POLICY **TERMS OF REFERENCE** **Audit and Risk Committee**		Page 1 of 4
EXECUTIVE SPONSORSHIP Board of Directors	**INITIALLY RELEASED DATE** June 2026	**VERSION DATE** June 2026

PURPOSE

Primary responsibility for establishing and monitoring the risk universe profile and establishing acceptable risk tolerance levels to manage the internal and external audit, audited financial statements, internal controls and enterprise risk management of the Fraser Health Authority is vested in management and overseen by the Board of Directors of the Fraser Health Authority (the "Board")

The purpose of the Audit and Risk Committee is to assist the Board in fulfilling its responsibility relating to oversight of:

- internal and external audit processes, reports and recommendations;
    1. establish fulsome risk profile
    2. establish mechanisms to evaluate risks internally and externally
    3. review managements practices in risk mitigation
    4. delegate board acceptance risk parameters for everyday operations
    5. insure adherence to updated policies and procedures
    6. establish risk reporting

COMPOSITION & OPERATIONS

Members shall be financially literate (the ability to read and understand financial statements prepared in accordance with Canadian Public Sector Accounting Standards (PSAS)) with at least one member having a risk management, or strong governance skills set as shown in the board skills matrix.

The Committee shall be composed of no fewer than three Directors of the Board and not more than five Directors. The Board Chair is an ex-officio member with full voting privileges. Committee members shall be appointed annually by the Board of Directors.

Non-voting membership will include:

- President & Chief Executive Officer, ex-officio
- Chief Financial Officer and Vice President, Digital Enablement, ex-officio
- Executive Director, Internal Audit and Advisory Services, ex-officio
- Other members of the Executive, as appropriate (ad hoc based on agenda)
- Staff support

A quorum shall be a simple majority of the voting membership.

The Committee shall operate in a manner consistent with the Committee Guidelines of the Board Manual.

The Committee shall meet at least four times a year and hold as many additional meetings as are necessary to ensure there is a continuing, timely and effective oversight of audit and risks.

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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.

Fraser Health Authority's 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 Authority Management present at each duly called meeting.

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 delegated to it by the Board of Directors.

These terms of reference will be reviewed by the Board every two to three years.

DUTIES & RESPONSIBILITIES

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

A. Establishing the risk universe and ensure processes and controls are in place to manage risks and impacts that may affect the reputation, financial position, resources, or ability of Fraser Health to achieve its objectives;
B. Oversee assessment of significant areas of business risk, including fraud risk, and broaden policies and procedures for managing and mitigating those risks;
C. Ensure Committee members receive appropriate risk orientation and ongoing training to support risk literacy and effective priority setting and planning responsibilities;
D. Exercise oversight of external audits of financial statements, including:
    - Monitoring the performance, independence, and effectiveness of the external auditors, including review of partner rotation, reappointment processes, audit methodology, materiality, auditor independence, and resolution of any disagreements between management and the external auditors that could affect financial reporting or internal controls;
    - Considering the integrity of the risk reporting processes and controls, including significant financial risk exposures and the steps management has taken to monitor, control and report such exposures;
    - Recommending to the Board the appointment, reappointment, discharge, and audit fees of the external auditors, unless the Auditor General is appointed under the Auditor General Act;
    - Reviewing and approving the external auditors' audit plan, including audit scope, staffing, locations, materiality, reliance on management and internal audit, and overall audit approach;
    - Reviewing the audited annual financial statements, audit reports and related documents, including review of any significant accounting or financial reporting issues and management's responses, and direct follow up with external auditors where appropriate, prior to recommending Board approval, filing or distribution;
    - Reviewing external auditor findings, recommendations, and management's follow-up actions related to internal controls, accounting principles, management systems, and financial reporting; and

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- Reviewing reports on any non-audit services provided by the external auditors, including associated fees, and approving engagements exceeding the following fee thresholds: any single contract exceeding 25% of the total annual audit fee, or cumulative contracts in an audit year exceeding 50% of the total annual audit fee; and
- Reviewing, at least annually, any legal or regulatory matters that could significantly impact the financial statements or compliance obligations;

E. Exercise oversight of Internal Audit and Advisory Services, including:
- Setting and approving the Internal Audit Charter and any amendments, including ensuring that Internal Audit has adopted recognized internal audit standards such as the Institute of Internal Auditors (IIA) Standards;
- Reviewing the process used to develop the Internal Audit plan;
- Setting and approving the annual Internal Audit plan developed by Internal Audit and Advisory Services in consultation with management, including ensuring alignment with Fraser Health Authority's strategic priorities;
- Reviewing the status of audit activities and closures;
- Reviewing and approving the appointment, retention or replacement of the Executive Director, Internal Audit and Advisory Services, and being advised of any proposed changes to their employment status;
- Reviewing Internal Audit budgets, staffing, objectives, and schedules to ensure adequate support for the Committee's mandate, and providing feedback to management, where necessary;
- Ensuring appropriate procedures are in place for the handling of confidential and anonymous submissions regarding concerns of financial irregularities, fraud or theft allegations, internal controls or other auditing matters; and
- Reviewing Internal Audit reports related to corporate controls, financial reporting, governance, Whistleblower Protection Policy and *Public Interest Disclosure Act*, and other significant findings, recommendations and management responses;

F. Exercise oversight of the Enterprise Risk Management Program, including:
- In combination of management and board support, set priorities in alignment with the risk tolerance level
- Fraser Health Authority's Enterprise Risk Management Framework and related policies developed by management, including the processes to identify, assess and manage enterprise risks;
- Review Fraser Health Authority's risk appetite/risk tolerance statements once developed by the board, and provide feedback to management where necessary;
- Receiving and reviewing periodic reports through management's Risk Management Committee;
- Receiving and reviewing data from management for risks that meet the criteria for elevation to the Board;
- Overseeing the maturity of Enterprise Risk Management function at Fraser Health, using tools, as appropriate, which may include self-assessment performed by management, assessments performed by Internal Audit, third-party independent assessments and audits; and
- Communicating information related to the Board's perspective on emerging risks to management's Risk Management Committee via the CEO;

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G. Receive and review any reports submitted for information and respond to any requests from the Chief Financial Officer, Executive Director of Internal Audit and Advisory Services, or the Risk Management Committee for advice and input;
H. Provide recommendations to the Board where Board decisions are required or where the Audit and Risk Committee otherwise considers it desirable to make recommendations; and
I. Make decisions on behalf of the Board where the Board has delegated authority in writing to the Audit and Risk Committee to do so.

ACCOUNTABILITY

The Committee will report its discussions to the Board by distributing minutes of its meetings and providing an oral and/or written report at the next Board meeting.

Due to the nature of the Audit and Risk Committee's duties and responsibilities, meetings are typically held *in camera* in reliance on s.8(3) of the *Health Authorities Act*. Where applicable, the Committee's meeting agendas and minutes will document that the Committee is meeting *in camera*.

The responsibilities set forth in these Terms of Reference do not authorize or create an obligation of the 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.

COMMITTEE WORKPLAN

The Committee will prepare and follow an annual work plan for the Committee schedule of activities.

DATE(S) REVISED / REVIEWED SUMMARY

Version	Date	Comments / Changes
1.0	June 2026	Initial policy released
2.0		

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