Erie St. Clair Local Health Integration Network

Finance and Audit Committee

Terms of Reference

Guidelines

The Finance and Audit Committee shall operate in a manner consistent with the regulations as provided by the Local Health System Integration Act (reg. 417/06).

Mandate

The Finance and Audit Committee shall act on behalf of the Board of Directors in overseeing all material aspects of financial and risk management reporting, internal controls, performance, reports, and the annual audit of the financial statements.

Core Responsibilities

The Finance and Audit Committee shall exercise oversight in:

1. **Budgets & Financial Reporting**

   Includes:

   A. Oversight in the selection of accounting policies used in the preparation of the financial statements and consideration of all relevant alternatives;

   B. Review and recommend to the Board of Directors the annual operating plan and budget;

   C. Monitor interim financial statements against budgeted amounts and review explanations from management for significant variances;

   D. Review financial reports prepared for government agencies;

   E. Review other financial information such as the consistency of financial information in the annual report with the financial statements;

   F. Annually review and recommend changes to, if applicable, the Board of Director's policy relative to the Delegation of Authority to the Chief Executive Officer;

   G. Maintain an effective communications policy with the Board of Directors, including disclosure of the Finance and Audit Committee's mandate;

   H. Review significant new accounting and reporting issues;

   I. Review the process for managing the LHIN's financial resources and associated risk, including the LHIN's risk monitoring and mitigation processes;

   J. Recommend cash advances for Health Service Providers as required;

K. Receive reports related to the receipt and allocation of funds under the CEO delegation of financial authority

L. Other matters as may be required by the Board of Directors.

2. Risk Management

Includes:

A. Review the LHIN's quarterly reports including the enterprise risk report and the mitigating strategies;

B. Consider the potential for risk of fraud and error in the LHIN, including the risk of management's override of controls, and management's response to these risks;

C. Review the adequacy of systems of internal controls and risk management;

D. Review the LHIN's insurance coverage, including Director's liability, facility, and assets insurance;

E. Review banking arrangements with management;

F. Review with management health care developments and legislative changes that may have an impact on financial resources or performance and report to the Board of Directors.

Key Audit-Related Roles

The Finance and Audit Committee will have the responsibility to perform the statutory requirements of the Audit Committee as referred to in the *LHSIA 2006* and the related regulations.

3. Audit-Related Activities

Includes:

A. Recommend to the Board of Directors the approval of the audited financial statements;

B. Pre-approve all audit and non-audit services to be performed by the external and internal auditors, including:

- The auditor's annual engagement letter;
- Objectives and scope of the audit work;
- Materiality limits;
- Areas of audit risk;
- Staffing, timetable and proposed fees.

C. Review all auditor's independence reports;

D. Review the following with the auditor(s):

- the annual financial statements and related note disclosures
- the results of the audit including, if any:

- o difficulties or disputes with LHIN management;
- o significant changes in the audit plan;
- o significant changes in accounting policies;
- o management estimates that required significant judgment;
- o internal control weaknesses and steps taken to overcome them.

E. Monitor the adequacy and timely implementation of actions taken by management in response to audit recommendations;

F. Recommend to the Board of Directors the appointment of the external auditors, and their remuneration.

Additional Duties

- Review Board Chair and Member's expenses and per diems on a quarterly basis;
- Conduct Committee education sessions as required;
- Review and Approve Committee Terms of Reference;
- Develop annual work plan;
- Conduct Committee self-evaluation and report findings to Board.

Membership

The Finance and Audit Committee will be comprised of:

A. Up to 4 Directors selected and re-appointed by the Board of Directors annually and up to 2 non-Board members. Selection criteria should embrace experience in accounting and financial management. The Chairperson of the Committee shall be appointed by the Board of Directors and will be one of the Directors. There must be a majority of Board members vs. non-Board members at all time;

B. Chair of the Board of Directors, ex-officio – non-voting;

C. Chief Executive Officer, ex-officio – non-voting;

D. Director, Corporate Services and Controller, ex-officio – non-voting;

E. The Committee Chair shall approve the agenda of the meetings in line with the Finance and Audit Committee's mandate;

F. **Quorum –** More than fifty percent of the current voting membership is required to constitute a quorum;

G. **Term of Office –** Based on Board Approved Appointments

H. **Frequency of Meetings -** The Finance and Audit Committee will meet a minimum of four times per year or at the call of the Committee Chair as necessary. Minutes of each meeting will be prepared and circulated to the Board of Directors.

I. **Communication** – The Committee should:

i. Report to and be accountable to the Board of Directors;
ii. Have open communication with management, other committees and advisors
iii. Insist on open discussions with management about issues of quality and integrity.

The Finance and Audit Committee Shall:

A. Review and update its mandate on a regular basis;

B. Conduct or authorize investigations into matters within the Committee's scope of responsibilities, including retaining independent professionals as required;

C. Obtain management's confirmation that all statutory filings and requirements have been met; and

D. Perform other duties delegated to it by the Board of Directors such as review of senior management's expense reports, meeting with representatives of governmental funding agencies, reviewing correspondence with such agencies.

Finance and Audit Committee Performance

The performance and effectiveness of the Finance and Audit Committee and its individual members shall be assessed as part of the Board's evaluation process. The activities of the Finance and Audit Committee shall be assessed in relation to its mandate. In this way the Finance and Audit Committee will be continually improving and updating its mandate to meet current issues of the Erie St. Clair LHIN and the environment in which it operates.

Amendment

These terms of reference are approved by and may be amended by the Board of Directors.

Drafted: November 27, 2012
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