


**Bulletin 62**
**May 2013**

## **CP 5.01 Guidelines for Financial Control and Administration of Joint Venture Operations**

### **Background**

This JIG 'Common Process' Bulletin issues CP 5.01 JIG Guidelines for Financial Control and Administration of JV Operations (CP 5.01). As outlined in JIG Bulletin 47, JIG Common Processes are intended to continuously improve assurance and governance of JV activities for the benefit of all parties including: JV Managers and JV Management Teams, JV Directors/Management Committee Representatives, JV Participants and airline customers.

**JIG Guidelines for Financial Control and Administration of JV Operations (CP 5.01) include best practice guidance on:-**

1. Delegations of Authority (Financial Commitments and Invoice Payment),
2. Company Financing and Dividend Policy,
3. Capital Expenditure,
4. Operating Expenses,
5. Purchasing / Tender Process,
6. Routine Accounting Procedures,
7. Systems,
8. Communication with Users,
9. Financial Audit Procedures.

**This Common Process can be used in two ways:-**

1. Where a JV already has financial control and administration policies and procedures in place; Attachment 1 CP 5.01 Guideline for JIG Financial Control and Administration Review Form should be used as a check list to verify that the JV complies with best practice where it is applicable and cost effective.
2. For JVs that have not yet developed their own financial control and administration policy document; CP 5.01B v0 010213 JIG JV Financial Control and Administration EXAMPLE.doc shows a completed example of an Incorporated JV Financial Control and Administration Policy document. This example is based on the Guidelines and is available to JVs in Word format so that it can be adapted to meet the JV's specific requirements for financial control and administration as detailed in its own JV governing documents (e.g. financial and administration provisions within the JV Agreement).

### **Implementation Plan, JV Training and Resources Required for Implementation**

The JV Board / Management Committee should plan to have a financial control and administration policy that complies with applicable best practice by 30<sup>th</sup> September 2015 or reasonable later date taking into account JV workload and other JV priorities.

JIG is not proposing to provide any specific training or implementation support for this Common Process since JV Managers should have access to competent accounting support from either their JV Accountant or the Participant providing finance and accounting services to the JV.

### **Monitoring Effectiveness of Implementation of the Common Process**

A copy of the approved CP 5.01 Review Form should be held on site and a copy sent to each of the JV Participants after the initial check and again after all actions are closed out to confirm completion.

On-going compliance with the JVs Financial Control and Administration Policies and Procedures should be monitored through the JV's internal and external financial audit programme.


**Bulletin 62**
**May 2013**

Actions to Implement this Bulletin	Action Type (Table 1)
1. By 31st December 2014 or reasonable later date taking into account JV workload and other JV priorities, schedule a review of Attachment 1 CP 5.01 Guideline for JIG Financial Control and Administration Review Form (CP 5.01 Review Form) at a JV Board / Management Committee meeting.	RP
2. At least one month before the JV Board / Management Committee meeting scheduled by Action 1, the JV Manager, assisted by the JV Accountant / Managing Participant Financial Representative, should complete CP 5.01 Review Form to check the JV's current Financial Control and Administration processes for differences with the Guideline best practice.	RP
a. Differences to best practice should be identified (y/n or Not Applicable (N/A)),	RP
b. If there is a difference then either detail the action that will be taken or explain why it is recommended to the board to take no action. Agreed changes should be documented in the Board / MC minutes, but in some cases actions may require updates to the JV Governing Documents such as the JV Agreement to bring them in line with current best practice for financial control and administration of JV operations.	RP
c. Where actions are identified, the JV Manager should enter proposed target completion dates.	RP
d. The CP 5.01 Review Form is available in Word format as document CP 5.01A JIG JV Financial Control and Administration REVIEW FORM BLANK.doc	I
3. The Board / Management Committee should review the completed CP 5.01 Review Form and approve the proposed actions and target completion dates. All actions including any necessary update of the financial and administration provisions within the JV's Governing Documents should be planned for completion by 30 <sup>th</sup> September 2015 or reasonable later date taking into account JV workload and other JV priorities.	RP
4. A copy of the approved CP 5.01 Review Form should be held on site and a copy sent to each of the JV Participants after the initial check and again after all actions are closed out to confirm completion.	RP
5. On-going compliance with the JVs Financial Control and Administration Policies and Procedures should be monitored through the JV's internal and external financial audit programme.	RP


**Bulletin 62**
**May 2013**
**Table 1 - Bulletin Action Types (Bulletins do not necessarily contain all Action Types)**

Action Types	JIG Bulletin Action Type Definition
<b>JS</b>	Change to JIG Standard – to be adopted by JV and/or Operator to continue to meet the JIG Standard(s) (JIG 1, 2, 3, 4) (**).
<b>RP</b>	JIG Recommended Practice which the JV should consider adopting as its own practice (**).
<b>I</b>	Issued for information purposes only.
Note (**) - If the JV agreements require any of the JIG Standards and/or any of the JIG Common Processes as the governing operational standard then adoption of changes to applicable JIG Standards and/or Common Processes should not be considered optional by the JV Board.	

**Referenced Documents** (downloadable from [www.jigonline.com](http://www.jigonline.com) – Members Area Publications (Common Processes)):-

CP 5.01 v0 150413 JIG JV Financial Control and Administration.doc

CP 5.01A v0 150413 JIG JV Financial Control and Administration REVIEW FORM BLANK.doc

CP 5.01B v0 150413 JIG JV Financial Control and Administration EXAMPLE.doc

JIG Bulletin 47 JIG Management System Best Practice and Common Processes Implementation Plan

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**Bulletin 62**
**May 2013**
**Attachment 1 CP 5.01 Guidelines for JIG Financial Control and Administration Review Form**
**Review Form Completion Notes**

1. Differences to best practice should be identified (y/n or Not Applicable (N/A)),
2. If there is a difference then either detail the action that will be taken or explain why it is recommended to the board to take no action. Actions may require update to the JV Governing Documents such as the JV Agreement to bring them in line with current best practice for financial control and administration of JV operations.
3. Where actions are identified, the JV Manager should enter proposed target completion dates.
4. This Review Form is available in Word format from the JIG web site ([www.jigonline.com](http://www.jigonline.com) – Members Area Publications (Common Processes)) ref document CP 5.01A JIG JV Financial Control and Administration REVIEW FORM BLANK.doc

CP 5.01 Section Ref	Section Description	Gap Y/N or N/A (Note 1)	Reason why alternative processes are used and/or action plan to close the gap (Note 2)	Target Gap Closure Date (Note 3)
1.3	Financial Roles and Responsibilities and Delegation of Authority			
1.4	JV Financing and Dividend Policy			
1.4.1	Participant Loans			
1.4.2	Bank Accounts and 3rd Party Loans (Bank Financing)			
1.4.3	Dividend Policy			
1.5	Capital Expenditure			
1.5.1	Definition			
1.5.2	Capital Expenditure Plan and Capital Expenditure Budget Approval			
1.5.3	Management of Capital Projects			
1.5.4	Maintenance of an Asset Register and Depreciation Schedule			
1.5.5	Disposal of Assets			
1.5.6	Asset Register Verification (Physical Count of Assets)			
1.6	Operating Expenses			
1.6.1	Annual Operating Budget Approval			
1.6.2	User Fees			
1.6.3	Amendment of User Fees			
1.6.4	Operating Cost Report versus Budget			


**Bulletin 62**
**May 2013**

CP 5.01 Section Ref	Section Description	Gap Y/N or N/A (Note 1)	Reason why alternative processes are used and/or action plan to close the gap (Note 2)	Target Gap Closure Date (Note 3)
1.7	Purchasing / Tender Process			
1.7.1	Purchasing Procedures			
1.7.2	Financial Commitments and Invoice Approval			
1.7.3	Payment Process			
1.7.4	Purchasing Tender Process			
1.7.5	Purchasing Terms and Conditions			
1.7.2	Approved Suppliers List			
1.7.3	Register of Consumable Stocks (Materials, Spare Parts, etc.)			
1.8	Routine Accounting Procedures			
1.8.1	Invoicing User Fees			
1.8.2	Daily Record Keeping and Periodic Account Reconciliation			
1.8.3	Accounts Receivable			
1.8.4	Accounting Provisions and Write-offs			
1.8.5	Cash Sales			
1.8.6	Petty Cash Accounting and Control			
1.8.7	Periodic Management Accounts			
1.8.8	Custom Duties, Indirect Taxes (e.g. VAT)and Other Taxes			
1.8.9	Administration of Payroll			
1.8.10	Administration of Pension Schemes			
1.8.11	Administration of Other Employee Benefits			
1.8.12	Employee Expenses Policy			
1.8.13	Records Retention			
1.9	Systems			
1.9.1	Systems Controls			
1.9	Aviation Fuel Stock Accounting and Control			
1.10	Communication Procedure for Changes in User Contract / Credit Arrangements			
1.11	Financial Audit Procedures			
1.11.1	Appointment of Auditor			
1.11.2	Annual Audit and Submission of Statutory Accounts			


**Bulletin 62**
**May 2013**

CP 5.01 Section Ref	Section Description	Gap Y/N or N/A (Note 1)	Reason why alternative processes are used and/or action plan to close the gap (Note 2)	Target Gap Closure Date (Note 3)
1.11.3	Participant Audit of JV			
1.11.4	Airport Authority Audit of JV Activities			
1.12	JV, Participant and User Insurances are in Place			