

BRITISH EQUESTRIAN FEDERATION AUDIT COMMITTEE

TERMS OF REFERENCE

Introduction

The BEF Articles of Association provide that

“There shall at all times be an audit committee and a remuneration committee, each comprising three directors and each of which shall act in accordance with any terms of reference provided from time to time provided by the Board. Each non-executive director may be a member of such committees; the Board Chairman must be a member of the remuneration committee and the Finance Director shall not be a member of the audit committee.” (Article 17.13)

Terms of Reference

1 Membership

- 1.1 Membership of the Committee shall be determined in accordance with Article 17.1.13 of the Articles of Association
- 1.2 At least one member of the Committee must have recent and relevant financial experience.
- 1.3 Appointments to the Committee shall be for a period of up to three years, which may be extended for further periods of up to three years, provided the director still meets the criteria for membership of the Committee.
- 1.4 The Board shall appoint the Committee chairman. The Head of Secretariat shall be the Secretary of the Committee.

2 Meetings

- 2.1 Meetings shall be held at least twice a year at appropriate times in the reporting and audit cycle and otherwise as required.
- 2.2 Meetings of the Committee shall be called by the Secretary of the Committee at the request of any of its members or at the request of the auditors if they consider it necessary.
- 2.3 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend and all

other non-executive directors, no later than five working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

- 2.4 Attendance of non-members of the Committee shall be by invitation only. The Chief Executive or Head of Finance shall normally be invited to attend. A representative of the auditors shall be invited if and when required to attend meetings.
- 2.5 The quorum necessary for the transaction of business shall be two members of the Committee. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee
- 2.6 A person may participate in a meeting of the Committee by telephone, video conferencing, or other similar equipment provided that throughout the meeting all persons participating in the meeting are able to communicate interactively and simultaneously with all other parties participating in the meeting. A person participating in a meeting in this manner shall be deemed present in person at the meeting.
- 2.7 In the absence of the Committee chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.
- 2.8 The Secretary shall minute the proceedings and decisions of all meetings of the committee, including recording the names of those present and in attendance.
- 2.9 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board.

3. Authority

- 3.1 The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.
- 3.2 The Committee is authorised by the Board at the Committee's sole discretion to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

4. Duties

The duties of the Committee shall be:

4.1 External auditor relationship

- 4.1.1 To be responsible for the appointment, compensation and oversight of the auditors; and in particular:
- 4.1.2 To consider and make recommendations to the Board, to be put to the members for approval at the AGM, in relation to the appointment, re-appointment and removal of the company's auditors. The Committee shall oversee the selection process for new auditors and if the auditors resign the Committee shall investigate the issues leading to this and decide whether any action is required
- 4.1.3 To approve their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit
- 4.1.4 To be responsible for ensuring that the auditors report in a timely manner to the Committee:
 - (i) all accounting policies and practices used or to be used;
 - (ii) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the auditors; and
 - (iii) other material written communications between the auditors and management, such as any management letter or schedule of unadjusted differences;
- 4.1.5 To review and monitor the auditors' independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements.
- 4.1.6 To review, approve and consider the effect upon the independence of the auditors of the provision to the Company of all non-audit services allowed to be performed by the auditors under applicable law and the Committee shall review and approve all non-audit fees associated therewith.

4.2 Financial reporting

4.2.1 To monitor the integrity of the financial statements of the company, including its annual and half-yearly reports, management accounts, and any other formal announcement relating to its financial performance.

In particular, the Committee shall review and challenge where necessary:

- (i) the consistency of and any changes in accounting policies and practices;
- (ii) major judgemental areas in particular the methods used to account for significant or unusual transactions where different approaches are possible;
- (iii) whether the company has followed appropriate accounting standards and made appropriate estimates and judgments taking into account the views of the auditors;
- (iv) the going concern assumption;
- (v) significant adjustments resulting from the audit;
- (v) the clarity of disclosure in the company's financial reports and contexts in which the statements are made.

4.2.2 To discuss problems and reservations arising from the audit, and any matters the auditors may wish to discuss (in the absence of management where necessary);

4.2.3 To review the auditors management letter and management's response [the Committee shall meet the auditors at least once a year, without management being present, to discuss the auditors remit and any issues arising from the audit].

4.3 Internal Control

4.3.1. Unless this is done by the Board as a whole the Committee shall keep under review the adequacy and effectiveness of the company's internal financial controls and internal control and risk management systems;

4.3.2 To ensure that the internal financial function is adequately resourced and has appropriate standing within the Company and generally to monitor and review its effectiveness;

4.3.3 To make or cause to be made, from time to time, such other examinations or reviews as the Committee may deem advisable with respect to the adequacy of the systems of internal controls and

accounting practices of the Company in connection with the Grant Funding received.

- 4.3.4 To consider the major findings of internal investigations and management's response.

4.4 Complaints/whistleblowing/fraud/bribery

- 4.4.1. To ensure that procedures are in place for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters.

- 4.4.2 To review the adequacy and security of the Company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action

- 4.4.3 To review the Company's procedures for detecting fraud

- 4.4.4 To review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance

4.5 Risk and Legal Compliance

- 4.5.1 To review:

- (i) the status of compliance with laws, regulations, and internal procedures;
- (ii) contingent liabilities
- (iii) risks that may be material to the Company and the scope and status of systems for managing such risks;
- (iv) the scope and status of systems designed to assure Company compliance with laws, regulations and internal procedures; through receiving reports from management, legal counsel and other third parties as determined by the Committee on such matters, as well as major legislative and regulatory developments which could materially impact the Company's contingent liabilities and risks.

4.6 Other

To consider other topics, as defined by the Board.

5 Reporting responsibilities

- 5.1 The Committee chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 5.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 5.3 The Committee shall produce a report on its activities to be included in the company's annual report.
- 5.4 The Committee chairman should attend the annual general meeting to answer member questions on the committee's activities.

6. Other matters

The Committee shall

- 6.1 have access to sufficient resources in order to carry out its duties, including access to the Company Secretariat for assistance as required
- 6.2 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members
- 6.3 oversee any investigation of activities which are within its terms of reference
- 6.4 arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval

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