



**JAMAICA DEPOSIT INSURANCE
CORPORATION
AUDIT COMMITTEE TERMS OF REFERENCE**

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**JAMAICA DEPOSIT INSURANCE CORPORATION
AUDIT COMMITTEE TERMS OF REFERENCE**

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JAMAICA DEPOSIT INSURANCE CORPORATION AUDIT COMMITTEE TERMS OF REFERENCE

1.0 Policy Statement/Objectives

- 1.1 The Audit Committee (the "Committee") was established in accordance with the Public Bodies Management and Accountability Act (PBMA); the Public Bodies Management and Accountability (Amendment) Act 2011; and further operates within the spirit of section 33 of the Financial Administration and Audit Act (FAA); the Government of Jamaica Audit Committee Handbook for Ministries, Departments and Executive Agencies; and the Government of Jamaica Corporate Governance Framework for Public Bodies in Jamaica, September 2011 (revised October 2012).
- 1.2 The duties of the Audit Committee shall be those prescribed in section 9 of the PBMA and such other duties incidental thereto as may be assigned by the Board.

2.0 Purpose

The purpose of the Committee is to assist the Board by providing independent oversight concerning:

- a. the integrity of the Corporation's financial reporting processes;
- b. compliance with regulatory and statutory reporting requirements and internal policies;
- c. the systems and structures of internal controls;
- d. management of the Corporation's risks;
- e. the performance of the internal and external audit functions¹

3.0 Authority and Powers

- 3.1 The Committee is authorized by the Board to investigate any activity within its terms of reference. It is authorized to have unrestricted access to the Corporation's books and records and shall, within the scope of its responsibilities, be entitled to receive any information it requires from any employee. All employees are directed to cooperate with any request made by the Committee.
- 3.2 Further, the Committee is authorized by the Board to retain such outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise, if deemed necessary.

¹ Government of Jamaica Audit Committee Handbook for Ministries, Departments and Executive Agencies, May 7, 2013

4.0 Roles and Responsibilities

The Audit Committee shall:

(a) Review Management Practices and Procedures

- i. Review and advise the Board on Management's practices and procedures that will promote productivity and quality of service.
- ii. Review the extent to which the objectives of the Corporation are being achieved.

(b) Internal Controls

- i. Review the system of internal control, including financial, operational, compliance and risk management, and make recommendations to the Board.
- ii. Review Management's efforts to ensure internal controls are effective and efficient, as well as any concerns pertaining to the integrity of management, including conflicts of interest or adherence to ethical standards.
- iii. Determine if Management is fostering the right control culture by emphasizing the importance of internal controls and risk management.
- iv. Determine whether Management is ensuring that all employees are aware of their duties and responsibilities.
- v. Evaluate whether Management has proper security measures in place for computer systems and applications, as well as contingency procedures for handling financial data in the event of system failure.
- vi. Ascertain whether Management has implemented the internal auditors' recommendations for internal controls.
- vii. Consider, in conjunction with the external auditors, any fraudulent or other illegal acts and deficiencies identified in the internal control system.

(c) Enterprise Risk Management (ERM)

- i. Consider the adequacy of the Corporation's risk management framework by reviewing the mechanisms for the assessment and management of risks.

- ii. Report to the Board on the Corporation's risks management framework.
- iii. Ensure a disciplined and systematic approach is taken to improve risk management as risks are identified, and quantified and methodologies employed to minimize their impact.
- iv. Gain an understanding of the current areas where the greatest risks exist and how Management is effectively managing these risks.
- v. Provide oversight in the management of significant risk exposures and risk-mitigating strategies.

(d) Financial Management

- i. Ensure, as far as possible, the effectiveness and efficiency of the Corporation's operating, financial and accounting policies and practices.
- ii. Satisfy itself that adequate procedures are in place for the review of the Corporation's public disclosure of financial information, and shall periodically assess the adequacy of these procedures.
- iii. Review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- iv. Ensure, as far as possible, that all financial reporting of the Corporation is met on time.
- v. Review the audited financial statements and determine whether they are complete and consistent with the information known to the Committee members.
- vi. Review the audited financials in the Annual Report and the Corporate Plan and Operating & Capital Budgets before submission to the Board, focusing particularly on:
 - a. any changes in accounting policies and practices and Government regulations;
 - b. major judgmental areas;
 - c. significant adjustments resulting from the audit;
 - d. the going concerns assumption;
 - e. compliance with accounting standards (and in

- particular accounting standards adopted in the financial year for the first time);
- f. compliance with regulatory and legal requirements.
- vii. Pay particular attention to complex and/or unusual transactions.
- viii. Review decisions made by Management, taking into account factors relevant at the time (e.g. decisions involving valuation of assets and liabilities; commitments and contingencies).
- ix. Meet with Management and the external auditors to review the audited financial statements and the results of the audit.

(e) Internal Audit

- i. Oversee the internal audit functions of the Corporation and ensure that the findings and recommendations of the internal auditors and management's proposed responses are received, discussed and appropriately mitigated promptly.
- ii. Annually review and approve changes, if any, to the Corporation's Internal Audit Charter.
- iii. Review and approve the internal auditors' work plan and all major changes to the plan post-approval.
- iv. Ensure that the annual internal audit work plan addresses key areas of risk and that there is appropriate coordination with the external auditor and the risk manager.
- v. Periodically review and evaluate the internal audit activity to ensure that the scope and audit approach being applied are relevant to achieve the desired objectives of the Corporation.
- vi. Evaluate the internal auditors' performance relative to the annual internal audit work plan.
- vii. Ensure there are no unjustified restrictions or limitations on the internal audit function.
- viii. Initiate special internal audits, if required.
- ix. Review the audit reports prepared by the internal auditors, analyze audit issues and evaluate the adequacy of recommendations and the responses of Management. The Committee must ensure that these issues are dealt with

adequately and satisfactorily.

- x. Provide the necessary arbitration in the event of disputes involving the internal auditors.
- xi. Periodically meet with the internal auditors without management, to discuss any matter that the Committee or internal auditors believe should be discussed privately.
- xii. Ensure that the internal auditor reports directly to the Chairman of the Committee and administratively to the Chief Executive Officer (CEO).
- xiii. Operate as the Evaluation Committee for internal auditing services and make recommendations for the award of contracts in this respect.
- xiv. Where the Committee's monitoring and review activities reveal a cause for concern or scope improvements within the Corporation, it should make recommendations to the Board of Directors through its Chairman on the action(s) to be taken.
- xv. Consider the independence and objectivity of the internal auditors and any potential conflicts of interest and monitor the effectiveness of the audit process.

(f) External Audit

- i. Review the audit engagement letter/management letter, audit plans, timing, and scope of the external audit, and ensure that Management provides timely responses to the issues raised in the engagement letter/management letter.
- ii. Review the performance of the external auditors within the framework of established policy and review the annual audit fees in the context of the plan and scope of the audit and make recommendations to the Board.
- iii. Consider the independence and objectivity of the external auditors and any potential conflicts of interest and monitor the effectiveness of the audit process.
- iv. Operate as the Evaluation Committee for external auditing services and make recommendations for the award of contracts in this respect.
- v. Meet separately with the external auditors to discuss any matter that the Committee or auditors believe should be discussed privately.

- vi. Ensure significant findings and recommendations of the external auditors are received, discussed, and addressed by Management promptly.
- vii. Provide the necessary arbitration in the event of a dispute involving the external auditors.
- viii. Review all significant findings of the external auditors and Management's proposed responses and ensure that the necessary corrective actions are taken.
- ix. Review with Management, the external auditors, and the General Counsel/Senior Legal Officer/Legal Consultant any significant litigation, claim or contingency which could have a material effect on the financial position of the Corporation.
- x. Consider the independence and objectivity of the external auditors and any potential conflicts of interest and monitor the effectiveness of the audit process.

(g) Compliance with Laws and Regulations

- i. Obtain regular updates from Management or the Corporation's Corporate Secretary regarding compliance matters.
- ii. Be satisfied that all regulatory compliance matters have been considered in the preparation of the Corporation's financial statements.

(h) Reporting Responsibilities

- i. Regularly update the Board about Committee activities and make appropriate recommendations.
- ii. Ensure the Board is aware of matters that may have a significant financial impact on the Corporation.
- iii. Make suggestions from time to time to enhance the Corporation's financial position and business operations.

(i). Other Responsibilities

- i. Review the Corporation's procedures for detecting fraud.
- ii. Monitor adherence to the GOJ's Procurement Guidelines.

- iii. Perform other oversight functions as requested by the Board.
- iv. Ensure its performance is evaluated annually to ensure that the Committee is meeting its objectives efficiently and effectively.

5.0 Structure of the Audit Committee

5.1 Composition/Membership

- 5.1.1 The Committee shall be appointed by the JDIC Board from the Board of Directors and shall comprise at least three members of the Board².
- 5.1.2 To ensure that the Committee has the capability to perform its duties, the Board may appoint a co-opted representative who is not a member of the Board but who possesses a broad range of qualifications relevant to the functions of the Corporation³.
- 5.1.3 The co-opted representative shall have all the rights and responsibilities of the other members of the Committee in respect of the work of the Committee⁴.
- 5.1.4 The Chairman of the Committee shall be selected by the Board.
- 5.1.5 The members of the Committee shall act honestly and in good faith in the best interest of the Corporation; and exercise the care, diligence, and skill that a reasonably prudent person would exercise in comparable circumstances including, but limited to, the general knowledge, skill, and experience of the members.
- 5.1.6 The majority of the members of the Committee should be financially literate. At least one member should be a qualified accountant, registered under the Public Accountancy Act, or possess expertise in the area of finance⁵.
- 5.1.7 In the performance of its duties, the Committee will maintain effective working relationships with the Board of Directors, Management, internal and external auditors, and the Corporation's Risk Manager. The Committee shall also rely on the expertise of Management and the Corporation's internal and external audit functions including examiners conducting special examinations.

² Public Bodies Management and Accountability Act (PBMA) Section (8)(1)

³ Public Bodies Management and Accountability Act (PBMA) Section (8)(6)

⁴ Public Bodies Management and Accountability Act (PBMA) Section (8)(8)

⁵ Public Bodies Management and Accountability Act (PBMA) Section (8)(7)

5.1.8 To perform his or her role effectively, each member of the Committee must have an understanding of the detailed responsibilities of the Committee as well as the Corporation's business, operations, and risks.

5.1.9 The secretary of the Committee will be the Corporate Secretary or such other person nominated by the Committee/Corporate Secretary.

5.2 **Eligibility for Membership**

To avoid any real or perceived conflict of interest, the following persons are not eligible to be elected as members of the Committee:

- The Chief Executive Officer;
- The Chairman of the Board of Directors;
- The Chief Finance and Corporate Services Officer;
- The Director, Finance and Investment;
- The Accounting Officer.

5.3 **Tenure**

The Chairman and members of the Committee shall be appointed for a two (2) year term and shall be eligible for reappointment on the recommendation of the Chairman of the Board.

5.4 **Quorum**

The presence of 50% membership plus 1 constitutes a quorum. A member who is unable to attend a meeting in person may participate via teleconference or virtual application.

5.5 **Meetings**

5.5.1 Meetings shall be held not less than four (4) times in a financial year. Special meetings may be convened as deemed necessary.

5.5.2 The auditors shall be entitled to be given notice of and attend every meeting of the directors or the Audit Committee in relation to matters concerning the auditor's functions or on which the auditor has made a report; and attend every such meeting when requested to do so by the directors or the Audit Committee⁶.

5.5.3 The Audit Committee may invite such other person(s) (e.g. the CEO, Chief Finance and Corporate Services Officer, Director of Finance and Investment, or an auditor employed to a reputable auditing firm) to its meetings, as it deems necessary.

⁶ Public Bodies Management and Accountability Act (PBMA) Section (8)(4)(a)(b)

5.6 **Minutes, Agendas, Reports and Submissions**

- 5.6.1 The Audit Committee shall keep detailed records of its meetings and such records shall be made available to the external auditors and any examiner of the Corporation during any external audit or examination.⁷
- 5.6.2 Meeting Agendas, Minutes of previous meetings, reports and submission(s) for discussion, notation or approval, must be prepared and circulated to the Committee members at least five (5) working days before the proposed Committee meeting.
- 5.6.3 Minutes of meetings shall be confirmed at subsequent meetings and within fourteen (14) working days of its confirmation, the Minutes must be certified by the Secretary and the Chairman of the Committee.
- 5.6.4 The duration of the meetings should allow adequate time for the discussion of matters.
- 5.6.5 Sufficient intervals should be allowed between meetings to allow follow-up actions to be effected.

5.7 **Decision-Making/Voting**

- 5.7.1 The Committee is an advisory committee of the Board.
- 5.7.2 Decisions on agenda items will require a majority vote of those attending. In the event of an equality of votes, the Chairman has the casting vote.

5.8 **Approvals Outside of Scheduled Meetings**

- 5.8.1 Round-robin approvals made by the Committee outside of regularly scheduled meetings are valid provided a majority of the members consent in writing (by email or otherwise). A Resolution must be passed at the next scheduled meeting ratifying/confirming the Committee's round-robin approval.
- 5.8.2 Urgent matters can progress outside of scheduled meetings with the agreement of the Chairman of the Committee.

5.9 **Resignation of Members**

- 5.9.1 A member of the Committee who wishes to resign, should give at least one month's notice in writing to the Chairman of the

⁷ Public Bodies Management and Accountability Act (PBMA) Section 9(2)

Committee outlining the reasons for his or her resignation.

5.9.2 In the case of the Chairman of the Committee, he or she should give at least two months' notice in writing to the Chairman of the Board of Directors.

5.10 **Dismissal/Removal of Committee Member**

5.10.1 The following are possible circumstances which may lead to the dismissal/removal of a member from the Audit Committee⁸:

- a. Failure to attend three (3) consecutive meetings for reasons considered unsatisfactory;
- b. Misconduct or breach of duty of care, (individually or jointly);
- c. Conflict of interest without prior disclosure; or
- d. Reason of incapacitation affecting the Director's ability to perform their duties.

5.10.2 If any of the above occurs, the Chairman of the Audit Committee (or the majority of the Committee members in the case of the Chairman of the Committee) must refer the case, in writing to the Chairman of the Board of Directors outlining the circumstances and recommending that the member be replaced. The Chairman of the Board of Directors shall review the circumstances and state in writing his or her position within one (1) month of receipt.

5.10.3 If the Chairman of the Board of Directors agrees with the recommendation of the Audit Committee Chairman, he or she should nominate a replacement for the member. However, if he or she disagrees with the recommendation of the Chairman of the Audit Committee, this should be communicated in writing, outlining the reasons.

6.0 Reporting Responsibilities

6.1 The Chairman of the Committee in collaboration with the secretary of the Committee shall prepare and submit timely reports to the Board of its meetings outlining relevant matters that have been considered by it, and the opinion and recommendations thereon. Such a report must be submitted at the Board meeting that follows the Committee meeting.

6.2 The Committee shall also prepare a report on its work and this report should be a subset of the corporate governance report in the JDIC's Annual Report.

⁸ The Government of Jamaica Audit Committee Policy for Ministries, Departments and Executive Agencies, pg 5

7.0 Remuneration

Members of the Committee shall be remunerated as determined by the Ministry of Finance and the Public Service.

8.0 Ethical Behaviour

- 8.1 All members of the Audit Committee should, at all times in the discharge of their duties and responsibilities, exercise, honesty, objectivity and probity. They should be and be seen to be independent of the management and audit functions, allowing them to maintain their objectivity and avoid cases of conflicts of interest.
- 8.2 If there is a change in circumstances, causing a member to be impaired, then that member should resign from the Committee in accordance with para 5.9 of this policy.
- 8.3 Where the independence of a member is impaired, but he/she is not willing to resign, the Chairman of the Committee (or the majority of the Committee members in the case of the Chairman) shall indicate, in writing, to the Chairman of the Board of Directors their concerns and make recommendations for the member's removal in accordance with 5.10 of this policy.⁹

9.0 Conflicts of Interest

- 9.1 All members of the Committee have a fiduciary duty to avoid situations in which their interests conflict with those of the Corporation.
- 9.2 Members of the Committee must refrain from entering into any activity that may prejudice their ability to carry out their duties and responsibilities objectively and must at all times act properly and prudently in the use of information acquired in the course of their duties.
- 9.3 Members of the Committee must not use Corporation information for any personal gain for themselves or their immediate families or in any manner that would be contrary to law or detrimental to the welfare and goodwill of the Corporation.

10.0 Registering of Conflicts of Interest

- 10.1 Declaration of a conflict of interest shall be a standing agenda item with all declared conflicts of interest noted in the Conflict of Interest Register and the details recorded in the Minutes of the meeting.
- 10.2 Where there is a conflict of interest, the Committee members so affected

⁹ The Government of Jamaica Audit Committee Policy for Ministries, Departments and Executive Agencies pg 8

must declare the conflict and shall recuse himself/herself from the meeting. He/she must not be permitted to participate in any deliberations or discussions pertaining to those interests while the matter is being discussed (**please refer to the JDIC Conflict of Interest Policy for further details on how conflicts of interest are to be handled**).

11.0 Confidentiality

All information received by the Committee is the property of the Jamaica Deposit Insurance (the "JDIC"/the "Corporation") and must be treated confidentially. Such information cannot be disclosed by any member of the Committee to parties outside of the JDIC without prior approval of the Board.

12.0 Protected Disclosure Arrangements

- 12.1 The Committee shall assess the arrangements in place for staff members to make disclosures concerning misconduct or improprieties in matters of financial reporting or otherwise to the Designated Officer/Chairman of the Board in accordance with the JDIC's Protected Disclosure Procedural Guidelines.
- 12.2 The Committee's objective in this regard is to ensure that proper procedures are in place, and are being adhered to, for the proportionate and independent investigation of such matters and that appropriate follow-up actions are taken.

13.0 Training and Development

The Chairman of the Committee, in collaboration with the Secretary, should ensure that members receive continuing education on current accounting, auditing and financial reporting standards practices or in any other area that may be beneficial in the effective and efficient execution of their duties.

14.0 Review of Terms of Reference

The Audit Committee Terms of Reference should be reviewed at least once every two (2) years or as deemed necessary.

DOCUMENT CHANGE CONTROL

**JAMAICA DEPOSIT INSURANCE CORPORATION TERMS OF REFERENCE
FOR THE AUDIT COMMITTEE**

Date Prepared/Updated	Section	Title/Page	Change Summary Reference	Date Approved by Board/Board Committee
<i>Prepared by Corporate Secretariat Unit October 5, 2005</i>				
Revised by Corporate Secretariat Unit July 16, 2008				
Revised by Corporate Secretariat Unit October 25, 2011	All			
Revised by Corporate Secretariat Unit June 11, 2012				Approved September 27, 2012 (BM-JDIC 104)
Revised by COM February 3, 2016				Approved by AC February 8, 2016
Revised by Corporate Secretariat Unit October 23, 2017	All			Approved by AC March 28, 2018 Approved by the Board of Directors on May 16, 2018

Date Prepared/Updated	Section	Title/Page	Change Summary Reference	Date Approved by Board/Board Committee
Revised by Corporate Secretariat Unit December 29, 2020	All		5.0 (j) review period changed from annual to at least once every two (2) years.	Approved by AC on February 24, 2021 Approved by the Board on April 21, 2021
Revised by the Corporate Secretariat Section April 2023	All		Paragraph 5.7 Decision-making/Voting was added to provide greater clarity. Paragraph 5.8 Approvals Outside of Scheduled Meetings was added to guide the process of round-robin approvals.	Approved by AC on September 6, 2023

Date Prepared/Updated	Section	Title/Page	Change Summary Reference	Date Approved by Board/Board Committee
			<p>Paragraph 5.10 Dismissal/Removal of Committee Members was added to guide the process of removing a member from the Committee.</p> <p>Paragraph 6.0 Reporting Responsibilities was added to note the Committee's responsibility to provide a report on its meetings to the Board.</p>	

Date Prepared/Updated	Section	Title/Page	Change Summary Reference	Date Approved by Board/Board Committee
			<p>Paragraph 7.0 Remuneration was added to denote the authority for remuneration of Committee members.</p> <p>Paragraph 8.0 Ethical Behaviour was added to outline the expectation of Committee members to act ethically at all times in the discharge of their duties.</p>	

Date Prepared/Updated	Section	Title/Page	Change Summary Reference	Date Approved by Board/Board Committee
			<p>Paragraphs 9.0 and 10.0 Conflicts of Interest and Registering of Conflicts of Interest were added to denote Committee members' fiduciary duties to avoid conflicts of interest and the requirement to properly record the details of any declared conflicts of interest.</p>	

Date Prepared/Updated	Section	Title/Page	Change Summary Reference	Date Approved by Board/Board Committee
			<p>Paragraph 11.0 Confidentiality was added to emphasize the need for Committee members to treat all information received in the discharge of the duties confidentially.</p> <p>Paragraph 13.0 Training and Development was added to capture the need for Committee members to receive continuing education to be able to execute their duties effectively.</p>	