



## **Code of Practice**

### **Objective**

The ultimate objective of establishment the Caribbean Association of Audit Committee Members Inc. is to improve the investment environment in the Caribbean by increasing the level of confidence of investors in the integrity of financial reporting and investor information.

### **Code of Practice**

The purpose of association's code of practice is to promote a professional and an ethical culture in the functioning of audit committees:

### **Role of the Board of Directors**

- The Board of Directors shall establish the Audit Committee, its function and responsibilities.
- The Board of Directors shall make all appointments to the Audit Committee in consultation with the Audit Committee Chairman.

### **Composition of Audit Committee**

- The Committee should have at least 3 members all of which must be non-executive directors with the majority being independent
- Neither the Chairman of the Board nor the CEO/Managing Director of the company shall be a member of the Audit Committee.
- All committee members shall be financially literate with at least one member being a financial expert.

### **Appointment of Members**

- The Board of Directors may appoint audit committee members for a maximum period of 3 years with a one-time extension of the 3-year term for independent members, once that member remained an independent member.
- New Members shall be required to attend an orientation on the company as well as the functions of the committee, its charter, and understanding the main business and financial risks of the company.

### **Authority**

- Each Audit Committee shall have a Charter which outlines its composition, roles, responsibilities and requirements for membership.
- The Audit Committee of a member organization shall work in compliance with the Charter of the Audit Committee as well as the establishment framework of the organization.
- The Board of Directors shall review the committee's terms of reference annually and necessary adjustments made, to reflect its changing environment.
- The Audit Committee shall have access to and interface with independent legal, accounting and other service providers as it sees fit to further assist the Members in getting clarification on matters relating to the Audit Committee's function and payment for such services shall be borne by the company.
- The Audit Committee shall have access to and interface with the Company Secretary and internal audit department and any other staff designated to assist in the workings of the committee.

### **Remuneration**

- The Audit Committee Members should be paid for their contributions to the committee and the remuneration shall be separate and apart from their Board member fees.

### **Training**

- The Board shall ensure that their Audit Committee members receive regular training and continuing professional education.

### **Professional Conduct**

- The Audit Committee shall perform their work with integrity and in a responsible manner.
- The Audit Committee Members shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the Audit Committee or the Board.
- The Audit Committee Members shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment or independence.
- The Audit Committee Members shall not take any actions (or accept any gifts) that compromise their professional judgment or independence.
- The Audit Committee Members shall treat as confidential all information acquired in the course of their duties.
- The Audit Committee Members shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of their organisation.
- The Audit Committee Members shall have the necessary knowledge, skills, and experience with which to carry out their function.
- The Audit Committee Members shall keep up to date with good corporate governance practices and international financial reporting standards.

### **Meetings**

- The Audit Committee Chairman in consultation with the Company Secretary shall decide the frequency and timing of the committee's meetings.
- The Audit Committee Members shall meet no less than least four times per year to coincide with key dates in the financial reporting and audit cycle and whenever necessary to discuss urgent matters.

- The Chairman may invite non-committee members such as the External Auditor and other management officers, etc. to meetings to discuss a specific item on the agenda whenever necessary.
- There shall be adequate time between Audit Committee meetings and Board of Directors Meetings to allow for the proper completion of any work coming out of the Audit committee meeting that will have an impact on the next Board of Directors meeting.
- The Audit Committee shall meet with the External Auditors, Internal Auditors and Legal Counsel at least twice per year to discuss the general audit and any issues arising from the audit.
- The Audit Committee should enquire of Legal Counsel whether any claims or charges were filed against the company.
- The organisation shall ensure that all information necessary for the committee's consideration shall be given to the committee on a regular and timely basis.
- The Audit Committee Chairman shall on a regular basis have dialogue with the Board Chairman, Chief Executive or Managing Director, Chief Financial Officer, Internal and External Auditors.

### **Financial Reporting**

- The Audit Committee shall monitor the integrity of the financial statements of the Company and ensure compliance with International Financial Reporting Standards.
- The Audit Committee shall review all related information presented with the financial statements, including the operating and financial review and corporate governance statements relating to audit and risk management
- The Audit Committee shall report its views to the Board if there is any dissatisfaction with the financial reports.
- The Audit Committee shall review the audit representation letters before signature by management and shall also review the internal control memorandum (management letter).
- The Audit Committee shall ensure that the internal control weaknesses identified have been properly addressed.

### **External Auditors**

- The Audit Committee shall make recommendations to the Board in relation to the appointment, reappointment and termination of the external auditors.
- The Members shall review the terms of the engagement and recommend the remuneration of the external auditors, following their appointment by the shareholders in a general meeting.
- The Audit Committee shall at the end of each annual audit review the efficiency of the audit process.
- The Audit Committee shall assess the External auditor's quality controls procedures.
- The Audit Committee shall on an annual basis assess the qualification, expertise and resources, and independence of the external auditors.
- The Audit Committee shall set policy so that the activities of the External and Internal Auditors are coordinated, avoiding duplication and incomplete coverage.
- The Audit Committee shall act as a liaison between the External Auditor, the Internal Auditor and the Board of Directors as a whole.
- The Audit Committee shall develop and implement policy on the engagement of the external auditor to supply non-audit services.

### **Internal Controls and Risk Management**

- The Audit Committee Members shall review the company's internal financial control system and risk management systems.
- The Audit Committee Members should establish a whistle blowing mechanism to permit direct confidential communication with the audit committee, to protect whistle blowers and to ensure swift and prompt investigation into alleged matters.

### **Internal Audit**

- The Audit Committee Members shall monitor and review the effectiveness of the company's internal audit function.
- The Audit Committee Members shall approve the appointment and termination of the Internal Auditor.

- The Audit Committee Members shall review and monitor Management's responsiveness to the external auditor's findings and recommendations.
- The Audit Committee Members shall set policy together with the Board of Directors on the employment of former staff of the External Auditors.

### **Evaluation**

- The Board of Directors shall on an annual basis review the committee's performance and effectiveness.

### **Annual Meeting of Shareholders**

- The Chairman or his representative shall be present at all annual general meetings to answer any questions related to the committee posed by shareholders.
- The Director's report section of the annual report shall contain a section which details the role and responsibilities of the Audit Committee as well as its discharge of same during the reporting period.
- The Director's report should include a section that deal with compliance with best practices, which will include:
  - Roles and responsibilities
  - Discharging of functions
  - Training undertaken during the year.