

**FINANCE AND AUDIT COMMITTEE
TERMS OF REFERENCE**

1. PURPOSE

The Finance and Audit Committee (the “Committee”) of the Vancouver Island Health Authority (“Island Health”) Board of Directors (the “Board”) assists the Board in review and oversight of the following areas:

Strategic Governance

- Multi-Year Strategy, Annual Goals and Plans
- Performance Monitoring
- Enterprise Risk Management

Fiduciary Governance

- Financial Planning and Budgets
- Financial Statements and Other Financial Reporting
- Financial and Operational Performance Management System
- Asset and liability Management
- Internal control and policies
- External audit
- Investment management activity
- Facility Infrastructure
- Internal Audit

2. COMPOSITION AND OPERATIONS

- A.** The Committee shall be composed of all members of the Board, each of whom shall be independent of Management.
- B.** The Committee shall operate in a manner consistent with the Committee Guidelines outlined in the Board Manual.
- C.** All Committee members shall be “financially literate”¹ and at least one member shall have “accounting, auditing or financial management expertise.”²
- D.** Island Health’s external auditors will receive notice of and be invited to attend meetings of the Finance and Audit Committee, and to be heard at those meetings on matters relating to the external auditor’s duties.

¹ “Financial literacy” is defined as “having the knowledge, skills and confidence to make responsible financial decisions” (Task Force on Financial Literacy Report to the Federal Minister of Finance (2011)).

² Optimally a CPA should serve on the Committee, however, this is not a requirement.

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- E. The Committee shall review its Terms of Reference annually to ensure they meet the needs of the Board. Any proposed revisions shall be recommended to the Governance Committee of the Board.
- F. The Committee has delegated authority to pass motions on behalf of the Board. For clarity, the Committee does not have the authority to alter the membership of the Committee. This power remains with the Board.
- G. The Committee shall meet at least five times each year.

3. DUTIES AND RESPONSIBILITIES

Subject to the powers and duties of the Board, the Committee will perform the duties listed below.

Strategic Governance

A. Multi-Year Strategy, Annual Goals and Plans

- (i) Review progress against Committee assigned multi-year strategies and annual plans and identified priorities at each regularly scheduled meeting.

B. Performance Monitoring

- (i) Monitor performance measures in relation to Committee assigned multi-year strategies, identify priorities for improvement and track progress towards achievement.
- (ii) Establish new performance measures as required to ensure alignment with targets outlined in the strategic plan.

C. Enterprise Risk Management

- (i) Regularly oversee performance on Committee assigned mitigation strategies on high-priority identified enterprise risks, ensuring the strategies are embedded into annual plans and priorities reviews noted in sections A (Multi-Year Strategy, Annual Goals and Plans) and B (Performance Monitoring) above.

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Fiduciary Governance

D. Financial Planning and Budgets

- (i) Monitor and/or recommend to the Board, as appropriate, all matters relating to long range financial planning.
- (ii) Review and recommend to the Board, as appropriate, the annual operating and capital budgets.
- (iii) Review and recommend to the Board, as appropriate, approval for capital projects over \$10 million.
- (iv) Review the budget planning methodology and assumptions used in preparing the operating and capital budget.
- (v) Ensure resources applied are appropriate to carry out programs.
- (vi) Ensure potential risks have been identified and strategies have been developed to mitigate these risks.
- (vii) Review and recommend to the Board, as appropriate, all unbudgeted expenditures and commitments greater than \$10 million.

E. Financial Statements and Other Financial Reporting

- (i) Review and recommend to the Board, as appropriate, financial information to be forwarded to Government or made publicly available, including, but not limited to:
 - (a) the financial content of external regulatory reporting and any designated reports required by Government; and
 - (b) any management report that accompanies published financial statements (to the extent such a report discusses Island Health's financial position or operating results); and
 - (c) annual audited financial statements.

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- (ii) Review internal financial information provided to the Board, including, but not limited to:
 - (a) internal periodic financial statements; and
 - (b) annual audited financial statements.
- (iii) Ensure:
 - (a) the Board receives timely, meaningful reports that keep it properly informed of Island Health's financial situation and provide the information needed to support decision-making;
 - (b) all periodic operating reports to the Board clearly display the financial results of each principal area of activity, the financial position reporting and includes capital cash flow and statement of cash flow for the period being reported and year to date;
 - (c) the Board receives, at each meeting, an up-to-date forecast of year-end results which reflects events to date and known factors which may influence either revenue, expense, asset, or liability components;
 - (d) the Board receives regular reports on capital projects over \$10 million; and
 - (e) the Board receives regular progress updates on the annual capital plan.
- (iv) Review and discuss:
 - (a) the appropriateness of accounting policies and financial reporting practices used by Island Health;
 - (b) any significant proposed changes in financial reporting and accounting policies and practices to be adopted by Island Health; and
 - (c) any new or pending developments in accounting and reporting standards that may affect Island Health.

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F. Financial and Operational Performance Management System

- (i) Review and obtain reasonable assurance that performance management systems are in place and operating effectively to keep the organization focused on the factors critical to the financial integrity of Island Health. This includes:
 - (a) ensuring systems are in place to reliably report progress against budget and expected results;
 - (b) ensuring financial processes and systems are in place to evaluate Island Health's operations in relation to budget and planned outcomes;
 - (c) monitoring Island Health's ability to meet its financial goals; and
 - (d) monitoring progress by receiving, reviewing and discussing with Management, status reports of measurements associated with financial critical success factors.

G. Asset and Liability Management

- (i) Review and recommend to the Board, as appropriate, all matters pertaining to the Board's responsibility for the safe, effective and efficient management of Island Health's physical assets, including, but not necessarily limited to leasing of space, disposal of equipment or insurance.
- (ii) Ascertain whether Island Health's financial results and condition satisfy the criteria for lenders, material agreements, applicable laws and insurers.
- (iii) Specifically review the policy and authority levels required for the disposal of real property.

H. Internal Controls and Policies

- (i) Obtain reasonable assurance internal controls are operating effectively, are reliable, and are properly designed and effectively implemented to

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produce accurate, and timely financial information.

- (ii) Review Management steps to implement and maintain appropriate internal control procedures including a review of policies.
- (iii) Develop with Management a comprehensive spending authority policy for operating and capital expenditures and present to the Board, as appropriate.
- (iv) Review, in accordance with applicable Island Health policies, requests for proposals or contracts in excess of \$10 million for recommendation to the Board, as appropriate.
- (v) Verify the establishment of policies and procedures for monitoring compliance with applicable laws and with Island Health's policies as to authorization of expenditures, approval of CEO expenses, leases and enterprise contract management and ascertain their adequacy and levels of compliance. Recommend to the Board, as appropriate, any changes which may be necessary from time to time.
- (vi) Monitor compliance with statutory and regulatory obligations.
- (vii) Ensure there is a regular review of Fair Business Policy including use of waivers.
- (viii) Ensure mechanisms are in place for effective accuracy of contracts.
- (ix) Ensure controls, contract monitoring and management systems are in place.

I. External Audit

Review the planning, results and recommendations of external audit activities and Island Health's ongoing relationship with the external auditor. This includes:

- (i) review the annual external audit plan, including but not limited to the following:
 - (a) engagement letter;

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- (b) objectives and scope of the external audit work;
 - (c) materiality limit;
 - (d) areas of audit risk;
 - (e) staffing;
 - (f) timetable; and
 - (g) proposed fees;
- (ii) meet with the external auditor, as required, to discuss Island Health's annual financial statements and the Auditor's Report including the appropriateness of accounting policies and underlying estimates;
- (iii) review and advise the Board with respect to the planning, conduct and reporting of the annual audit, including but not limited to:
- (a) any difficulties encountered, or restriction imposed by Management, during the annual audit;
 - (b) any significant accounting or financial reporting issue;
 - (c) the auditor's evaluation of Island Health's system of internal controls, procedures and documentation;
 - (d) the post audit or management letter containing any findings or recommendations of the external auditor, including Management's response thereto and the subsequent follow-up to any identified internal control weaknesses;
 - (e) any other matters the external auditor brings to the Committee's attention; and
 - (f) assess the performance and consider the annual appointment of external auditors for recommendation to the Board;
- (iv) review the Auditor's Report on all material subsidiaries;

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- (v) review and receive assurances on the independence of the external auditor;
- (vi) review the non-audit services to be provided by the external auditor's firm or its affiliates (including estimated fees), and consider the impact on the independence of the external audit; and
- (vii) meet periodically, and at least annually, with the external auditor without Management present.

J. Investment Management Activity

- (i) Annually review the results of the investment portfolio and ensure investment returns are maximized to the extent possible.
- (ii) Annually review the investment policy for those handling Island Health's funds and recommend any needed revisions to the Board.

K. Facility Infrastructure

- (i) Receive regular status reports on facility infrastructure projects considered material to the organization.
- (ii) Review outcomes achieved through investments in major projects.

L. Internal Audit

- (i) Review and recommend to the Board, as appropriate updates to the internal audit charter to ensure compatibility with the Finance and Audit Committee terms of reference and reflect developments in internal audit professional practices.
- (ii) Review and recommend to the Board, as appropriate, approval of the Annual Internal Audit Plan.
- (iii) Review Internal Audit Status Updates including status of current projects, information on Safe Reporting allegations received and Irregularities reported.

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- (iv) Review specific Internal Audit reports, including Management’s response to recommendations.
- (v) Receive status updates on previous recommendations.
- (vi) Review annual report including year-end progress on Annual Audit Plan.
- (vii) Ensure Internal Audit function is adequately resourced.
- (viii) Review and receive assurances of the independence of the Internal Audit function. Ensure the Internal Auditor has a direct channel of communication to the Chair of the Committee.
- (ix) Meet periodically, and at least annually, with the Director, Internal Audit without Management present.
- (x) Provide input to management on the annual performance evaluation of the Director, Internal Audit.
- (xi) Review and concur with the appointment, replacement or dismissal of the Director of Internal Audit.

4. ACCOUNTABILITY

The Committee has delegated authority to pass motions on behalf of the Board, and shall document discussions by maintaining minutes of its meetings. Decisions of the Committee shall be reported to the Board at a duly constituted In-Camera or public Board meeting , as appropriate in light of the nature of the decision.

5. COMMITTEE CALENDAR

The Committee shall document its workplan of activities in an annual planning calendar.