

Terms of Reference Audit and Finance Committee

1. Purpose

The primary function of the Audit and Finance Committee (the “Committee”) is to assist the Board in fulfilling its oversight responsibilities for monitoring and assessing the organization’s long term financial and capital resource plans, and strategies, by:

- a) monitoring ongoing financial and service performance against performance matrices;
- b) reviewing the external financial statements;
- c) reviewing and recommending engagement of the external Auditor; reviewing the external Audit report’s findings and recommendations and monitoring compliance; monitoring and ensuring the external Auditor’s independence;
- d) reviewing financial information and management reports provided to the Government and other stakeholders;
- e) reviewing, monitoring and recommending for approval by the Board the Operating and Capital budgets;
- f) reviewing and monitoring the overall strategy and systems provided by Information Management/Information Technology Services;
- g) reviewing the systems and supporting policies and procedures for the organization’s risk management activities and obligations;
- h) reviewing and approving the Internal Audit Services plan; monitoring and ensuring the independence of the Internal Auditor;
- i) reviewing the systems and supporting policies and procedures for the organization’s internal controls;
- j) participate in an annual self-assessment of the Committee’s performance and reviewing the Terms of Reference.

2. Composition and Operations

- a) The Committee shall be composed of not fewer than three directors and not more than five directors, none of whom shall be officers or employees of the Authority or any of its subsidiaries.
- b) All Committee members shall be “financially literate”¹ and at least one member shall have “accounting or related financial expertise”.
- c) The Committee shall operate in a manner that is consistent with the Committee Guidelines outlined in Tab 4.1 of the Board Manual.

¹ The Board has defined “financial literacy” as the ability to read and understand a balance sheet, income statement and a cash flow statement in accordance with Canadian Public Sector Accounting Standards. Where there is a requirement for a director to have accounting or financial expertise, this means the director shall have the ability to analyze and understand a full set of financial statements, including the notes attached thereto in accordance with Canadian Public Sector Accounting Standards.

- d) The Authority's auditors shall be advised of the names of the Committee members and will receive notice of and be invited to attend meetings of the Committee, and to be heard at those meetings on matters relating to the Auditor's duties.
- e) The Committee shall meet with the internal auditor and the external auditor as it deems appropriate to consider any matter that the Committee or such auditors determine should be brought to the attention of the Board.
- f) The Committee shall meet at least four times each year.

3. Duties and Responsibilities

Subject to the powers and duties of the Board, the Committee will perform the following duties:

a. *Financial and Service Performance:*

- i. ensure the Committee receives timely, meaningful reports that provide information needed for decision making and keep it properly informed of the Health Authority's financial situation;
- ii. review the financial performance of each principle area against the annual plan; ensure that the Committee receives an up-to-date forecast of year end results which reflects events to date and known factors which may influence either revenue or expense components;
- iii. review the Lower Mainland Consolidation activities ensuring that the infrastructures are aligned to support the business objectives. Ensure performance measures and targets are in place that include achievement of strategic objectives and whether strategies are efficient. Monitor the operational, financial and service performance from the perspective of either being the service provider or customer as the case may be;
- iv. review the BC Clinical and Support Services activities by ensuring that the organization's objectives as they relate to VCH are specific, measurable, time-bound, realistic and results-oriented. Ensure that performance measures and targets are in place that measure achievement of strategic objectives and whether strategies are efficient. Ensure that performance is measured against comparable organizations, standards or benchmarks. Monitor the financial, operational and service performance.
- v. review the Health Benefits Trust and provide a financial status update.

b. *External Financial Statements:*

- i. review the external financial statements, as needed;
- ii. review, monitor and recommend for approval by the Board the appropriateness of accounting policies and financial reporting practices, as needed;

- iii. review, monitor and recommend for approval by the Board any significant proposed changes in financial reporting and accounting policies and practices to be adopted, as needed;
- iv. review, monitor and recommend for approval by the Board new or pending developments in accounting and reporting standards, as needed.

c. *External Audit:*

- i. recommend the annual appointment of the external auditor (unless the Auditor General is appointed in accordance with the Auditor General Act as the auditor of the Health Authority), and assess the performance;
- ii. review and recommend for approval to the Board the compensation of the external auditor;
- iii. meet with the external Auditor at least annually without management present; review and receive assurances on the independence of the external auditor;
- iv. prior to the commencement of the audit engagement, review the annual external audit plan, including but not limited to: engagement letter, objectives and scope of audit work, procedures for review of financial statements, materiality limit, areas of audit risk, staffing, and timetable;
- v. review and pre-approve any non-audit related services to be provided by the external auditor's firm or its affiliates as needed, including fees, and consider the impact on the independence of the external auditor;
- vi. meet with the external Auditor after the audit work has been conducted, and upon completion of the audit report; review the audited financial statements and the audit report; review the external auditors' findings and comments as needed.

d. *Financial Information and Management Reports:*

- i. review and recommend for approval by the Board, the annual audited financial statements and financial information that will be forwarded to the Government, other stakeholders, or made publicly available;
- ii. ensure that the Board's statutory responsibility with regard to the Financial Information Act and other applicable legislation have been fulfilled.

e. *Operating and Capital budgets*

- i. review and recommend for approval to the Board the Operating and Capital budgets; examine the allocation of funds as recommended by Management, ensuring that allocation complies with Government guidelines;
- ii. make recommendations to the Board on financial and other operational issues; review period operating results;
- iii. review funding received from Government for minor capital against needs;
- iv. review capital project proposals as required;

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- v. review lease commitments as required;
- vi. review post-implementation evaluation of capital projects as required.

f. *Information Technology Systems:*

- i. ensure that there is an information technology plan in place that effectively supports the strategic plan including; infrastructures, clinical and business applications, operational requirements and longer term service planning;
- ii. review and recommend major capital projects; monitor implementation of major projects;
- iii. obtain reasonable assurance that the information systems are reliable and the controls are properly designed and effectively implemented;
- iv. obtain assurance of the adequacy and reliability of information systems business continuity plans as required.

g. *Risk Management:*

- i. review information related to the organization's financial and operational risks, and management's processes and internal control framework to mitigate these risks; assess whether the organization has appropriate systems in place to identify and manage risk;
- ii. review and approve the Risk Register items allocated to A&F;
- iii. obtain confirmation that the Board Committees have also reviewed and approved overall organizational Risk Register;
- iv. review the organization's business continuity and disaster recovery plans for adequacy and effectiveness included in the Risk Register;
- v. review material litigations not related to clinical performance prior to year end;
- vi. monitor compliance with Freedom of Information and Privacy obligations.

h. *Internal Audit Services:*

- i. review and receive assurances of the independence of the Internal Auditor; review any restrictions or problems. Ensure the Internal Auditor has a direct channel of communication to the Chair of the Committee;
- ii. review strategic plan including internal initiatives, audit plan, resources, and audit processes. Confirm alignment with Board direction, and industry standards.
- iii. review IAS Status Updates including investigations completed, audit reports issued, other engagements and issues, and updates on past report findings. Assess management responses and actions for completed engagements for appropriateness.

- iv. meet with the Executive Director, Internal Audit, without Management present as required (and at least once annually).
 - v. review annual report including year-end progress on strategic plan, nature of investigations received, and general statistics on past finding remediation.
- i. *Internal Controls:***
- i. review the quality and accuracy of financial and performance information to ensure it accurately and completely portrays the organization's economic circumstances;
 - ii. review significant accounting accruals, reserves, judgments and estimates, and any accounting policy changes for reasonableness and appropriateness;
 - iii. review significant policies, ensure reasonableness and appropriateness and that related procedures have been adequately completed per annual policy review cycle;
 - iv. confirm CEO's annual expense report reviewed and approved.

4. Accountability

- a) The Committee Chair has the responsibility to make periodic reports to the Board, as requested, on financial matters relative to the Authority.
- b) The Committee shall report its discussions to the Board by maintaining minutes of its meetings and providing an oral report at the next Board meeting.
- c) The Committee will conduct an annual self-assessment of the Committee's performance and review its Terms of Reference.

5. Committee Timetable

The Terms of Reference Checklist outlines the Committee's schedule of activities is to be attached as an appendix.

Questions

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