

RICS Governing Council Publishes Independent Review and Accepts All Recommendations

The Governing Council of RICS has today published the Independent Review by Alison Levitt QC into the events that took place following the commissioning of a Treasury Management audit in 2018 and has voted to accept all her recommendations.

The 467-page report concludes that four non-Executive Board members, who raised legitimate concerns that the audit had been suppressed, were wrongly dismissed from the Management Board and that sound governance principles were not followed.

The report finds that the origins of what went wrong lay in the governance architecture of RICS. A lack of clarity about the roles and responsibilities of the Boards, the senior leadership and the management left cracks within which the Chief Executive and his Chief Operating Officer had become used to operating with little effective scrutiny.

Although they believed they were acting in the best interests of RICS, they were resistant to being challenged. When non-Executive members of the Management Board insisted that they should have sight of internal audit reports and refused to back down it became a “them or us” situation.

The report concludes that this was not a cover-up as much as a power struggle. The Executive used the governance structure as a fig leaf for its actions and showed a collective failure of common sense in allowing the situation to escalate unnecessarily. RICS was not well served by its lawyers who should have given objective advice but saw their role as being to protect the Executive.

Ms Levitt entirely exonerates the four non-Executives dismissed from the Board and says they would have failed RICS if they had backed down.

The BDO audit, which raised serious concerns about Treasury Management controls, was received by the Chief Operating Officer in December 2018, but not shared with the Management Board until seven months later.

Governing Council was unaware of the report's existence until it learned of the non-Executives' dismissal in November 2019 and was not shown it until January 2021. Contrary to what was later claimed publicly, Governing Council was not "kept fully informed".

Because the constitution and structure are the root cause of what went wrong in 2019, the report says there is a real risk that if it is not dealt with something similar could happen again.

The report's main recommendation is for a wide-ranging external review of purpose, governance and strategy, led by an independent reviewer, such as a retired senior civil servant.

The Governing Council has committed to implementing all the report's recommendations and has issued a formal apology to the four non-Executive directors and offered to reimburse their legal fees. It has also apologised to members of the GC2019 group who were incorrectly threatened with legal action and also offered to reimburse their legal fees.

Prior to the report's publication, CEO Sean Tompkins, President Kath Fontana, Interim Chair of Governing Council, Chris Brooke, and Chair of the Management Board, Paul Marcuse have also stood down from their posts. Amit Shah, the Chair of the Audit Committee, has come to the end of his term.

A process is under way to appoint a new interim CEO, with an announcement expected imminently. Nick Maclean, who led the Steering Group for the Independent Review, has been appointed Temporary Chair of Governing Council, and will be donating his salary for the role to Lionheart, the RICS charity.

Governing Council will lead the response to the report, which has been published in full in the Open version in accordance with the advice of Alison Levitt QC.

In addition to recommending a wide-ranging external review, the report makes a series of interim recommendations relating to governance, Executive remuneration, whistle blowing and legal advice, which will be implemented in full, including:

- Greater oversight for Governing Council, which should be provided with the Minutes of all Boards and committees. Updates should be provided by the Chair of the Board or committee, not by the Chief Executive or another senior member of staff.
- More frequent meetings of the Management Board, which should be recognised as having responsibility for all operational matters and should receive Minutes and

documents it requests from all other Boards. Members should be able to raise issues with Governing Council directly.

- Financial bonuses at senior executive level should be reviewed to determine if they are appropriate for a professional membership organisation.
- The whistle-blowing procedures should be overhauled to allow any complaint against a senior member of the senior leadership team to be referred to an independent third party.
- External legal advice should always be given on the basis that RICS is the client, not its senior management. RICS should consider whether previous legal advice kept this principle sufficiently in mind. The provision of legal advice to RICS should be determined by competitive tender every three years.

Nick Maclean, Temporary Chair of Governing Council said:

“We are grateful to Alison Levitt QC for her very thorough report and have accepted her findings in their entirety. We commissioned an independent reviewer because we are committed to fostering a culture of openness and transparency and that is why we have published it in full.

Whilst her report makes uncomfortable reading it provide us with an opportunity to implement far-reaching reforms and establish RICS as the gold standard for professional bodies, which will regenerate our historic institution”.

I have personally apologised to the non-Executive Board members who were unfairly dismissed on behalf of RICS and would like to repeat this apology publicly, as well as apologising to members of the GC2019 group who were improperly threatened with legal action.

We have accepted the decisions of the CEO, President, Chair of Governing Council and Chair of the Management Board to stand down and thank them for their service.

I can promise our members and staff that we will have an open dialogue about our plans for the new, external review of our organisation and about other changes we implement to address the failings identified in the report.

I can reassure the wider profession and the public that our oversight of professional and regulatory standards has never been compromised by the events described in this report.

These functions are governed by a separate Board, established at the beginning of 2020, with a lay majority and chaired independently by Dame Janet Paraskeva”.

Alison Levitt QC said:

“RICS is an organisation about which its members are passionate. Whilst those who provided evidence to me disagreed about a great many things, there was one subject which united them, namely the sense of pride they felt at being members of RICS.

This has been a sad and depressing episode in the life of a great Institution. There is a yearning to return RICS to a position of pre-eminence in professional membership organisations. I am confident that with courage and imagination, an independent external governance review will be able to put RICS into the position of moving forward in unity in the public interest.

My report has not made easy reading for the Governing Council of RICS, which has shown courage, leadership and a real commitment to transparency by publishing it in full. I am pleased that it is adopting all my recommendations without delay.”

ENDS

About The Levitt Report:

The RICS Governing Council unanimously agreed in January 2021 to commission an independent review into events that took place in 2018 and 2019, culminating in the dismissal of four non-executive directors on the Management Board, and the subsequent handling of the questions raised about those events at the end of 2020.

Alison Levitt QC took over as Independent Reviewer in April 2021 after her predecessor, Peter Oldham QC, stood aside for professional reasons.

The terms of reference were set by Alison Levitt QC who identified three core objectives:

- to consider the way in which the internal report was commissioned and dealt with and to determine whether there were any shortcomings
- if so, to consider whether any shortcomings represented a failure of governance
- to make recommendations for the future.