

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) internal audit processes and services;
 - iii) the Safe Reporting Office and policy; and
 - iv) integrated risk management (including fraud risk management) and the related systems of internal controls, with the exception of risks relating to patient care and access risks which are monitored in accordance with the PHSA Quality and Safety framework, and risks relating to the legal, ethical and academic review requirements and standards which are monitored by the Research Committee.

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 Public Sector Accounting Standards (“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 Planning Report, including audit strategy, materiality, significant risks, areas of focus and fraud risk;
 - 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 risks and the related 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 Uniform Guidance Single Audit external audit results and reporting, including:
 - a) by discussion with the external 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 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 Policy.

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 Policy and recommend to the Board the approval of 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, related to reviews of the system of internal control to ensure it is properly designed, implemented and maintained to provide reasonable assurance regarding the achievement of objectives and the appropriate management of risk;
 - 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 Risks and Internal Controls

- 3.4.1 The Audit Committee will advise the Board in respect of internal controls as they pertain to the risks assigned to the oversight of the Audit Committee.
- 3.4.2 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 addressing recommendations resulting from completed audits and reviews.

3.5 Integrated Risk Management

- 3.5.1 The Audit Committee will advise the Board in respect of all risks identified in the PHSA Risk Register and will:
- i) receive and review the Annual Integrated Risk Management Report from the Executive Director of Risk Management, PHSA; and
 - ii) review, as necessary, the PHSA Risk Register to ensure that management identifies the risks to the Authority and that these risks are appropriately managed.
- 3.5.2 The Audit Committee will review and obtain reasonable assurance that the Integrated Risk Management processes are operating effectively to identify and appropriately manage risks of PHSA. This includes:
- i) Annually:
 - a) review and approve the Integrated Risk Management framework for PHSA, including risk appetite statements, that confirms that appropriate processes are in place to identify, assess and report on PHSA's risk management framework and identify, assess and report on strategic risks, including actions being taken to address and/or mitigate these risks.
 - b) review with management the guidelines and policies with respect to risk assessment and integrated risk management, including the processes management uses to assess and manage such risks;
 - c) review with management the adequacy and effectiveness of PHSA's system to monitor and manage risk;
 - d) review with management PHSA's strategy and approach to management of IT-related risks, including cybersecurity and any specific cybersecurity incidents;
 - e) confirm that material risks are being delegated to and addressed by the appropriate committee(s) of the Board and collect information from these

committees to be able to provide comprehensive reporting to the Board at least annually; and

- f) at least once a year, meet privately with the Executive Director, Risk Management to confirm that the function is objective and free of conflicts, has the capacity and capabilities to perform the work plans, and sufficient organizational authority to facilitate the provision of complete, accurate and timely reports to the Committee.

- ii) Quarterly:

- a) receive quarterly updates from management on the top corporate risks and any changes in the risks or their relative ranking; and obtain reasonable assurance that the risk management systems are reliable and secure.

3.5.3 The Audit Committee will advise the Board in respect of Fraud Risk Management across PHSA and will:

- i) review and approve risk tolerance levels for fraud risks across PHSA;
- ii) receive from the Chief Legal Officer quarterly aggregate summary reports on all reports received and investigations undertaken by PHSA management;
- iii) request detailed reports related to specific fraud, theft or corruption incidents or investigations as it sees fit; and
- iv) support the continuous efforts for Ransomware preparedness.

3.6 Compliance

3.6.1 The Audit Committee will review and advise the Board of the impact of any significant non-clinical statutory, legislative, regulatory and contractual non-compliance issues and will:

- i) receive regular reports from management on the top compliance risks, changes in the risks or their relative ranking, changes in significant legal, regulatory or contractual requirements; and
- ii) obtain reasonable assurance that the compliance management systems are reliable and secure.

3.6.2 The Audit Committee will review and provide oversight on the establishment, implementation, maintenance, and effectiveness of compliance risk assessment, compliance risk management, and compliance reporting practices.

3.6.3 To obtain reasonable assurance with respect to PHSA's compliance risk management arrangements, the Audit Committee shall:

- i) provide oversight on significant compliance risk exposures and control issues, and other matters needed or requested by senior management and the Board;
- ii) review and provide advice on the compliance risk management arrangements established and maintained by management and the procedures in place to ensure that they are operating as intended;
- iii) annually review PHSA's corporate compliance risk profile; and
- iv) obtain from the Chief Legal Officer an annual report on management's implementation and maintenance of an appropriate compliance risk framework.

3.7 Other

- 3.7.1 The Audit Committee has the authority to engage independent counsel and other advisors, with prior approval from the Board Chair.
- 3.7.2 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, in conjunction with the Finance and Operations Committee.
- 3.7.3 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.
- 3.7.4 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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| | 2.0 | 11-DEC-2008 | |
| | 3.0 | 09-DEC-2010 | |
| | 4.0 | 22-JUN-2011 | |
| | 5.0 | 21-FEB-2013 | |
| | 6.0 | 24-OCT-2013 | |
| | 7.0 | 23-OCT-2014 | |
| | 8.0 | 03-DEC-2015 | |
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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. |
| | 18.0 | 29-FEB-2024 | <ul style="list-style-type: none"> • Move responsibilities related to Integrated Risk Management and Compliance from Finance and Operations Committee to Audit Committee. |
| | 19.0 | 20-FEB-2025 | <ul style="list-style-type: none"> • Updates to internal controls sections/wording to link to risks. • Delete 3.5.3 (v) • Minor changes through-out to update references, titles, reports, and sentence structure. |