

# JAMAICA CIVIL AVIATION AUTHORITY

## AUDIT & RISK MANAGEMENT (ARM) COMMITTEE CHARTER

### Revision History

The following table details the revision history of this Charter.

Version	Date	Summary of Changes
1	August 2016	INITIALLY APPROVED CONTENTS
2	December 2016	CHANGES PROPOSED BY COMMITTEE
3	May 2018	BOARD MEMBERS TO BE AGREED BY THE BOARD

### A. POLICY STATEMENT

1. The Public Bodies Management Act (PBMA) mandates the establishment of an Audit & Risk Management (ARM) Committee to support the Board with its duties. The Audit and Risk Management (ARM) Committee covering Internal Control, Internal Audit, Compliance, External Audit & Risk Management (herein referred to as “the Committee”) assists the Board of the Authority in ensuring that this fiduciary obligation is met by examining in detail all the controls, compliance, auditing and risk management reports and information concerning the Authority.
2. The objective of the Committee is to provide oversight of senior management’s activities in managing the Authority’s affairs and the risks associated with managing the Authority – whether external, corporate/strategic, financial or operational risks. The Committee has the responsibility to keep the Board informed of the performance, compliance and risk status of the Authority, the key risks being faced whether physical, real, in assets, equipment, monetary and other resources, arising from external or internal relationships; and how these risks are being managed.

### B. DUTIES AND RESPONSIBILITIES – EXTERNAL AUDIT

The Committee reviews, reports and makes recommendations on the following:

1. The development and application of adequate internal control, evaluation and reporting systems within the Authority.
2. The development and application of specific and measureable objectives and performance targets for the Authority.
3. Allow for the Auditor to attend such meeting, in relation to matters concerning the Auditor’s functions, or upon which the Auditor has made a report.

4. Must advise the Board on the:
  - (i) practices and procedures which will promote productivity and the quality and volume of service;
  - (ii) extent to which the objects of public body are being achieved;
  - (iii) adequate, efficiency and effectiveness of the accounting and internal control structure and systems of the Authority; and
  - (iv) independence of the Auditors auditing the Authority.
5. Required to advise the Authority's Board on the financial statements that are to be included in the Authority's Annual Report.
6. Required to oversee any internal audit of the Authority.
7. Review and advise the Board on the annual Auditor's report.
8. Review and advise the Board with respect to report from any special audits or examinations.
9. Review, recommend, monitor and keep under review the appointment and performance of the Auditor to be appointed, to ensure he [she] meets and maintains the requirements of the PBMA, and other relevant laws, and act in accordance with same and duties responsibilities and performance targets:
  - (i) must be a registered Accountant under the Public Accountancy Act;
  - (ii) Recommend or not to the Board the renewal of appointment of an Auditor; and if not, giving reasons which the Board is required to provide in writing to the Auditor General and the responsible Minister;
  - (iii) if the Auditor withdraws his [her] services in relation to the Authority, ensures that he [or she] informs the Auditor General in writing;
  - (iv) Direct the Board to notify the Auditor General in writing with reasons for termination of the services of its Auditor;
  - (v) Acting in accordance with eligibility requirements for appointment of an Auditor - (1) not a director, officer, or employee of the Authority or any of its affiliates (e.g. Aerotel) (2) not a business partner of any director, officer, or employee; (3) owns or controls (directly or indirectly, a material interest in the shares or debt of the Authority or its affiliates or (4) has been a receiver, receiver-manager or liquidator of the Authority or any of its affiliates within two (2) years of his proposed appointment as the Authority's Auditor;
  - (vi) Ensures that any disqualified Auditor resigns immediately upon becoming aware of the disqualification.
10. Receive, review and accept the report of the Auditor [to the Board] on the Authority's compliance with the PBMA Act, the Civil Aviation Act, or any other enactment relating to the administration of the Authority's money and property.
11. Receive, review and accept the Auditor's report [to the Board] on the sufficiency and effectiveness of the rules and procedures to check assessment, collection and proper allocation of the Authority's revenues and receipts.



12. Receive, review and accept the Auditor's report on whether the essential records have been made and proper practices have been observed in the compilation of the accounts of the Authority.
13. Develop and have in force and updated from time to time, the code of audit practices for use in the work of the [external] Auditor.
14. Receive, review and accept the written reports [to the Board] from the Auditor who becomes aware of an occurrence or transaction that affects or might reasonably be expected to affect the Authority in ways that would:
  - (i) materially and adversely affect the viability of the Authority; or
  - (ii) otherwise impair its ability to carry out its functions.
15. Accepts and reviews the written reports [to the Board] from the Auditor who becomes aware that the Authority's Board or any Member has contravened a provision of a relevant enactment or the PBMA or any regulations connected to the PBMA.
16. Receive and review the Auditor's separate reports on the audited financial statements, if in the Auditor's opinion, separate reports are found to be most appropriate.
17. Oversee the Auditor's submission of reports with respect to the Authority (or any of its subsidiaries) upon the request of the Auditor General.

### **C. DUTIES AND RESPONSIBILITIES – INTERNAL AUDIT**

The Committee shall:

1. Approve the internal audit charter.
2. Approve decisions regarding the appointment and removal of the Chief Audit Executive. Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the Chief Audit Executive.
3. Approve the annual audit plan and all major changes to the plan. Review the internal audit activity's performance relative to its plan.
4. Review with the Chief Audit Executive the internal audit budget, resource plan, activities, and organizational structure of the internal audit function.
5. At least once per, review the performance of the Chief Audit Executive and concur with the annual compensation and salary adjustment.
6. Review the effectiveness of the internal audit function, including conformance with The Institute of Internal Auditors' the Definition of Internal Auditing, Code of Ethics and the International Standards for Professional Practice of Internal Auditing.
7. On a regular basis, meet separately with the Chief Audit Executive to discuss any matters that the Committee or Internal Audit believes should be discussed privately.

## **D. DUTIES AND RESPONSIBILITIES — RISK MANAGEMENT**

The Committee shall:

1. Take account of and act in accordance with the relevant provisions as to risk identification, monitoring and mitigation of the GOJ Corporate Governance Framework, 2011 as updated in 2012.
2. Advise the Board on the Authority's overall risk appetite, tolerance and strategy, taking account of the current and prospective macroeconomic, financial and technical environment drawing on financial assessments, international and regional obligations such as those published by the GOJ and ICAO and other authoritative sources that may be relevant for the Authority's risk policies.
3. Oversee and advise the Board on the current risk exposures of the Authority and future risk strategy.
4. Keep under review the Authority's overall risk assessment processes that inform the Board's decision making, ensuring both qualitative and quantitative metrics are used. The Committee should review regularly and approve the parameters used in these measures and the methodology adopted.
5. Set a standard for the accurate and timely monitoring of large exposures and certain risk types of critical importance.
6. Review the Authority's capability to identify and manage new risk types.
7. Before a decision to proceed is taken by the Board, advise the Board on proposed strategic transactions including acquisitions or disposals, ensuring that a due diligence appraisal of the proposition is undertaken, focusing in particular on risk aspects and implications for the risk appetite and tolerance of the Authority, and taking independent external advice where appropriate and available.
8. Review reports on any material breaches of risk limits and the adequacy of proposed actions to address such breaches.
9. Keep under review the effectiveness of the Authority's internal financial controls and other internal business process controls and risk management systems.
10. Review the adequacy and security of the Authority's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other risk related matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.
11. Review the Authority's procedures for detecting fraud.
12. Review the Authority's procedures for the prevention of bribery, corruption, money laundering.
13. Consider and approve the remit of the risk management function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Committee shall also ensure the function has adequate independence and is free from management or other restrictions.



14. Review promptly all reports on the Authority from the Director - Research, Planning & Risk.
15. Review and monitor management's responsiveness to the findings and recommendations of the Director - Research, Planning & Risk.
16. Be cognizant of and be involved in the appointment, replacement, reassignment or dismissal of the Director - Research, Planning & Risk.

The Committee is also expected to:

17. Understand the Authority's risk philosophy and concur with the Authority's risk appetite.
18. Know the extent to which management has established effective Enterprise Risk Management within the Authority.
19. Review the Authority's portfolio of risks and consider it against the risk appetite of the Authority.
20. Be apprised of the most significant risks and whether management is responding appropriately and determine the overall effectiveness of the Authority's risk management practices.
21. Communicate, monitor and update the risk appetite of the Authority.
22. Review and approve policies or changes in policies prior to implementation.
23. The Committee should be informed of, and satisfied with, the manner in which any material exceptions to the risk management policies and controls within the Authority.
24. The Committee shall have the authority to seek any information it requires from any officer or employee of the Authority or its subsidiary companies, and such officers or employees shall be required to respond to such enquiries.
25. Perform such other functions assigned to it by the Board.

#### **E. DUTIES AND RESPONSIBILITIES — COMPLIANCE WITH LEGAL AND REGULATORY FRAMEWORK**

1. Review the effectiveness of the system for monitoring compliance with the formalities and procedures laid down by the all laws, regulations, Rules, guidelines, procedures and other Standards applicable to the Authority; and the measures taken by management as a result of its investigations of material incidents of non-compliance; and
2. Obtain regular updates regarding compliance matters that may have a material impact on the Authority's administration, operations and service-delivery and the Authority's assets, resources, reputation and interests.

#### **F. MEMBERSHIP**

1. Number of Board Members on the Committee as agreed by the Board, the Deputy Director General—Corporate Services, the Director—Finance, the Chief Internal Auditor, the Director—Research, Planning & Risk Assessment; and such other person or persons as the Board may appoint. At least two members of the Committee shall have relevant financial, auditing and risk management experience. At least one member shall be a qualified accountant, registered under the Public Accountancy Act or possess expertise in the area of finance.

2. External persons may also be co-opted by the Committee, upon written approval by the Board, from time to time but these persons as well as internal resource persons have no voting rights.
3. Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chairman of the Board, other Board Members, Deputy Directors General, Accounting, Payroll and Budgeting Managers, Director - Research, Planning & Risk (if any) and other representatives of the risk and internal and external auditing functions may be invited to attend all or part of any meeting as and when appropriate and necessary.
4. Appointments to the Committee shall be for a period of up to two (2) years, which may be extended for further periods of up to two years, provided the Board Members still meet the criteria for membership of the Board. Members who are absent for more than three (3) consecutive meetings, without proper notification will have their membership reviewed.
5. The Board shall appoint the Committee Chairman who shall be a Board Member. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall vote on which Board Member should chair the meeting.
6. Where deemed appropriate by the Chairman of the Committee, decisions may be made by way of a round robin resolution, subject to ratification at the next meeting of the Committee.

#### **G. QUORUM**

The quorum necessary for the transaction of business shall be a simple majority of the Board Members. 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. Every effort should be made to have decisions by consensus.

#### **H. FREQUENCY OF MEETINGS**

The Committee shall meet every month, at appropriate times and otherwise as required.

#### **I. NOTICE OF MEETINGS**

1. Meetings of the Committee shall be consistent with the agreed JCAA Board and Committee meeting schedule, called by the Secretariat of the Committee and/or at the request of any of its members if he or she considers it necessary. 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 relevant management, no later than three (3) 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. Notify the External Auditors of scheduled meeting, allow for and/or mandate the Auditor's presence as required.

#### **J. MINUTES OF MEETINGS**

1. Is required to keep detailed records of its meetings and these records must be made available to the Authority's External Auditor and any examiner of the Authority during any external audit or examination.
2. The Secretariat shall minute the proceedings of all meetings of the Committee, including recording the names of those present and in attendance. Minutes of Committee meetings shall be circulated to all members of the Committee.

#### **K. REPORTING RESPONSIBILITIES**

1. The Committee Chairman shall provide a submission to the Board, on its proceedings after each meeting, on all matters within its duties and responsibilities.
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.
3. The Committee shall produce a report of the Authority's risk management and strategy to be included in the annual report. The Committee shall also review and approve the statements to be included in the annual report concerning internal controls and risk management.

#### **L. OTHER MATTERS**

The Committee shall:

1. Have access to sufficient resources in order to carry out its duties, including access to the company Secretariat for assistance as required.
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.
3. Give due consideration to laws and regulations and any other applicable rules and Government guidelines, as appropriate.
4. Oversee any investigation of activities which are within its terms of reference.

5. 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.

#### **M. SECRETARY**

The Secretariat shall act as the Secretary of the Committee.

#### **N. AUTHORITY**

The Committee is authorized to:

1. Resolve any disagreements between management and the Auditor regarding financial reporting.
2. Pre-approve all auditing and non-audit services.
3. Retain independent counsel, accountants, or others to advise the Committee or assist in the conduct of an investigation.
4. Seek any information it requires from employees – all of whom are directed to cooperate with the Committee's requests, or external parties.
5. Meet with company officers, external Auditors or outside counsel, as necessary.
6. Call any employee to be questioned at a meeting of the Committee, as and when required.

#### **O. RESOURCE MATERIAL**

In carrying out its functions, the Committee shall have regard to the following materials, inter alia:

- The Authority's [relevant internal] Policies and Guidelines;
- Civil Aviation Act;
- Public Bodies Management & Accountability Act;
- Financial Administration and Audit Act;
- International Financial Reporting Standards;
- Government of Jamaica Regulations, Circulars and Guidelines.
- Corruption Prevention Act
- Access to information Act;
- Protected Disclosures Act [Whistleblower's]
- Relevant instruments and policies of Aerotel

#### **ADOPTION & AUTHENTICATION**

This Charter has been adopted as revised by the Members of the Jamaica Civil Aviation Authority and is intended to assist the Audit & Risk Management Committee in the exercise of its assigned responsibilities. It is reiterated that these principles and policies are in addition to and are not intended to change the applicability of, nor interpretation of any Law or GOJ requirements and guidelines.




The Board of Members will review this Charter at least annually and or, where appropriate, revise, adjust or amend same from time to time.

This version has been adopted by the Board at its meeting held at 4 Winchester Road Kingston 10, May 29, 2018 and the signature of the Chairman of the Jamaica Civil Aviation Authority signifies such approval for effectiveness

CHAIRMAN's SIGNATURE:

  
Chairman: PHILLIP HENRIQUES

  
Date: