

TERMS OF REFERENCE FOR THE AUDIT AND FINANCE COMMITTEE BRD 310

Purpose

The primary function of the Audit and Finance Committee (the “Committee”) is to advise the Board of Directors of Northern Health (the “Board”) in fulfilling its oversight responsibilities by reviewing financial planning and performance related to the operating and capital budgets, including:

- a. The provision of financial information to the Government and other stakeholders
- b. The systems of internal controls
- c. Compliance with legal and regulatory requirements related to financial planning and performance
- d. All audit processes conducted through the office of the Internal Auditor
- e. All other external financial audits
- f. Financial risk management
- g. Oversight of investment management activities

This Committee is not intended to act on behalf of the Board unless specific delegated authorities have been given to it.

Composition and Operations

The Committee shall be composed of not fewer than three directors and not more than five directors. (see Membership section for complete Committee membership details).

The Committee shall operate in a manner that is consistent with the General Guidelines for Committees (BRD 300).

All Committee members shall be both independent and “financially literate” and at least one member shall have “accounting or related financial expertise”¹.

¹ The Board has defined “financial literacy” as the ability to read and understand standard financial reporting. 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 GAAP.

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Northern Health's external auditor and the BC Office of the Auditor General (OAG) shall be advised of the names of the Committee members. The Committee shall meet with the external auditor and the OAG as it deems appropriate to consider any matter that the Committee, external auditor or the OAG determine should be brought to the attention of the Board.

Duties and Responsibilities

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

A. Financial Performance

The Committee shall:

1. Review and recommend for approval to the Board, the financial content of Northern Health's annual report and other significant reports required by government or regulatory authorities (to the extent such reports discuss the financial position or operating results) for consistency of disclosure with the financial statements themselves. While the Committee has the authority to determine which reports it shall review, the Committee is dependent on the integrity and professionalism of the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") to identify the reports that are "significant" and require Committee review
2. Review and approve Northern Health's annual "Statement of Financial Information (SOFI)" (also referred to as "Public Bodies Report")²
3. Review normal periodic financial information provided to the Board, including:
 - a. Periodic financial statements
 - b. Capital budget reports that provide information on both a project and expenditure basis
 - c. Annual audited financial statements
4. Request and review various other financial and operational information as needed to fulfil the Committee's oversight responsibilities.

² In accordance with BRD 300 as a delegated authority from the Board (Oct 19, 2010: Motion Public/10-18)

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5. Ensure that:
 - a. The Board receives timely, meaningful reports that keep it properly informed of Northern Health's financial situation and that provide the information needed for decision-making
 - b. All reports to the Board clearly display the financial results of each principal area of activity and include cash flow for the period 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 materially influence either revenue or expense components
6. Review and discuss:
 - a. The appropriateness of accounting policies and financial reporting practices used by Northern Health
 - b. Any significant proposed changes in financial reporting and accounting policies and practices to be adopted by Northern Health
 - c. Any new or pending developments in accounting and reporting standards that may affect Northern Health
7. Review any proposed changes to the position and duties of the CFO

B. Budget Development

The Committee will, with the assistance of the CFO, make an examination of the budget development process, including:

1. The methodology used to establish the operating budget such as revenue estimates, base assumptions for expense projections, financial risk factors, inflation allowances
2. Planned capital expenditure by category and the projections for expenditures justified by a priority scoring method endorsed by the Committee, including rate of return
3. Alignment/correlation of planned operating and capital budget decisions to the strategic direction of Northern Health

The Committee will review the planned management summary presentation to the Board to ensure that it will provide the Directors with a clear, concise picture of the financial implications of the operating plan and the associated financial risks.

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C. Financial Risk Management, Internal Control and Information Systems

The Committee will review and obtain reasonable assurance that financial risk management, internal control and information systems are operating effectively to produce accurate, appropriate and timely financial information.

This includes:

1. Reviewing Northern Health's financial risk management controls and processes relating to financial planning and performance
2. Reviewing management steps to implement and maintain appropriate internal control procedures
3. Obtaining reasonable assurance that the information systems are reliable and the systems of internal controls are properly designed and effectively implemented through discussions with and reports from management, the internal auditor and the external auditor
4. Reviewing the adequacy of security of information, information systems and recovery plans and annually receiving affirmation of security and integrity
5. Monitoring compliance with statutory and regulatory obligations relating to financial planning and performance including direction from the Provincial Government.

Level of Spending Authority

The Committee shall:

6. Develop with management a comprehensive statement of authorities for operating and capital expenditures, in compliance with Northern Health's executive limitations policy, and present these authorities to the Board for approval
7. Monitor compliance with the approved signing authority policy³ through the internal audit process and recommend to the Board any changes which may be necessary from time to time

³ Policy 4-4-2-030-P: Finance>Accounts Payable>Signing Authority

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D. Internal Audit

The Committee will oversee Northern Health's internal audit function and the internal audit relationship with the external auditor and with management.

This includes:

1. Reviewing the objectivity and independence of the internal auditor
2. Reviewing goals, resources and work plans
3. Reviewing any restrictions or issues
4. Reviewing significant recommendations and management responses
5. Meeting periodically, and at least twice per year, with the Executive Director of Internal Audit Services without management present
6. Reviewing proposed changes in the internal audit function.

E. External Audit

The Committee will review the planning and results of audit activities and the ongoing relationship with the auditor.

This includes:

1. Assessing the performance of, and recommending to the Board for approval, engagement of the auditor
2. Reviewing the annual audit plan, including but not limited to the following:
 - a. engagement letter
 - b. objectives and scope of the external audit work
 - c. materiality limit
 - d. areas of audit risk
 - e. staffing
 - f. timetable
 - g. proposed fees
3. Meeting with the external auditor to discuss Northern Health's annual financial statements and the auditor's report including the appropriateness of accounting policies and underlying estimates
4. Reviewing and advising the Board with respect to the planning, conduct and reporting of the annual audit, including but not limited to:

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- a. Any difficulties encountered, or restrictions imposed by management, during the annual audit
 - b. Any significant accounting or financial reporting issue
 - c. The auditor's review of Northern 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 auditor brings to the Committee's attention
5. Reviewing any disagreements between management and the auditor regarding financial reporting
 6. Reviewing and receiving assurances on the independence of the auditor
 7. Reviewing the internal audit services and non-audit services to be provided by the auditor's firm or its affiliates (including estimated fees), and consider the impact on the independence of the audit
 8. Meeting periodically, and at least annually, with the auditor without management present

F. Banking and Investment Management Activity

The Committee shall:

1. Annually review Banking and Investment policy⁴ and recommend any needed revisions to the Board.
2. At minimum, annually receive report of all bank accounts, including their purposes and signing officers.
3. At minimum, annually receive report on Northern Health's investment holdings (including Central Deposit Program.)

G. Other

The Committee shall:

⁴ Policy 4-4-6-040: Finance>General Accounting>Banking and Investment

1. Review annually a Business Development report detailing progress on goals and objectives set out for the prior and current fiscal years
2. Review annually insurance coverage of significant risks and uncertainties
3. Review annually material litigation and its impact on financial reporting
4. Institute and oversee special examinations or investigations, as needed
5. Receive reports regarding Ministry of Health funding models, as needed
6. Review annually the Committee work plan and the Committee terms of reference as part of the regular Board Policy Review cycle
7. Confirm annually that all responsibilities outlined in the work plan attached to these terms of reference have been carried out

Accountability

The Committee is accountable to the Board and will maintain minutes of its meetings and will bring forward advice and recommendations for Board deliberation and decision-making at the next Board meeting.

Membership

- Committee Chair (Board member)
- Minimum two additional Board members (to a maximum of four)

Ex Officio:

- Northern Health Board Chair (voting)
- President and Chief Executive Officer (non-voting)

Executive and Management Support:

- Vice President, Financial & Corporate Services/Chief Financial Officer
- Executive Director, Internal Audit Services
- Executive Director, Capital Planning, Facilities Operations & Logistics and Support Services
- Corporate Secretary

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Recording Secretary:

- Executive Assistant to Vice President, Financial & Corporate Services/Chief Financial Officer

Ad Hoc:

Presenters to the Committee will be called upon from time to time, at the request of the Committee Chair, including:

- Vice President, Digital Health & Chief Information Officer
- Regional Director, Business Development
- Executive Director, Finance & Controller
- Executive Director, Financial Planning & Budgeting

COMMITTEE WORK PLAN

The Recording Secretary shall maintain the Committee's annual work plan and will:

1. Ensure that changes to the Committee's terms of reference are reflected in the work plan, and
2. Annually provide to the Committee a report that:
 - a. Reconciles the Committee's Terms of Reference to the Committee's work plan for the upcoming year
 - b. Reconciles the Committee's work plan to actual performance in the previous year, noting any exceptions and providing an explanation for these.

Committee reviews and approves the work plan for the upcoming year.

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