



FEDERATION OF
**MASTER
BUILDERS**
fmb.org.uk

Terms of Reference

**FMB Audit &
Risk Committee**

FMB Audit & Risk Committee



1. Constitution

The Audit and Risk Committee ("the Committee") of the Federation of Master Builders Group ("FMB") is formally constituted as a Committee of the FMB Board of Directors.

The Chief Executive's office shall be responsible for convening meetings, preparing the agenda and producing minutes.

The Committee should be independent and objective; in addition each member should have a good understanding of the objectives and priorities of the organisation and their role as a committee member.

2. Membership

The Committee shall consist of a minimum of four members, one of whom will be a representative from the FMB Board plus at least one independent voluntary member. A quorum shall be three members.

The Chair has the option to have two co-opted members with non-voting rights for a maximum of ten years.

The Committee shall appoint its Chair for a minimum two year period which may be renewed until a maximum of six years is served. The Committee has the right to bring in expertise as it requires. The FMB Board representative shall not be eligible to be Chair.

A member of the Audit & Risk Committee may not sit on the FMB Finance Committee.

The Chair has the deciding vote.

3. Term of Office

The maximum term of office for a member on the Group is ten years.

4. Attendance at Meetings

The Chief Executive and the Finance Director are expected to attend all meetings as requested.

Notice of all meetings shall be given to the FMB's Auditor's appointed under Section 384 (1) of the Companies Act 1985 ("the Auditors") who have the right to attend.

It is to be expected that the external audit lead partner will be invited regularly to attend meetings. Others may be invited to attend.

5. Frequency of Meetings

A minimum of three meetings a year will be held with additional meetings held as determined by the Chair if deemed to be necessary.

Meetings will be held both face-to-face and virtually. It is suggested that at least half the meetings are held virtually.

Meetings are to be held in the UK at a location convenient for members.

The Committee should meet annually with the Auditors without management present to discuss matters relating to its remit and any issues arising for the Audit.

The Auditors may request a meeting if they consider that one is necessary.

6. Role and Responsibilities

The main role and responsibilities of the Audit and Risk Committee are:

- To monitor the integrity of the financial statements and review significant financial reporting judgments contained in them.
- To receive reports from management on the effectiveness of the system they have established and the conclusions of any testing carried out by internal and external auditors.
- To review the FMB's internal financial controls.
- To develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and to report to the Board, identifying any matters in respect of which it considers that action or improvement is needed, and making recommendations as to the steps to be taken.
- To oversee FMBIS compliance.
- To ensure procedures are in place to prevent fraud.
- To enable the auditors the opportunity to review and challenge.
- To review the FMB's Risk Register.
- To report to the Board on how it has discharged its responsibilities. To advise and/or carry out work as requested by the FMB Board.

Financial reporting

- To review, and report to the Board on, the significant financial reporting issues and judgements made in connection with the preparation of the FMB's financial statements (having regard to matters communicated to it by the auditor).
- To review related information presented with the financial statements, including the strategic and business plans relating to the audit and to risk management.
- **Whistleblowing**
 - To review arrangements by which staff of the FMB may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The Committee's objective should be to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.

Internal controls and risk management systems

- To review annually whether there is a need for an internal audit control.

FMB Audit & Risk Committee



Auditor

Appointment and tendering

- To make a recommendation on the appointment, reappointment and removal of the external auditors.
- To assess and report to the Board on the effectiveness and expertise of the external auditors with a recommendation on whether to propose that the external auditor be reappointed. The assessment should cover all aspects of the audit service provided by the audit firm.

Annual audit cycle

To review, with the external auditors, the findings of their work. In the course of its review, the audit committee should:

- Discuss with the external auditor major issues that arose during the course of the audit and have subsequently been resolved and those issues that have been left unresolved;
- Review key accounting and audit judgements; and
- Review levels of errors identified during the audit, obtaining explanations from management and, where necessary, the external auditors as to why certain errors might remain unadjusted.
- To review the audit representation letters before signature and give particular consideration to matters where representation has been requested that relate to non-standard issues. The Committee should consider whether the information provided is complete and appropriate based on its own knowledge.
- As part of the ongoing monitoring process, the Committee should review the management letter (or equivalent). The Committee should review and monitor management's responsiveness to the external auditor's findings and recommendations.
- At the end of the annual audit cycle, the Committee should assess the effectiveness of the audit process. In the course of doing so, the audit committee should:
- Review whether the auditor has met the agreed audit plan and understand the reasons for any changes, including changes in perceived audit risks and the work undertaken by the external auditors to address those risks.
- To assess the independence and objectivity of the external auditor annually, taking into consideration relevant UK law, regulation and professional requirements.
- To seek reassurance that the auditors and their staff have no financial, business, employment or family and other personal relationship with the FMB which could adversely affect the auditor's independence and objectivity, taking account of relevant Ethical Standards for Auditors.

Risk

- To review the risk register so as to ensure to the best knowledge of the Committee that it is complete, up to date and covers all of the material risks faced by the Group.
- To review and challenge to the best of the knowledge of the Committee that the description and assessment of the risk is appropriate including the prioritisation.
- To consider and challenge the actions being taken by Management to mitigate the risks.
- To highlight to the Board any instances where the Committee identifies concerns regarding the approach to Risk by Management.



7. Authority

The Committee is authorised by the Board of Directors to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee. All employees are directed to co-operate with any reasonable request made by the Committee.

The Committee is authorised by the Board of Directors 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.

8. Reporting

To report to the Board of Directors at each meeting on its activities and minutes of the proceedings. The Committee should review annually its terms of reference and its own effectiveness and recommend any necessary changes for approval by the FMB Board. The Committee should receive approved copies of minutes of the FMB Board and FMB Insurance Services Ltd.

To report to the Board on how it has discharged its responsibilities, including:

- The significant issues that it considered in relation to the financial statements and how these issues 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 the Board has requested the Committee's opinion.



About the Federation of Master Builders

The Federation of Master Builders (FMB) is the largest trade association in the UK construction industry representing thousands of firms in England, Scotland, Wales and Northern Ireland. Established in 1941 to protect the interests of small and medium-sized (SME) construction firms, the FMB is independent and non-profit making, lobbying for members' interests at both the national and local level.

The FMB is a source of knowledge, professional advice and support for its members, providing a range of modern and relevant business services to help them succeed. The FMB is committed to raising quality in the construction industry and offers a free online service to consumers called **'Find a Builder'**.

Please visit www.fmb.org.uk



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