Risk and Audit Committee

Terms of Reference

Contents

1. Purpose, connection to strategy and scope

The Royal Kennel Club Board ('the Board) has established a Risk and Audit Committee to support it, and specifically the Executive, in their responsibilities for ensuring the adequacy of risk management, internal control and governance arrangements, and that Company (Members) funds are used efficiently and effectively.

2. Key activities and responsibilities

2.1. RAC has two functions:

a. an independent audit function, with a focus on assurance arrangements over: governance, financial reporting, annual report, and accounts, including the governance statement.

b. an independent risk assurance function, with a focus on ensuring throughout the year and on an ongoing basis that there is an adequate and effective risk management and assurance framework in place via a detailed managed Risk Register.

2.2. RAC will review and advise the Board on:

a. the strategic processes for risk management, control, and governance, as well as the production of the Governance Statement(s) in the Annual Report and Accounts

b. the adequacy of the organisation's assurance arrangements relating to the control requirements for the management of risk and corporate governance

c. the Company's detailed Risk Register; ensuring an annual review of all major risks.

d. the insurance cover appropriate to effectively manage risks within the business, its costs and implications.

e. external risks with a potential to affect Company performance (Political, Economic, Social, Technological, Environmental and Legislation)

f. the planned activity and results of both internal finance department and external auditor and the adequacy of management response to issues identified by audit activity. This includes external audit's management letter of assurances relating to the management of risk and corporate governance requirements for the organisation, and the response to, and implementation of, internal finance team recommendations:

   i. the performance of external audit services
   ii. the organisation's policies for counter-fraud, whistle-blowing and cyber and information security
   iii. upholding standards of propriety in the organisation's business and achievement of value for money

2.3. RAC will, after review and consideration, recommend to the Board that it approves, in conjunction with the Chief Executive, the Chief Financial Officer and Company Secretary (Governance and Legal Services Executive), the annual report and accounts. In doing so, the Committee should satisfy itself that the annual financial statements represent fairly the financial position of the organisation, and consider the following:

a. that the accounting policies and any significant estimates or judgements in place are appropriate and comply with relevant requirements, particularly the Company's Financial Reporting obligations:
b. that there has been a robust process in preparing the accounts and annual report and they have been subject to sufficient review by management and the Chief Financial Officer
c. whether issues raised by the external auditors have been given appropriate attention

2.4. RAC should review the auditors report, giving particular attention to non-standard issues of representation, prior to the Chief Executive Officer, Chief Financial Officer and Board Directors signing off the annual accounts and audit.

RAC shall have responsibility to monitor and to make recommendations to the Board as to:

a. the adequacy of the RKC's risk management policies, processes and procedures;

b. the review and monitoring of the corporate risk register and the mitigation of major risks;

c. the RKC's risk appetite and tolerance; and

d. the contents and implementation of relevant RKC policies including: whistleblowing policy; data protection policy; health and safety policy; bribery policy; equality and diversity policy; quality assurance and complaints handling; and other policies specified by the Board.

2.5. RAC may investigate at the request of and on behalf of the Board any financial or administrative matter which may put the RKC at risk;

RAC may examine reports of any relevant investigations (including reports from external regulatory bodies and internal audits) and advise the Board accordingly;

RAC may investigate, discuss or review any other matters as requested by the Board.

Audit responsibilities

2.6. RAC shall have general responsibility for audit of the RKC's activities from a financial and non-financial perspective and is particularly required to, when necessary, recommend to the Board a framework of effective audit covering internal and statutory audit processes, having reviewed the effectiveness of the financial and other control systems of the RKC.

Statutory and other external audits

2.7. RAC shall review the statutory auditor's annual report and consider the methodology and assumptions used in the statutory auditor's annual report and the adequacy of management responses;

a. monitor the statutory audit of the annual accounts; and review and monitor the independence and objectivity of the statutory auditor and in particular any additional service by the statutory auditor to the Club;

b. make recommendations to the Club as to the appointment and remuneration of a statutory auditor, on which recommendations the Board shall base any proposal to appoint such an auditor.

Internal audit

2.8. RAC shall monitor the effectiveness of the RKC's internal control, internal audit and risk management systems;

Financial Reporting

2.9. RAC shall monitor and critically challenge the year-to-date financial performance (Actual vs Budget) for the Profit & Loss Account and ensure that the latest full year forecast is robust and achievable.

a. RAC shall monitor the latest Cash position and critically challenge the assumptions, basis, risks and sensitivities of the latest Cash Flow forecast and how the Cash Flow position is likely to be impacted by any changes in the Investment portfolio; e.g. Drawdowns.

b. RAC shall monitor and critically challenge the Investment Portfolio in order to provide the confidence and assurance that the decision-making and rationale is robust and realistic.

2.10. RAC is authorised to:

a. invite Members with particular expertise to attend particular meetings;

b. require the Chief Executive to attend all or part of a meeting;

c. require any member of staff of the RKC other than the Chief Executive to attend all or part of a meeting;

d. seek information from and require the cooperation of any member of staff of the RKC with respect to matters relevant to its terms of reference; and

e. obtain external legal or other professional advice or procure training for its members in order to fulfil its responsibilities save that it shall only incur expenditure that has been pre-approved in the RKC's budget or that is otherwise approved by the Board;

f. approve and authorise the execution of all documents and do all things as may be necessary or desirable for the purposes of carrying out its responsibilities.

3. Delegated authority from the Board

RAC has delegated authority from the Board to approve and monitor the risk framework, holding the Executive and the Committees to account and an advisory role to the Board on risk and audit-related issues.

(Please also refer to the agreed Table of Financial Delegations as it may be updated by the Board from time to time)

4. Composition

RAC shall consist of Directors and Volunteers. It will comprise a maximum of 10 and a minimum of 4 non-executive members (Directors and Volunteers). RAC shall aim for diversity in its composition, including a mix of skills, experiences, and perspectives. (Ref. Appendix 1: skills and experience)
The RKC Chair and Vice-Chair may attend and speak at all meetings of the RAC but may not be members of the RAC or vote.

5. RAC Chair role

RAC shall elect a Chair from among the non-Executive members, to serve for a 3-year term.

RAC shall elect a Vice-Chair from among the non-Executive members to serve for a 3-year term.

The election of RAC Chair and Vice-chair will take place at the first meeting of the RAC following the RKC AGM in the appropriate year.

RAC Chair is responsible for effectively managing the activities of the RAC, to deliver against the aims the Board has delegated in achieving the mission of the RAC.

Behaviours and competencies required by the RAC Chair are:

a. Chairing meetings of RAC
b. Ensuring RAC works effectively and fulfils its Terms of Reference
c. Setting and managing RAC’s agenda
d. Providing support and advice to the Board, helping it to implement the policies and strategic direction agreed by the Board
e. Setting the style and tone of RAC meetings to promote a culture of integrity and respect, a collegiate atmosphere and high-level debate
f. Generating constructive relationships to listen to concerns and maintain support
g. Navigating politically sensitive situations
h. Upholding the highest standards of integrity and probity
i. Ensuring the voices of everyone in the meetings are heard and respected, including the staff who support its activities

6. RAC Chair & committee appointment process

All Directors and Volunteers shall serve for 3-year terms. In order to avoid all members retiring at the same time, upon formation of RAC 2 members will retire after 1 year, 3 after 2 years and 3 after 3 years.

The members will be eligible for re-election for a maximum of 3 terms of 3 years.

Recruitment and appointment of the volunteer members of RAC will follow this process:

a. Advertising for members by notice to the RKC Membership and wider public (e.g. via Royal Kennel club Journal), including a role description and person specification
b. Shortlisting of candidates by the RAC Chair, RAC Vice-Chair, the Chair of the RKC and the Chief Executive
c. Approval of the shortlist by the RKC Board
d. An interview and selection process conducted by the RAC Chair, RAC Vice-Chair and Chief Executive
e. Approval of recommended appointments by the RKC Board

Recruitment and appointment of the Director members of RAC shall be handled by the Board which will appoint members with the skillset and experience as set out in Appendix 1. Prospective Director members of RAC should complete the requisite competence form as recommended by the RAC from time to time, in order to facilitate the review of skillset and experience.

7. RAC member role

The skills and experience required by the members of RAC are shown in Appendix 1.

a. The role of RAC members is to:
b. Support the RAC Chair to ensure the RAC works effectively and fulfils its Terms of Reference
c. Provide support and advice to the RAC, helping it to implement the policies and strategic direction agreed by the Board
d. Contribute to a culture of integrity and respect, a collegiate atmosphere and high-level debate
e. Generate constructive relationships to listen to concerns and maintain support
f. Navigate politically sensitive situations
g. Uphold the highest standards of integrity and probity
h. Ensure the voices of everyone in meetings are heard and respected, including the staff who support its activities

8. Staff member role

The role of Executive (and other) staff invited to attend the meetings is to:

a. Support the RAC Chair to ensure RAC works effectively and fulfils its Terms of Reference
b. Provide support and advice to RAC, helping it to implement the policies and strategic direction agreed by the Board
c. Contribute to a culture of integrity and respect, a collegiate atmosphere and high-level debate
d. Generate constructive relationships to listen to concerns and maintain support
e. Navigate politically sensitive situations
f. Uphold the highest standards of integrity and probity

g. Ensure the voices of everyone in meeting s are heard and respected, including the staff who support its activities

9. Ability to scale up and down as needed

RAC may second others (Directors, Volunteers, or staff) on a time-limited basis, in a non-voting capacity, to provide additional expertise, as required.

10. Meeting frequency

a. RAC shall meet 3 to 4 times per year (as required), with additional meetings scheduled as needed.

b. Meetings may be conducted in person, virtually, or a combination of both.

c. A quorum shall be achieved with the presence of at least 50% of the RAC members.

A meeting agenda template is appended. (Appendix 2)

11. Reporting and accountability

RAC shall report its findings, decisions, and recommendations to the Board regularly (usually at the next planned Board meeting). A designated RAC member (usually the Chair) shall present updates during Board meetings.

Members of RAC shall maintain the confidentiality of sensitive information discussed during meetings.

12. Decision-making process

RAC will strive to make decisions by consensus. On occasions where it is necessary to have a vote, a simple majority will be required to carry a motion. In the case of equal votes for and against a motion, the Chair shall have a casting vote.

13. Resourcing process

RAC shall not have a budget for its own use.

RAC shall have secretarial/administrative support from a member (or members) of staff, at the discretion of the Chief Executive.

Time commitment of non-executive members: Meetings are likely to run for 2.5 to 3 hours (4 times a year). Members will be expected to prepare for meetings (reading/preparing papers) and may be required to carry out delegated actions between meetings. There is likely to be time required for updating conversations/emails between meetings. A total time commitment of 4-8 days per year is estimated. The Chair and Vice-chair are likely to have to commit additional time, for example to maintain a regular dialogue with the Chief Executive and RKC Chairman.

14. Definition of group names

RAC shall be a committee formally established in the Rules of the RKC. It will report and be accountable to the Board.

15. Removal of RAC members

Members of RAC can be removed at any time by resolution of the Board.

Appendix 1: Skills and Experience required for members of the Risk and Audit Committee

The skills and experience required for non-executive members of RAC. N.B. It is not expected that each member would possess all these attributes, rather that they would be covered by the collective membership of the RAC.

1. Risk Management Expertise:
    a. Experience in identifying, evaluating and managing risks.
    b. Ability to contribute to the development of effective risk management strategies.
    c. Ability to oversee the maintenance of a risk register and to satisfy itself that an appropriate risk appetite has been utilised and suitable mitigation measures identified.
    d. Ability to oversee risk management policies.

2. Audit Experience:
    a. Experience in overseeing internal audit and statutory audit processes.

3. Financial Literacy:
    a. Knowledge of financial management, budgeting, and financial reporting.
    b. Ability to assess financial risks and opportunities.

4. Industry/Sector Knowledge:
    a. Familiarity with the 'dog world' within which the RKC operates.
    b. Knowledge of sector trends, challenges, and best practices.
    c. Relevant experience in one or more of the RKC's sporting activities.

5. Governance Understanding:
    a. Familiarity with governance principles and practices.
    b. Ability to contribute to the development of and adherence to governance policies.

6. Legal and Regulatory Awareness:
    a. Knowledge of relevant legal and regulatory frameworks.
    b. Understanding of compliance requirements for the organisation.

7. Ethical Judgment:
    a. Demonstrated commitment to ethical behaviour and integrity.
    b. Ability to assess and address ethical considerations in business decisions.

8. Commitment to the Mission:
    a. Alignment with the RKC's mission and values.
    b. Passion for contributing to the success of the RKC.

9. Previous Board or Committee experience:
    a. Experience serving on boards or committees, preferably in a leadership role.
    b. Familiarity with the dynamics of Board interactions.

It is essential for the composition of the RAC to encompass a diverse range of skills and experiences to ensure comprehensive and well-rounded decision-making.

Appendix 2: Meeting Agenda Template

This is a generic template and matters may be added or removed depending upon the requirements of the Company from time to time.

1. Chair's Opening Remarks:
   a. Confirm quorum
   b. Declaration of any conflicts of interest

2. Review of previous meeting minutes:
   a. Confirmation and approval of minutes and actions from the last meeting

4. Corporate Business Plan:
   a. Overview and discussion of current quarter's objectives and progress with particular emphasis on risk.

5. Risk Management:
   a. Assessment of current risks and mitigation strategies
   b. Discussion of emerging risks and anything referred to the RAC from the Business Committee - Rotational topics/deep dive topics

6. Audit:
   a. Discussion of any internal audit issues that may have arisen which require RAC input - External audit discussion and review (at the appropriate meeting)

7. Other Business:
   a. Any additional items brought forward by RAC members

8. Next Steps and Action Items:
   a. Assigning tasks and responsibilities
   b. Setting deadlines for action items
   c. Next meeting date and time