

Terms of Reference for the Audit Committee

1. Introduction

1.1. Purpose

- 1.1.1. The primary responsibility for external audit, audited financial statements, and internal controls of the Provincial Health Services Authority and its related members (the “Authority”) is vested in management and is overseen by the Board of Directors (the “Board”).
- 1.1.2. The purpose of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities related to:
 - i) external audit and the audited financial statements;
 - ii) the systems of internal controls;
 - iii) internal audit processes and services; and
 - iv) the Safe Reporting Office and policy.

2. Composition and Operations

- 2.1. The Audit Committee shall be composed of no fewer than three directors. The Chair of the Finance and Operations Committee and at least one other member of the Finance and Operations Committee shall be appointed as members of the Audit Committee. Members of the Audit Committee shall not be officers or employees of the Authority or any of its affiliates.
- 2.2. The Audit Committee shall operate in a manner that is consistent with the Committee Guidelines¹.
- 2.3. Audit Committee members shall be “financially literate”² and at least one member shall have “accounting or related financial expertise”.
- 2.4. The Audit Committee shall meet at least three times each year.

3. Duties and Responsibilities

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

¹ The Committee Guidelines are part of the Board Reference Manual / Policies / Committee Guidelines.

² The Board has defined “financial literacy” as the ability to read and understand financial statements prepared in accordance with Canadian PSAS. 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 PSAS.

duties.

3.1 Audited Financial Statements

3.1.1. The Audit Committee will review and advise the Board on:

- i) the annual audited financial statements;
- ii) the appropriateness of accounting policies and financial reporting practices;
- iii) significant proposed changes in financial reporting and accounting policies and practices;
- iv) new or pending relevant developments in accounting and reporting standards;
- v) significant estimates made in the audited financial statements; and
- vi) compliance with the *Budget Transparency and Accountability Act* and the Canadian Public Sector Accounting Standards (PSAS).

3.2 External Audit

3.2.1 The external auditor is accountable to the Board through the Audit Committee. The Audit Committee will liaise with the external auditor and advise the Board in respect of the appointment, independence, planning, conduct and results of external audit activities. This includes:

- i) invite the external auditor to attend meetings of the Audit Committee, and to be heard at those meetings on matters relating to the external audit:
 - a) at the request of the Audit Committee Chair or any two members of the Audit Committee;
 - b) at the request of the external auditor; and
 - c) periodically, and at least annually, without management present.
- ii) review the appointment and independence of the external auditor, including:
 - a) assess performance and recommend to the Board, for approval, the engagement or reappointment of the external auditor;
 - b) receive assurances on the independence of the external auditor; and
 - c) in respect of its responsibility for the approval of non-audit services to be provided by the auditor as set out in the Auditor Independence Policy, advise the Board annually of any such approved non-audit services.
- iii) review the plans and conduct of the annual external audit, including but not limited to:

- a) the audit plan:
 - engagement letter;
 - procedures to review internal controls and management estimates;
 - materiality limit;
 - areas of financial risk identified by the auditor;
 - staffing;
 - timetable;
 - proposed fees; and
- b) any difficulties encountered, or restriction imposed by management, during the annual audit;
- iv) review the external audit results, reporting and the annual financial statements, including:
 - a) by discussion with the external auditor, the annual financial statements and the external auditor's report including the appropriateness of accounting policies and underlying estimates;
 - b) any significant accounting or financial reporting issues;
 - c) the evaluation of the system of internal controls, procedures and documentation;
 - d) the post-audit management letter containing any findings or recommendations on internal control, including management's response thereto and the subsequent follow-up to any significant identified internal control weaknesses; and
 - e) any other matters the external auditor brings to the Audit Committee's attention.
- v) review the annual A-133 external audit results and reporting, including:
 - a) by discussion with the external A-133 auditor, the external auditor's findings including management's response thereto and the subsequent follow-up of compliance findings, for reporting to the U.S. Government funding bodies; and
 - b) any other matters the external A-133 auditor brings to the Audit Committee's attention.

3.3 Internal Audit

- 3.3.1 Internal Audit is accountable to the Board through the Audit Committee and the Chief Executive Officer. The Audit Committee will be the primary liaison with Internal Audit

regarding all matters governed by the Audit Committee's Terms of Reference and the Internal Audit Charter.

3.3.2 The Audit Committee will advise the Board in respect of the Authority's Internal Audit function and the Internal Audit relationship with management.

3.3.3 The Audit Committee will:

- i) review the activities, resources and organization structure of the internal audit function and ensure no unjustified restrictions or limitations are made;
- ii) participate with the Chief Executive Officer in the appointment, promotion or dismissal of the Executive Director, Internal Audit;
- iii) participate in the annual performance and compensation review of the Executive Director, Internal Audit;
- iv) review the effectiveness and independence of the internal audit function;
- v) meet separately with the Executive Director, Internal Audit to discuss any matters the Committee or the Executive Director believes should be discussed privately;
- vi) ensure internal audit's significant findings and recommendations are received, discussed and appropriately acted on by management;
- vii) review and approve the scope and proposed annual internal audit plan, resourcing plan and financial budget to ensure that they adequately address key areas of risk and that there is appropriate coordination with the Committee;
- viii) annually review the Internal Audit Charter and approve any material amendments, as required; and
- ix) review periodic reports from internal audit addressing:
 - a) progress on the Internal Audit Plan, including any significant changes to it;
 - b) assurances from management and the Executive Director, Internal Audit as necessary, and the review of the system of internal control to ensure it is properly designed, implemented and maintained to provide reasonable assurance regarding the achievement of objectives in effectiveness and efficiency of operations and accurate, appropriate and timely financial and management reporting;
 - c) significant internal audit findings, including issues as to the adequacy of internal controls and any procedures implemented in light of significant control deficiencies;
 - d) confidential complaints received under the Safe Reporting policy (with anonymity retained) including the number of complaints, nature of complaints and the process for resolution; and
 - e) any other matters Internal Audit brings to the Audit Committee's attention.

3.4 Internal Controls

- 3.4.1 The Audit Committee will advise the Board in respect of internal controls as they pertain to the mandate of the Audit Committee.
- 3.4.2 The Audit Committee will review and provide oversight on PHSA's internal control framework and keep informed on all significant matters arising from work performed by any governance, risk, and control assurance providers.
- 3.4.3 To obtain reasonable assurance with respect to PHSA's management control framework, the Audit Committee shall:
 - i) Review and provide advice on internal control arrangements both within programs and operational units and more broadly across PHSA, including internal controls to prevent and detect fraud.
 - ii) Receive reports on all matters of significance arising from work performed by others who provide financial and internal control assurance to senior management and the Board.
- 3.4.4 To obtain reasonable assurance that management has acted on the observations and recommendations from internal and external audit and other assurance providers, the Audit Committee shall review regular reports on the progress of implementing approved management action plans and audit recommendations resulting from completed audits.

3.5 Other

- 3.5.1 The Audit Committee has the authority to engage independent counsel and other advisors, with prior approval from the Board Chair.
- 3.5.2 The Audit Committee will review and advise the Board in respect of:
 - i) the impact of material litigation and fraud on financial reporting;
 - ii) the terms of reference for the Audit Committee; and
 - iii) the appointment and changes to the role of the Chief Financial Officer and VP Finance, in conjunction with the Finance and Operations Committee.
- 3.5.3 In conjunction with the Finance and Operations Committee Chair, the Audit Committee Chair will review and advise the Board on the annual Financial Information Act reporting.
- 3.5.4 The Audit Committee will exercise oversight of policies within the Committee's

mandate, including the following policies and policy areas:

- i) Safe Reporting Policy
- ii) Auditor Independence Policy

4. Accountability

- 4.1. The Audit Committee Chair has the responsibility to make periodic reports to the Board, as requested, on audit matters relevant to the Authority.
- 4.2. The Audit Committee shall report its discussions to the Board by maintaining minutes of its meetings and providing an oral report at the next Board meeting.
- 4.3. The Audit Committee will work closely with the Finance and Operations Committee and will advise the Finance and Operations Committee in respect of any matters that might impact the work of the Finance and Operations Committee, particularly concerning financial reporting, fraud and the oversight of risk and compliance management.

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	9.0	19-OCT-2016	
	10.0	27-APR-2017	
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	13.0	06-Feb-2020	Update timing of an activity in Appendix A.
	14.0	29-APR-2021	<ul style="list-style-type: none"> • Update for changes in executive and senior management titles; • Deleted Appendix A: Audit Committee Timetable.
	15.0	25-NOV-2021	<ul style="list-style-type: none"> • Move operational responsibilities of the Committee to Finance and Operations Committee for better alignment.
	16.0	24-FEB-2022	<ul style="list-style-type: none"> • Various updates to Section 3.3, 3.4, and 3.5 for greater clarity of Committee responsibilities.
	17.0	23-JUN-2022	<ul style="list-style-type: none"> • Clarify the Committee's responsibilities in relation to fraud.