diverse outlook among members is desirable to avoid over-emphasis in any direction.

Each member will possess the following qualities:

#### **Essential Qualities**

- Independence of management
- Integrity
- Capacity to dedicate sufficient time and energy
- Ability to give direct and honest opinions and add value to decision making
- The forcefulness and tenacity to ask a direct question, insist on a straight answer and hold candid discussions with management and the external advisers
- Inquisitiveness and independent judgement
- Ability to offer different perspectives and constructive suggestions
- Ability to bring personal knowledge and experience to bear
- An understanding of the environment in which the RCN operates

#### **Desirable Skills and Experience**

The Committee overall should encompass skills and experience of the following areas:

- Experience of board level decision making
- Experience of large organisations
- Specific skills in audit and risk management
- Financially literate with the ability to read and understand basic financial statements to know the right questions to ask of management or the auditors and interpret and evaluate the answers