



**NATIONAL SOLID WASTE MANAGEMENT
AUTHORITY (“NSWMA”)**

**THE NSWMA BOARD
AUDIT COMMITTEE
TERMS OF REFERENCE**

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AUDIT COMMITTEE TERMS OF REFERENCE

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1. INTRODUCTION:

In compliance with *Sections 8 & 9 of the Public Bodies Management and Accountability Act (“PBMA Act”)*, relevant sections of the *Government of Jamaica Audit Committee Policy, Revised January 2007 (“GOJACP”)*, and the *Corporate Governance Framework for Public Bodies (“CGFPB”), September 2011 (revised October 2012)*, the NSWMA Board (“the Board”) has established an Audit Committee. This Terms of Reference (“TOR”) is meant to define the independence, structure, membership, functions, duties, authority and responsibilities of the Audit Committee. These guidelines contemplate the involvement of the full Board of Directors of the NSWMA. As stated above, and further explained in other sections of this TOR, the Audit Committee derives its legal authority from, and will comply with, the *PBMA Act*, *GOJACP*, and the *CGFPB*.

2. DEFINITIONS:

Independence of the Members and the Audit Committee:

- (a) (i) **Independence of the Members:** A member of the Audit Committee is independent if he or she has no relationship to or with the NSWMA (“the Authority”) that may interfere with the exercise of his or her independence from management and the Authority, such as:
- employment with the Authority or an affiliate within five years;
 - corporate compensation other than fees for Board service;
 - family relationship with a corporate officer or business affiliate of the Authority;
- (ii) **Independence of the Audit Committee:** The absence of activities, relationships, or other circumstances that would lead well-informed stakeholders and other users of Financial Statements, and other financial information, to conclude that an **unacceptably high risk exists** that the Audit Committee is lacking independence in carrying out its mandated functions and duties. A minimum of two-thirds of the members should be independent.

The Audit Committee is a Committee of the Board and is not independent of the Board. However, **the Government of Jamaica, through Cabinet**, has allowed Audit Committees certain levels of independence in carrying out their mandated functions and duties. Specifically, ***Section 3, Annex I, of the GOJACP*** states: “The committee shall have the authority to retain such outside counsel, experts and other advisors, as the Committee may deem appropriate.”

- (b) **Financial Literacy:** The majority of the Audit Committee members shall be financially literate (*CGFPB*), which means the ability to read and understand financial statements such as balance sheets, income and expenditure statements, and cash flow statements.
- (c) **Authority:** Means the National Solid Waste Management Authority (“NSWMA”) as defined by the *National Solid Waste Management Act*.
- (d) **Accounting Officer:** Means the Executive Director of the NSWMA.

3. AUDIT COMMITTEE STRUCTURE AND MEMBERSHIP:

Structure:

1. The Audit Committee shall consist of independent directors and members.
2. The Audit Committee shall comprise of a minimum of three (3) members and a maximum of seven (7). The Committee shall include at least three (3) members of the Board of Directors. At least one (1) member of the Audit Committee shall be a qualified Accountant, registered under the *Public Accountancy Act*, or possess expertise in the area of finance (***Sections 8(1) and 8(7) of the PBMA Act & Section 2 (1) of the GOJACP***).
3. The Chairman of the Audit Committee shall be chosen from among members of the Board. Any member of the Board may nominate or propose a Board member to be the Chairman of the Audit Committee. However, the Chairman of the Audit Committee, and all its members, shall be duly ratified by the Board.

Membership:

4. Members of the Audit Committee shall be appointed/ratified by the Board.
5. For purposes of ensuring that the Audit Committee has the capability to perform its duties, the Board may co-opt, to perform the duties of the Audit Committee, individuals who are not members of the Board but who possess a broad range of qualifications relevant to the functions of the NSWMA (***Section 8(6) of the PBMA Act***). The Board, at its meeting held on August 24, 2015, and citing reliance on ***Principle 2 (9) of the CGFPB*** which addresses Board Committees in general, has taken a decision to limit co-opted members of the Audit Committee to a maximum of three (3).
6. Every individual co-opted pursuant to ***Section 8(6) of the PBMA Act*** shall have all the rights and responsibilities of the other members of the Audit Committee in respect of the work of that Committee (***Section 8(8) of the PBMA Act***).
7. The majority of the members of the Audit Committee shall not be officers or employees of the NSWMA (***Section 8(3) of the PBMA Act***).
8. The Audit Committee should not include the Accounting Officer, Principal Finance Officer, Chief Financial Officer, Chief Internal Auditor or Head of the Internal Audit Department of the NSWMA, Chairperson of the Board of the NSWMA, nor the Chairpersons of the Finance, Projects or Procurement Committees (***Section 2 (1) of the GOJACP & Principle 13(2) of the CGFPB***).
9. The Permanent Secretary, and/or the representative for the particular Ministry are not eligible to be members of the Audit Committee (***Section 2 (1) of the GOJACP & Principle 7 (3) of the CGFPB***).

10. Audit Committee members shall serve for a period of *three (3) years, or a maximum of five (5) years consecutively*. The desire to serve *longer than five (5) years* must be approved by the Board.
11. An Audit Committee member who wishes to resign shall give *at least one (1) month's notice in writing* to the Chairman of the Audit Committee.
12. Membership on the Audit Committee may be terminated for failure to attend *three (3) consecutive meetings*, lack of independence, conflict of interest, and any other reason deemed just and credible by the Audit Committee.

4. DUTIES OF THE AUDIT COMMITTEE:

(A) Pursuant to *Section 9 of the PBMA Act*, the Audit Committee shall advise the Board on:

1. Practices and procedures which will promote productivity and the quality and volume of service.
2. The extent to which the objectives of the NSWMA are being achieved.
3. The adequacy, efficiency, and effectiveness of the accounting and internal control structure and systems of the NSWMA.
4. The independence of the Auditors auditing the NSWMA.
5. Review and advise the Board on the financial statements that are to be included in the annual report of the NSWMA.
6. Oversee any internal audit of the NSWMA.
7. Review and advise the Board on the annual auditor's report.
8. In the case of the NSWMA undergoing a special audit or examination, review and advise the Board with respect to the report of that audit or examination.
9. Perform such other functions as are assigned to it by the Board.
10. The Audit Committee shall keep detailed records of its meetings, and such records shall be made available to the External Auditor and any Examiner of the NSWMA during any external audit or examination.

(B) Pursuant to *Principle 13(2) of the CGFPB*:

1. The Audit Committee should have responsibility for the oversight of the internal control structure and system.
2. The Audit Committee should have responsibility for the oversight of the internal audit systems and should conduct the performance evaluation of the

Chief Internal Auditor or the Internal Audit Manager (whichever is the highest ranked Internal Auditor at the NSWMA).

3. The Audit Committee should be responsible for the oversight of the external audit process and recommend the appointment and/or removal of the External Auditor.
4. There should be the mandatory rotation of the Engagement Partners of the External Auditors of the NSWMA.
5. The tenure of service for Engagement Partners should be limited to a maximum contractual period of seven (7) years with follow-on renewals prohibited.
6. The Audit Committee must ensure that the Audit Partners responsible for the NSWMA's external audits are rotated. Where the Auditor General's Department performs the external audit functions for the NSWMA, the Audit Committee should ensure that the Auditors assigned are rotated in keeping with stipulations of the Code of Audit Practice.
7. The Audit Committee should report to the Board and relevant stakeholders on the execution of its duties. A report on the work of the Audit Committee may be a subset of the Report on Corporate Governance, which should be a component in the Annual Report of the NSWMA.

5. AUDIT COMMITTEE AUTHORITY AND RESPONSIBILITIES:

1. The Audit Committee derives its legal authority from relevant sections of the *PBMA Act*, *the GOJACP*, and the *CGFPB*, as reference herein. However, **the Audit Committee's responsibilities are limited to oversight**. The Management of the NSWMA is responsible for the Authority's financial statements, including the estimates and decisions on which they are based, as well as the Authority's financial reporting process, accounting policies, internal accounting controls, disclosure controls, operational controls and procedures.
2. It is not the responsibility of the Audit Committee to plan or conduct audits, or to determine that the Authority's financial statements and disclosures are complete and accurate.
3. The External Auditor is responsible for performing an audit of the Authority's annual financial statements, expressing an opinion as to the conformity of the annual financial statements with International Financial Reporting Standards ("IFRS") and with the requirements of Jamaica's Companies Act.
4. In accordance with, inter alia, *Section 3, Annex I, of the GOJACP* the purpose of the committee shall be to assist the Board in its oversight of the integrity of the financial statements, compliance with the relevant Acts and policies, the independence and qualifications of the independent auditor and the performance of the entity's internal audit function and independent auditors.

In furtherance of this purpose, the committee shall have the following authority and responsibilities:

- (a) Review the Internal Audit Charter.
- (b) Review the Authority's internal system of audit and financial controls and the results of internal audits.
- (c) Review and approve the annual internal audit plan and periodic status reports.
- (d) Review and investigate any matter pertaining to integrity of management, including conflict of interest or adherence to standards of business conduct as required in the policies of the Authority.
- (e) Review the Authority's financial reporting and accounting standards and principles.
- (f) Discuss with management and the Chief Internal Auditor, or the Internal Audit Manager (whichever is the highest ranked Internal Auditor at the NSWMA), as appropriate, any audit problems or difficulties and management responses to issues raised in audit reports.
- (g) Discuss with management and the External Auditor the annual audited financial statements.
- (h) Discuss with the Chief Internal Auditor, or the Internal Audit Manager (whichever is the highest ranked Internal Auditor at the NSWMA), in respect to any disclosed relationships that may impact the objectivity and independence of the Auditor (Internal or External Auditor) and, if deemed necessary, recommend that the NSWMA Board take appropriate action to ensure the independence of the Internal or External Auditor.
- (i) Ensure that the External Auditor is ultimately accountable to the NSWMA Board and the Audit Committee.
- (j) Where applicable, advise the Board on the retention or termination of the External Auditor.
- (k) Have the authority to retain such outside counsel, experts and other advisors, as the Committee may deem appropriate.

6. AUDIT COMMITTEE MEETINGS:

1. The Audit Committee shall meet at least quarterly and invite the Chief Internal Auditor, or the Internal Audit Manager (whichever is the highest ranked Internal Auditor at the NSWMA), and any other NSWMA employees, to discuss matters pertaining to any of the previously stated matters.

2. A quorum of ***no less than three (3)*** of the Audit Committee members, which shall include ***at least one Board member***, must be present prior to the commencement of each Audit Committee meeting.
3. The Audit Committee has the authority to invite accounting or any other personnel to answer questions pertaining to their area of responsibility, as the Committee deems necessary.
4. The Audit Committee should request responses from Auditee Managers regarding actions taken to implement audit recommendations and the reason(s) for no corrective actions.
5. Internal Audit Reports must be circulated to Audit Committee members ***at least seven (7) working days before any scheduled Audit Committee meeting***.
6. Audit Committee members should review the reports prior to the meeting to ensure that issues raised are adequately dealt with.
7. The Chairman of the Audit Committee must ensure that a Secretary is provided for all Audit Committee meetings.
8. The Secretary shall assist the Audit Committee Chairman as needed to:
 - (i) Prepare the agenda for meetings;
 - (ii) Draft the minutes of the meetings;
 - (iii) Collect and disseminate information.

7. AUDIT COMMITTEE REPORTS:

1. After each Audit Committee meeting, and within at least four weeks after its sitting, the Committee shall submit an ***Exception Report***, if any, to the NSWMA Board.

REVISIONS:

This TOR was revised by the Audit Committee on July 10, 2015.

This TOR was revised again by the Audit Committee on September 11, 2015.

RATIFICATIONS:

This TOR was first ratified by the Board on May 26, 2015.

This TOR was ratified again by the Board on July 27, 2015.

This TOR was ratified again by the Board on September 21, 2015.

*******END OF TOR*******