

		Page 1 of 6
<u>POLICY TITLE</u> TERMS OF REFERENCE Finance and Audit Committee		<u>NUMBER</u> TBA
<u>AUTHORIZATION</u> Board of Directors Finance and Audit Committee	<u>DATE APPROVED</u> September 12, 2002	<u>CURRENT VERSION</u> <u>DATE</u> January 2015

DATE(S) REVISED / REVIEWED SUMMARY

Version	Date	Comments / Changes
1.0	September 2002	Initial Policy
2.0	September 2003	Revision
3.0	October 2004	Revision
4.0	February 2006	Revision
5.0	December 2007	Revision
6.0	February 2009	Revision
7.0	May 2011	Revision
8.0	January 2013	Revision
9.0	January 2015	Current

1. PURPOSE

The Finance and Audit Committee is responsible to the Board, of the Fraser Health Authority, for all financial matters including:

- Review and examination of all financial objectives, policies, programs and practices that are required to provide sound financial management and to safeguard assets.
- Review of the audited financial statements of the Fraser Health Authority prior to submission to the Board and to provide the auditors with a means of access to the Board in order to preserve their independence in their relationship with Management.

The authority and responsibilities set forth in these Terms of Reference do not reflect or create any duty or obligation of the Finance and Audit Committee to plan or conduct any audit, to determine or certify that the Fraser Health Authority's financial statements are complete, accurate, fairly presented or in accordance with generally accepted accounting principles or applicable law or to guarantee the internal or external auditors' report.

2. COMPOSITION AND OPERATIONS

- A. Members shall be financially literate with at least one member having accounting or financial management expertise. All Committee members shall assess their continuing

			Page 2 of 6
<u>POLICY TITLE</u> TERMS OF REFERENCE Finance and Audit Committee		<u>NUMBER</u> TBA	
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education or current public sector accounting, auditing and financial reporting developments that might have an affect on the Fraser Health Authority.

- B. The Committee shall be composed of not fewer than three directors and not more than five directors.
- C. Non-voting membership to include:
 - i. Board Chair, Ex-Officio
 - ii. President and Chief Executive Officer, Ex-Officio
 - iii. Chief Financial Officer
 - iv. Director, Corporate Finance
 - v. Director, Financial Planning and Business Support
 - vi. Executive Director, Internal Audit Services
 - vii. Staff Administrative Support Person
- D. Committee members shall be appointed annually by the Board of Directors.
- E. Members of the Committee shall elect a Chair from its membership. In the absence of the Committee Chair, members shall appoint an Acting Chair from its membership.
- F. A quorum shall be a simple majority of the voting membership. In the event of a lack of quorum:
 - i. the Board Chair may function as a voting member
 - ii. the Board Chair may vote in order to break a voting tie
- G. The Committee shall meet at least four times a year or at the Call of the Chair.
- H. Materials to be presented at the meeting for review or approval by the Committee shall be made available to members [in electronic or paper form] no later than 72 hours prior to each meeting.
- I. The Committee shall consider periodically performing self-assessments on the performance of the Committee and its members. The Committee shall report to the Board of Directors on the proceedings of each meeting and, on an annual basis, report on the performance of the Committee in the fulfilment of its duties under the mandate

			Page 3 of 6
<u>POLICY TITLE</u> TERMS OF REFERENCE Finance and Audit Committee		<u>NUMBER</u> TBA	
<u>AUTHORIZATION</u> Board of Directors Finance and Audit Committee	<u>DATE APPROVED</u> September 12, 2002	<u>CURRENT VERSION</u> <u>DATE</u> January 2015	

delegated to it by the Board of Directors including any proposed changes to the terms of reference.

- J. The external and internal auditors shall have a direct line of communication to the Committee. The external and internal auditors shall have the opportunity to meet with the Committee without Fraser Health Management present at each duly called meeting.

3. DUTIES AND RESPONSIBILITIES

- A. To review financial performance against the annual business plan.
- B. To review operating and capital budgets, to examine the allocation of funds as recommended by Management, to make recommendations to the Board in respect thereof and to ensure that allocation of funds comply with government guidelines.
- C. To review policies and practices related to banking, investment and acquisition of funds which includes borrowing, leasing and assessing financing instruments and to make recommendations to the Board in respect thereof.
- D. To advise on the format and extent of internal financial reporting to ensure that adequate and accurate financial information is made available on a timely basis to Board members to allow them to make appropriate decisions and to meet their fiduciary responsibilities to the Fraser Health Authority.
- E. To make recommendations to the Board on financial and other operational issues. These include accreditation, performance agreement compliance, legislation impacting financial matters and external audit reports.
- F. To undertake special assignments from the Board in matters related to financial policies or to make such inquiries or reports as the Board may request or as the Committee considers appropriate.
- G. To review the appropriateness of the accounting policies used in the preparation of financial statements and review significant changes [or proposed changes] in accounting principles that may affect the Fraser Health Authority.

			Page 4 of 6
<u>POLICY TITLE</u> TERMS OF REFERENCE Finance and Audit Committee		<u>NUMBER</u> TBA	
<u>AUTHORIZATION</u> Board of Directors Finance and Audit Committee	<u>DATE APPROVED</u> September 12, 2002	<u>CURRENT VERSION</u> <u>DATE</u> January 2015	

- H. To ensure the Boards' statutory responsibilities with regard to the Financial Information Act and other applicable legislation have been fulfilled.
- I. To ensure management maintains an adequate system of internal controls.
- J. To ensure management maintains a management information system which is adequate to meet business needs going forward and that adequate security and controls are in place.
- K. The Committee shall recommend the selection of external auditors and audit fee to the Board unless the Auditor General is appointed in accordance with the Auditor General Act as the auditor of the Authority.
- L. The external auditors shall report directly to the Finance and Audit Committee and the Committee shall have responsibility for overseeing the activities of the external auditors including resolution of disagreements between management and the external auditors that could affect the financial reporting or internal controls of the Fraser Health Authority.
- M. To review planned audit scope with the external auditor prior to the commencement of the audit engagement. This will include the external auditor's engagement letter, audit materiality, any particular concerns of the Committee, a review of accounting policies and the auditor's work on accounting systems and internal controls.
- N. To review the audited financial statements and the audit report.
- O. To review external auditor findings and comments on the financial statements with particular reference to recommendations made by the auditors for improving internal controls, accounting principles or management systems and Management's planned follow-up action.
- P. To assess significant areas of business risk to assets or operations and to review the Fraser Health Authority's policies and procedures for managing and mitigating risks and exposure to fraud.

			Page 5 of 6
<u>POLICY TITLE</u> TERMS OF REFERENCE Finance and Audit Committee		<u>NUMBER</u> TBA	
<u>AUTHORIZATION</u> Board of Directors Finance and Audit Committee	<u>DATE APPROVED</u> September 12, 2002	<u>CURRENT VERSION</u> <u>DATE</u> January 2015	

- Q. The Committee shall exercise an active oversight role with respect to the internal audit function including:
- To review and approve the Internal Audit Charter and any amendments thereof.
 - In collaboration with the Vancouver Coastal Health Authority and Providence Health Care the Committee shall review and approve the appointment of the Director, Internal Audit and be advised of any proposed changes to the Director's employment status including promotions or dismissals.
 - To review and approve Internal Audit plans and budgets to satisfy itself that Internal Audit's objectives and goals, staffing plans, financial budgets and audit schedules provide for adequate support of the Committee's goals and objectives.
 - To review and approve Internal Audit reports concerning the results of reviews of corporate control, financial reporting, corporate governance and other specific findings and recommendations of significant nature.
- R. To receive reports on the scope of any non-audit services to be provided to the Fraser Health Authority by the external auditor including the fees to be paid for such services. With regard to the engagement of external auditors for non-audit services, that all single contracts exceeding 25% of the total audit fee or cumulative contracts in an audit year exceeding 50% of the total audit fee, must be brought to the Finance and Audit Committee for approval.
- S. To review annually the Limits of Spending Authority Policy.
- T. To establish and monitor the external and internal auditors independence from Management of the Fraser Health Authority as required by appropriate auditing standards. This review will include:
- Rotation of partners

			Page 6 of 6
<u>POLICY TITLE</u> TERMS OF REFERENCE Finance and Audit Committee		<u>NUMBER</u> TBA	
<u>AUTHORIZATION</u> Board of Directors Finance and Audit Committee	<u>DATE APPROVED</u> September 12, 2002	<u>CURRENT VERSION</u> <u>DATE</u> January 2015	

- Review of the issues impacting the independence of the auditors
- Reappointment process for auditors
- Review of internal controls, tests and materiality

U. To ensure that appropriate procedures are in place for the handling of confidential and anonymous submissions made by employees of the Fraser Health Authority on concerns regarding questionable accounting, internal controls or auditing matters.

4. ACCOUNTABILITY

The Committee shall report its discussions to the Board by distributing the minutes of its meetings and, when appropriate, by oral and/or written report at the next Board meeting.

5. COMMITTEE WORKPLAN

The Committee will prepare and follow a work plan for the committee schedule of activities.