Factories Corporation of Jamaica Limited

TERMS OF REFERENCE FOR THE AUDIT AND RISK MANAGEMENT COMMITTEE

BACKGROUND

Pursuant to Section 8 of the Public Bodies Management & Accountability Act, 2001 (the "PBMA"), the Board shall establish an Audit and Risk Management Committee consisting of no less than three (3) Directors. The Audit & Risk Management Committee (ARMC) shall report to the Board of Directors, as set forth in Section 9 of the PBMA Act. The Committee exercises an independent review function to assist the Commission in fulfilling its oversight responsibilities.

With the enactment of the Public Bodies Management and Accountability (Amendment) Act 2011 (PBMAA), the Audit and Risk Management Committee is required to act as an advisor to the Board of Directors. This has also been articulated in The Corporate Governance Framework for Public Bodies (revised September 2012) at Principles 13 and 14.

The Audit and Risk Management Committee acts to ensure that the Corporation adheres to its Corporate Governance mandate in the specific areas of Enterprise Risk Management, accounting policies, internal controls, compliance systems and procedures, as well as financial reporting practices

The Audit and Risk Management Committee provides a critical service to the Board by bringing to their attention pertinent information raised by Internal and External Audits.

A. PURPOSE

The Audit & Risk Management Committee (the "Committee") is appointed to assist the Board in fulfilling its oversight responsibilities with respect to matters concerning:

a. the systems and structures of internal control;
b. the internal audit function;
c. risk management function;
d. the external audit process; and
e. compliance with regulatory and statutory reporting requirements.

B. MEMBERSHIP

1. The ARMC shall be comprised of a **maximum of five (5) members** with at least three (3) members being directors.

2. The Board, through the Chairman, shall appoint the Chairman of the Committee who at all times must be a sitting Director.

3. Members will be appointed by the Board and the term of office of members of the Audit and Risk Management Committee shall be a maximum of three (3) years. The tenure shall not exceed the life of the appointing Board.

4. The majority of the members of the Committee should be financially literate and at least one member of the Committee should be a qualified accountant or should have significant, recent and relevant financial, audit and risk management experience and knowledge.

5. The Committee should not include the Chairperson of the Finance Committee.

6. The Board may co-opt, to perform the duties of the Committee, individuals who are not Directors but who possess a broad range of financial related qualifications relevant to the functions of the Committee.

7. Co-opt members should not constitute more than forty percent (40%) of the committee's membership.

8. Every co-opted individual shall have all the rights and responsibilities of the other members of the Committee with respect to the work of the Committee.[1]

9. The Corporate Secretary will be the assigned secretary for the ARMC. In the absence of the Corporate Secretary, the Chair of the ARMC may make alternate arrangements for a member of the Corporation's staff to act as Secretary to the Committee.

10. The **Internal Auditor** shall **be invited** to all Committee meetings.

11. The Committee has the power to require any member of staff of the Corporation to attend meetings.

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1. [1] *(Section 8(8) – PBMA Act)*

C. MEETINGS, QUORUM AND PROCEDURES

1. The ARMC will determine its own rules of procedure, provided they are consistent with the regulations that govern the Corporation and the organization, generally.

2. The ARMC will meet at **least quarterly** and more frequently as circumstances require. Monthly meetings should be held at a time to allow for presentation of the monthly financial report to the Board.

3. Failure to attend at least three (3) consecutive meetings without acceptable reasons to the Committee Chairman, will give rise to consideration of continued membership.

4. The Chair of the ARMC or a majority of the members of the Audit & Risk Management Committee may call a special meeting of the ARMC.

5. **The Committee's quorum will be fifty percent (50%) membership plus 1.** This must include at least two (2) appointed Directors.

6. The ARMC may form sub-committees for any purpose that the ARMC deems appropriate and may delegate to such sub-committees such power and authority as the ARMC deems appropriate. No sub-Committee should consist of fewer than two (2) members.

7. Meeting agendas and documents will be prepared for each meeting and provided within **a minimum of 3 working days in advance** to the Committee members along with appropriate briefing materials.

8. Senior Management or other persons, whose advice and counsel are sought by the ARMC, may be invited to meetings of the Committee to provide such pertinent information as the ARMC requests.

9. The ARMC shall keep written minutes of its meeting, which minutes shall be maintained with the records of the Board.

10. An annual report, which speaks to the activities of the FCJ's Audit & Risk Management Committee, will be included in the Corporate Governance section of the FCJ's Annual Report.

D. SPECIFIC RESPONSIBILITIES AND DUTIES

The Audit and Risk Management Committee will have the following duties and responsibilities:

1. Advise the Board on:
    a) practices and procedures which will promote productivity and quality and enhance service;
    b) the extent to which the objectives of the Corporation are being achieved;
    c) the adequacy, efficiency and effectiveness of the accounting, risk and internal control structure and systems of the Corporation; and
    d) the independence of the auditors auditing the Corporation.
2. Review and advise the Board on the Audited Financial Statements that are to be included in the Annual Report of the Corporation;
3. Oversee any internal audit of the Corporation;
4. Review and advise the Board on the annual auditor's report;
5. Utilize budgetary provisions made by the Corporation to enable the Committee to engage specialist and secure training to assist it to adequately fulfil its mandate;
6. Review the Corporation's financial and operational policies, rules and regulations, procedures and any revisions to them to ensure practices are in place to ensure compliance;
7. In the case of the Corporation undergoing a special audit or examination, review and advise the Board with respect to the report of that audit or examination; and
8. Perform such other functions as are assigned to it by the Board.

D.1 Risk Assessment, Internal Controls and Financial Reporting

The Committee shall:

1. Consider the adequacy of risk management and internal controls as well as the accuracy of financial reporting through reviewing (inter alia) the:
    a) mechanisms for the assessment and management of risk;
    b) plans and results of internal audit activities;
    c) plans and results of external audit activities;
    d) adequacy of managements' response to issues identified by all audit activities; and
    e) submission of all regulatory and statutory reports.
2. Submit recommendations on risks that may be accepted by the Corporation and these should be submitted to the Board for approval.

D.2 External Audit

The Committee shall:

1. Review the audit engagement letter, audit plans, timing and scope of the external audit, identifying special areas of concern to the external auditors;
2. Review minutes of any oral presentation or written reports made by the external auditors;
3. Review the contents of the Management Representation Letter to the external auditors;

4. Review the annual audit report and Audited Financial Statements with the external auditors, prior to their recommendation to the Board;
5. Review all recommendations of the external auditors and, where appropriate, recommend or ascertain that necessary corrective actions have been taken;
6. Review with management, the external auditors and Legal Officer any significant litigation, claim, or contingency which could have a material effect on the financial position of the Board;
7. Review and discuss all reports from and to the Auditor General;
8. Review and discuss all reports from and to the Contractor General; and
9. Review external auditor's performance within the framework of established policy and review annual audit fees in the context of the plan and scope of the audit and make recommendations to the Board.
10. Recommend to the Board the appointment of external auditors as required by law.
11. Ensure there is mandatory rotation of the engagement partner of the external auditors in keeping with the stipulation of the Code of Audit Practice.

D.3 Internal Audit

The Committee shall:

1. Annually, review and approve changes, if any, to the internal audit charter;
2. Review and approve the annual audit plan and all major changes to the plan;
3. Review the Internal Auditors' activity and performance relative to its plan;
4. Review with the Internal Auditor, the internal audit budget.
5. Ensure there are no unjustified restrictions or limitations on the internal audit function;
6. Periodically, meet with the Internal Auditor, without management, to discuss any matters that the Committee or the Internal Auditor believes should be discussed privately;
7. Initiate special internal audits, if required;
8. Review the reports prepared by the Internal Auditor and the response or determination of management with respect to any findings or recommendations;
9. Evaluate the performance of the Internal Auditor; and
10. Approve the selection and termination of the Internal Auditor.

E. SELF-EVALUATION

a) The ARMC shall periodically conduct a self-evaluation of its performance.

b) In conducting this review, the ARMC will also evaluate whether this term of reference appropriately addresses the matters including, but not limited to, attendance and participation, or should be within its scope.

c) In conducting this review, the ARMC will address all matters that it considers relevant to its performance, including at least the following:
   i. The adequacy, appropriateness and quality of its information and recommendations to the Board;
   ii. The manner in which they were discussed or debated;
   iii. Whether the number and length of meetings are adequate for the ARMC to complete its work in a thorough and thoughtful manner; and
   iv. Understanding of the business, its objectives and services.

d) The ARMC will provide the Board with a written report of the results of its self-evaluation, including any recommended amendments to this term of reference.

F. COMMITTEE SECRETARY

The Secretary for the Committee shall be the Corporate Secretary who shall attend all meetings and shall take the Minutes of the meetings.

The Committee Secretary is required to:

a) circulate the notices and minutes of the Committee meetings;

b) distribute to Committee members, **3 working days prior to the meetings** of the Committee, all agenda and documents of meetings, reports and/or related documents which are prepared for consideration by the Committee;

c) keep detailed records of the Committee's meetings; and

d) have such other duties as may be assigned by the Committee.

G. REPORTING RESPONSIBILITIES

The Committee shall report to the Board of Directors within seven (7) days after each meeting of the Committee. A written report shall be submitted to the Board through the Chairman of the Committee, at the following Board Meeting.

H. REMUNERATION

The legislation makes provision for remuneration of Committee Members and this is determined according to prescribed rates as formulated by the Minister responsible for Finance.

I. CONFLICT OF INTEREST

Where there is a conflict of interest, the Committee Member so affected shall declare his interest to the Chairman and the details of the conflict are to be recorded by the Committee Secretary.

The Committee Member who has a conflict of interest shall not participate in the deliberations on the particular matter and will excuse himself from the discussions in respect of those interests during the period of discussion of the matter.

J. CONFIDENTIALITY OF COMMITTEE INFORMATION

All information received by the Committee is confidential and is the property of the Factories Corporation of Jamaica Limited and cannot be disclosed to parties outside of the organisation without prior approval of the Board.

K. AUTHORITY

The Committee has the authority to conduct investigations into any matters within its scope of responsibility and those matters referred by other Committees. In so doing it is empowered to:

a) Investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the FCJ;

b) Seek any information it requires from any officer or employee of FCJ and such officers or employees shall be instructed by the Board to respond to such enquiries;

c) Meet with officers/employee of the FCJ for the purpose of furthering its investigations; and

d) Provided that the approval of the Board is first obtained, retain outside counsel or other experts to advise the Committee or assist in the conduct of an investigation.

L. AUTHORITY TO ENGAGE ADVISORS

The ARMC, with the prior approval by the Board, may engage outside advisors as it deems appropriate and necessary to assist it in the effective discharge of its functions.

M. ACCESS OF INTERNAL AUDITOR

The Internal and External Auditors shall have direct access to the Audit and Risk Management Committee at any time. Either auditor shall have the right to contact the Chairman of the Audit and Risk Management Committee to request a special meeting.

The Audit and Risk Management Committee is authorized to review internally and externally generated complaints and concerns regarding internal operations, controls, general policy and procedure, which have been brought to the attention of management.

N. RESPONSIBILITY OF MANAGEMENT

The Management of the Corporation is directly responsible for the Corporation's accounting, financial, operational and administrative processes, including the organization and maintenance of appropriate internal controls designed to safeguard assets, and establishing the reliability of accounting, financial, operational and administrative information and ensuring adherence to approved policies.

O. REVIEW AND ASSESSMENT OF TERMS OF REFERENCE

The Board will conduct a review and assessment of the ARMC Terms of Reference at least every (two) 2 years in such manner as the Board deems fit.

DOCUMENT CONTROL

REVISION HISTORY

Version	Description	Reviewed by	Date Reviewed
1	Reviewed and updated	Consultant	March 2019
2	No amendments made.	Corporate Governance Committee	March 2021
3	Reviewed. No amendments necessary.	Committee Chairman	March 2023
4	Reviewed. The TOR is in keeping with the requirements for audit and risk management. No amendments made.	Committee Chairman and Corporate Governance Committee.	February 12, 2025

APPROVAL HISTORY

Version	Approved by	Date Approved	Date Effective
1	Board of Directors	September 2016	Septemebr 2016
2	Board of Directors	March 2019	March 2019
3	Board of Directors	March 30, 2023	March 30, 2023
4	Board of Directors	May 1, 2025	May 1, 2025