

TERMS OF REFERENCE AUDIT AND RISK COMMITTEE

1. Policy Statement

The Port Authority (“PAJ”) is a statutory body established under the Port Authority Act (1972) and governed primarily by the Port Authority Act, Public Bodies Management and Accountability Act and the Corporate Governance Framework for Public Bodies (“CGF”). Pursuant to Sections 8 and 9 of the Public Bodies Management & Accountability Act, 2001 (the “PBMA”), the Board of Directors shall establish an audit committee consisting of no less than three directors, which shall report to the Board. In addition, Principle 14 of the CGF recommends that the Board delegate the responsibility of enterprise risk management (“ERM”) to a committee of the Board, preferably the audit committee. The Audit and Risk Committee exercises an independent review function to assist the Board in fulfilling its oversight responsibilities.

2. Purpose

This Audit and Risk Committee’s Terms of Reference (“the TOR”) defines the purpose, authority and responsibility of the Audit and Risk Committee (“the Committee”). In addition, the TOR is intended to assist the Board of Directors in fulfilling its fiduciary responsibilities. 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 and risk management;
- b. the internal audit function;
- c. the risk management function;
- d. the external audit process, and
- e. compliance with regulatory and statutory requirements.

3. Roles and Responsibilities

The roles and responsibilities of the Committee are as follows:

- A. Advise the Board on:
 - (i) practices and procedures which will promote productivity and the quality and volume of service;
 - (ii) the extent to which the objectives of the PAJ are being achieved;
 - (iii) the adequacy, efficiency and effectiveness of the accounting, internal control and risk management structure and systems of the PAJ; and
 - (iv) the independence of the auditors auditing the PAJ.
- B. Review and advise the Board on the audited financial statements that are to be included in the annual report of the PAJ;
- C. Oversee any internal audit of the PAJ;
- D. Review and advise the Board on the annual auditor’s report;
- E. Conduct investigations on behalf of other board committees;
- F. In the case of an entity undergoing a special audit or examination, review and advise the Board with respect to the report of that audit or examination;
- G. Oversee the enterprise risk management framework;

- H. Ensure that the PAJ's origination and management of risk is consistent with the risk appetite and ERM Policy;
- I. Review the effectiveness of the PAJ's risk policy and processes; and
- J. Perform such other functions as are assigned to it by the Board.

3.1 Risk Management, Internal Controls and Financial Reporting

The Committee shall:

Consider the adequacy of risk management and internal controls as well as the accuracy of financial reporting through reviewing (inter alia) the:

- i. mechanisms for the assessment and management of risk and internal controls;
- ii. plans and results of ERM activities;
- iii. plans and results of internal audit activities;
- iv. plans and results of external audit activities;
- v. adequacy of management's response to issues identified by all audit activities; and
- vi. submission of regulatory and statutory reports.

3.2 External Audit

The Committee shall:

- a) review the audit engagement letter, audit plans, timing and scope of the external audit, identifying special areas of concern to the external auditors;
- b) review minutes of any oral presentation or written reports made by the external auditors;
- c) review the contents of the management representation letter to the external auditors;
- d) review the annual audit report and audited financial statements with the external auditors, **prior to** their recommendation to the Board;
- e) review all recommendations of the external auditors and, where appropriate, recommend or ascertain that necessary corrective actions have been taken;
- f) review with management, the external auditors and the Senior Vice President – Legal, Regulatory & Corporate Affairs any significant litigation, claim, or contingency which could have a material effect on the financial position of the PAJ;
- g) review and discuss all reports from and to the Auditor General;
- h) review and discuss all reports from and to the Integrity Commission;
- i) review the 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 recommendation to the Board;
- j) Recommend to the Board the appointment of external auditors; and
- k) Ensure that there is mandatory rotation of the engagement partner of the external auditors in keeping with the stipulation of the Code of Audit Practice.

3.3 Internal Audit

The Committee shall:

- a) annually, review and approve changes, if any, to the Internal Audit plan;
- b) review and approve the annual audit plan and all major changes to the plan;
- c) review Internal Audit's activity and performance relative to its plan;
- d) review with the Vice President & Chief Group Internal Auditor the internal audit budget.
- e) ensure there are no unjustified restrictions or limitations on the internal audit function;
- f) periodically, meet with the Vice President & Chief Group Internal Auditor, without management, to discuss any matters that the Committee or the Vice President & Chief Group Internal Auditor believes should be discussed privately;
- g) initiate special internal audits, if required;
- h) review the reports prepared by internal auditor and the response or determination of management with respect to any findings or recommendations;
- i) ensure that the Vice President & Chief Group Internal Auditor reports directly to the Chairman, Audit and Risk Committee and administratively to the President & CEO;
- j) evaluate the performance of the Vice President & Chief Group Internal Auditor; and
- k) approve the selection and termination of the Vice President & Chief Group Internal Auditor.

3.4 Risk Management

The Committee shall:

- a) annually review the PAJ Risk Register, with due consideration to the risks most pertinent to the PAJ, prior to submission to the Board for approval;
- b) review changes, if any, to the Enterprise Risk Management Policy and PAJ Risk Appetite Statement, prior to submission to the Board for approval;
- c) review the quarterly reports prepared by the Chief Risk Officer;
- d) review the significant risks identified by management and their mitigation strategies; and
- e) evaluate whether appropriate resources are being applied to the management of the PAJ's risks.

4. Composition

The Members of the Audit and Risk Committee shall be appointed by the Board and should consist of no less than five (5) individuals with at least three (3) directors, one of whom is to be designated as the Chairman.

- A. The Board may co-opt, to perform the duties of the Committee, individuals who are not directors but who possess a broad range of qualifications relevant to the functions of the PAJ.

- B. 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
- C. 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 registered under the Public Accountancy Act or should have significant, recent and relevant financial experience and knowledge.
- D. The Committee should not include the Chairman of the Board and where possible the Chairman of the Finance, Committee.

5. **Meetings**

- A. The Audit and Risk Committee shall meet quarterly and have the authority to convene additional meetings, as may be required. A meeting may be called by the Chairman or by the majority of the members of the Committee.
- B. Failure to attend at least three (3) consecutive meetings without providing acceptable reasons to the Committee Chairman, will give rise to a consideration of continued membership.
- C. The Committee shall determine its own procedures.
- D. The Committee may request any member of management or staff to attend meetings of the Committee in order to carry out its responsibilities.
- E. The President & CEO, Vice President & Chief Group Internal Auditor and the Chief Risk Officer or their representatives shall be invitees to Committee meetings as needed, subject to circumstances as outlined in 3.3(f).
- F. Meeting agendas and documents along with appropriate briefing materials will be prepared for each meeting and provided at least five (5) working days in advance to the Committee members. These may be sent to Committee members in electronic form.
- G. Meetings may be conducted via teleconference, face to face or electronically.

6. **Authority**

The Committee has the authority to conduct investigations into any matters within its scope of responsibility. It is empowered to:

- A. seek any information it requires from employees, all of whom are directed to cooperate with the Committee's requests;
- B. meet with officers, external auditors or outside counsel, as necessary; and
- C. recommend to the Board that independent counsel, experts and other advisors be retained to advise the Committee or assist in the conduct of an investigation.

¹ (Section 8(8) – PBMA Act)

7. Reporting Responsibilities

The Committee shall submit reports of its meetings to the Board outlining the Committee's activities, findings and related recommendations.

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

8. Quorum

The quorum for meetings consists of three (3) members of the Committee of which two (2) must be members of the Board.

9. Voting

In the event that a vote is taken and there is no majority, the Chairman shall have a casting vote.

10. Committee Secretary/Minutes

The Secretary for the Committee shall be the Corporate Secretary who shall appoint a recording Secretary to take the Minutes of the meetings.

The Committee Secretary is required to:

- I. circulate the notices and minutes of the Committee meetings;
- II. distribute to Committee members, at least five (5) working days prior to the meetings of the Committee, all agenda of meetings, reports and/or related documents which are prepared for consideration by the Committee;
- III. distribute to Committee Members, five (5) working days after the meetings of the Committee, the actions and decisions of the Committee;
- IV. maintain the records of the Committee's meetings; and
- V. have such other duties as may be assigned by the Committee.

The Audit and Risk Committee shall keep detailed records of its meetings and such records shall be made available to the external auditor and any examiner of the PAJ during any external audit or examination.

11. 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.

12. Committee Development and Evaluation

- A. The Committee's financial literacy will be periodically assessed and an appropriate development plan identified to improve skills, when required;

- B. The Committee will ensure that members receive continuing education on current accounting, auditing, enterprise risk management and financial reporting standards and practices;
- C. An annual evaluation of the performance of the Committee and individual members will be done taking into consideration the Committee’s goals and objectives established at the beginning of the fiscal year.

13. Conflict of Interest

Where there is a conflict of interest, the Committee Member so affected shall declare his/her interest to the Committee 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.

Directors with conflicts of interest shall not participate in any vote at meetings where the transactions are being discussed, or exert any influence on the voting on the resolution in respect of the transaction.

14. Confidentiality of Committee Information

All information received by the Committee is confidential and is the property of the PAJ and cannot be disclosed to parties outside of the organisation without prior approval of the Board. Where such information disclosure is required by law, the Board should be notified and advised accordingly.

15. Review and Assessment of Terms of Reference

The Committee will review and assess the adequacy of its Terms of Reference at least every two (2) years, and request the Board’s approval for proposed changes.

Document Version History

Version Number	Modifications	Approved by	Date Approved
1.0	Creation – due to separation of Audit and Finance Committees	Board of Directors	August 2011
2.0	Full Revision	Board of Directors	July 2018
2.1	Revision – to add responsibilities for ERM oversight, and rename Committee	Board of Directors	September 2022
