Audit Committee

Terms of Reference

Effective Date
Approved by Audit Committee on 15 March 2016
Approved by Governing Council on 20 May 2016

1. Purpose
1.1. The main purpose of the Audit Committee is to monitor the integrity and effectiveness of the financial reporting, internal control and risk management systems, to review fraud and Raising Concerns policies and to review the effectiveness of and recommend the appointment of the external auditor.
1.2. For the avoidance of doubt, the Audit Committee’s remit extends across the whole organisation, including the regulatory function.
1.3. Under Bye-Law B7, Governing Council established the Audit Committee, which should operate independently of Governing Council, the Management Board and the Global Regulatory Board.

2. Membership
2.1. The Audit Committee will comprise:
   Non-Executive Members:
   • Up to 2 non-executives
   • Up to 2 Independent (non-members of RICS), non-executives and experienced in audit and financial issues.

2.2. Attendance:
   Others may be invited by the Chair to attend all or part of any meeting (but they will not be entitled to vote).

3. Chair
3.1. The Chair of the Audit Committee will be appointed (by selection based on their technical capabilities) in accordance with the Global Appointments Model.
3.2. The Chair may be reappointed for additional terms of office (provided the total continuous service does not exceed six years) in accordance with the Global Appointments Model subject to satisfactory performance.
3.3. In the absence of the appointed Chair, the Committee members will elect a Chair for the duration of the meeting.
3.4. The Chair will not be a member of any other RICS Governance Body (as defined in the RICS Constitutional Documents) and can be either an independent or RICS member of the Audit Committee.
4. **Appointment and Terms**

4.1. Non-executive members of the Audit Committee will be appointed in accordance with the Global Appointments Model (by selection based on their technical capabilities) for a term not exceeding 3 years.

4.2. The maximum term of office may not exceed 6 years in total.

4.3. A non-executive member of the Committee may be re-appointed for additional terms (provided the total continuous service on the Committee does not exceed 6 years) by the Committee Chair, in accordance with the Global Appointments Model subject to satisfactory performance.

4.4. Members of the Audit Committee will not be members of Governing Council or Management Board.

5. **Secretary**

5.1. The Head of Governance or their nominee will act as Secretary to the Audit Committee.

6. **Quorum**

6.1. The quorum necessary for Audit Committee meetings or decisions will be 3 members eligible to attend and vote.

7. **Frequency of Meetings**

7.1. The Audit Committee will meet at least 3 times a year or as required by the Chair at appropriate intervals in the financial reporting and audit cycle and otherwise as required. The Chair or the External Auditors may request a meeting if they consider that one is necessary.

7.2. Outside of the formal meeting programme, the Committee Chair will maintain a dialogue with key individuals involved in RICS’s governance, including the Chair of the Management Board, the CEO, the CFO, the external audit lead partner and the head of internal audit.

8. **Notice of Meetings**

8.1. Meetings will be scheduled by the Committee Secretary or as required by the Chair. Notice of each meeting confirming the time, date and venue, together with an agenda of items to be discussed and supporting papers, where available, will be forwarded to Members of the Committee no later than 7 working days before the date of the meeting.

9. **Conduct**

9.1. Meetings of the Audit Committee will be conducted in accordance with the provisions of the RICS Charter, Bye-Laws and Regulations and any relevant policy, including but not limited to the Board Handbook, Code of Conduct and Conflicts of Interest Policy.

9.2. A resolution may be passed or a decision taken through a simple majority of those Members of the Committee present and entitled to vote. The Chair will have the casting vote.

9.3. Audit Committee may pass resolutions or make decisions in between meetings either in writing or via any form of electronic communications. Any decision taken between meetings will be notified to the Committee at its next meeting and recorded in the minutes.

9.4. Any potential or actual conflicts of interest must be notified to the Chair before discussion on the relevant item. The Chair will have the final ruling on whether or not the member can participate in the discussion and / or vote.
10. Minutes

10.1. The Secretary will minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance. Draft minutes will be circulated promptly to all Members of the Committee (within a month of the meeting).

11. Duties

11.1. The main duties of the Audit Committee are as follows:

Financial reporting
- The Committee shall monitor the integrity of the financial statements of RICS, including its annual reports, interim management statements, and any other formal announcement relating to its financial performance, reviewing and reporting to Governing Council / Management Board on significant financial reporting issues and judgements which they contain having regard to matters communicated to it by the auditor.
- In particular, the Committee shall review and challenge where necessary:
  o the consistency of, and any changes to, significant accounting policies both on a year on year basis and across the group;
  o the methods used to account for significant or unusual transactions where different approaches are possible;
  o whether RICS has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
  o the clarity and completeness of disclosure in the financial reports and the context in which statements are made; and
  o all material information presented with the financial statements, such as the business review and the corporate governance statements relating to the audit and to risk management.
- Where the Committee is not satisfied with any aspect of the proposed financial reporting, it shall report its views to Management Board.

Narrative reporting
Where requested by Management Board, the Committee should review the content of the annual report and accounts and advise Management Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary to assess RICS performance, business model and strategy.

Internal controls and risk management systems
The Committee shall:
- keep under review the adequacy and effectiveness of the internal financial controls and internal control and risk management systems; and
- review and approve the statements to be included in the annual report concerning internal controls and risk management.

Compliance, Raising Concerns and fraud
The Committee shall:
- review the adequacy and security of the arrangements for 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;
- review procedures for detecting fraud;
• review the systems and controls for the prevention of bribery and receive reports on non-compliance; and
• review occasional reports from the compliance officer, covering matters such as information governance and data protection, and keep under review the adequacy and effectiveness of the organisation’s compliance function.

Internal audit
The Committee shall:
• approve the appointment or termination of appointment of the head of internal audit. (The Chief Financial Officer should consult the Chair over the compensation awarded.);
• review and approve the charter of the internal audit function and ensure the function has the necessary resources and access to information to enable it to fulfil its mandate, and is equipped to perform in accordance with appropriate professional standards for internal auditors;
• ensure the internal auditor has direct access to the Chair of Management Board, if required, and to the Committee Chair, and is accountable to the Committee;
• review and assess the annual internal audit work plan;
• receive a report on the results of the internal auditor’s work on a periodic basis;
• review and monitor management’s responsiveness to the internal auditor’s findings and recommendations;
• meet with the head of internal audit at least once a year without the presence of management; and
• monitor and review the effectiveness of the organisation’s internal audit function, in the context of the organisation’s overall risk management system.

External audit
The Committee shall:
• consider and make recommendations to Governing Council, to be put to Members for approval at the AGM, in relation to the appointment, re-appointment and removal of the external auditor;
• ensure that at least once every ten years the audit services contract is put out to tender to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms; and in respect of such tender oversee the selection process and ensure that all tendering firms have such access as is necessary to information and individuals during the duration of the tendering process;
• if an auditor resigns, investigate the issues leading to this and decide whether any action is required;
• oversee the relationship with the external auditor including (but not limited to):
  o recommendations on their remuneration, including both fees for audit and non-audit services, and that the level of fees is appropriate to enable an effective and high quality audit to be conducted;
  o approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
  o assessing annually their independence and objectivity taking into account relevant UK professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
  o satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the organisation (other than in the ordinary course of business) which could adversely affect the auditor’s independence and objectivity;
  o monitoring the auditor’s compliance with relevant ethical and professional guidance on the rotation of audit partner, the level of fees paid by the organisation compared to the overall fee income of the firm, office and partner and other related requirements;
assessing annually the qualifications, expertise and resources of the auditor and the
effectiveness of the audit process, which shall include a report from the external
auditor on their own internal quality procedures;
seeking to ensure co-ordination with the activities of the internal audit function; and
evaluating the risks to the quality and effectiveness of the financial reporting process
and consideration of the need to include the risk of the withdrawal of their auditor
from the market in that evaluation.
meet regularly with the external auditor (including once at the planning stage before the audit
and once after the audit at the reporting stage) and at least once a year, without
management being present, to discuss the auditor’s remit and any issues arising from the
audit;
review and approve the annual audit plan and ensure that it is consistent with the scope of
the audit engagement, having regard to the seniority, expertise and experience of the audit
team; and
review the findings of the audit with the external auditor. This shall include but not be limited
to, the following:
- a discussion of any major issues which arose during the audit;
- key accounting and audit judgements;
- levels of errors identified during the audit; and
- the effectiveness of the audit process.
The Committee shall also:
- review any representation letter(s) requested by the external auditor before they are signed
by management;
- review the management letter and management’s response to the auditor’s findings and
recommendations; and
- develop and implement policy on the supply of non-audit services by the external auditor to
avoid any threat to auditor objectivity and independence, taking into account any relevant
ethical guidance on the matter.

12. Reporting
12.1. The Chair of the Audit Committee will report to Governing Council and Management Board
as appropriate on the activities of the Committee. The Chair shall also liaise occasionally
with the Chair of the Global Regulatory Board to ensure assurance needs in that area are
being met.
12.2. The Chair of the Audit Committee will attend the Annual General Meeting and will answer
questions about the Audit Committee’s activities and responsibilities.
12.3. The Committee Chair shall report formally and annually to Management Board and
Governing Council on its proceedings on all matters within its duties and responsibilities and
on how it has discharged its responsibilities. Minutes of its meetings or a brief summary of
key points should be reported to Management Board after each meeting.
12.4. This report shall include:
- the significant issues that it considered in relation to the financial statements and
how these were addressed;
- its assessment of the effectiveness of the external audit process and its
recommendation on the appointment or reappointment of the external auditor; and
- any other issues on which Management Board / Governing Council has requested
the Committee’s opinion.
12.5. The Committee shall make whatever recommendations to Management Board / Global
Regulatory Board it deems appropriate on any area within its remit where action or
improvement is needed.
12.6. The Committee shall compile a report on its activities to be included in the annual report. The report should include an explanation of how the Committee has addressed the effectiveness of the external audit process; the significant issues that the committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the auditor; and all other information requirements.

12.7. In compiling the reports referred to above, the Committee should exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant, but should include at least those matters that have informed Management Board’s assessment of whether RICS is a going concern. The report to Members need not repeat information disclosed elsewhere in the annual report and accounts, but could provide cross-references to that information.

13. **Authority**

13.1. The Committee is authorised to:
- seek any information it requires from any employee in order to perform its duties;
- obtain, at RICS’ expense, independent legal, accounting or other professional advice on any matter it believes it necessary to do so;
- call any employee to be questioned at a meeting of the Committee as and when required; and
- have the right to publish in the annual report, details of any issues that cannot be resolved between the Committee and Management Board.

14. **Other Matters**

14.1. The Committee shall:
- have access to sufficient resources in order to carry out its duties;
- 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;
- give due consideration to laws and regulations, and any other applicable rules, as appropriate;
- be responsible for co-ordination of the internal and external auditors;
- oversee any investigation of activities which are within its terms of reference;
- work and liaise as necessary with other RICS governance bodies;
- arrange for periodic reviews of its own performance in accordance with the Global Appointments Model,
- review its constitution and terms of reference every 2 years to ensure it is operating at maximum effectiveness and notify any changes it considers necessary to Governing Council for approval.