

# Terms of Reference for the Finance and Operations Committee

## 1. Introduction

### 1.1. Purpose

Primary responsibility for the financial planning, reporting, investment management, risk management and information systems of the Provincial Health Services Authority and its related members (the “Authority”) is vested in management and overseen by the Board of Directors (the “Board”).

The purpose of the Finance and Operations Committee is to assist the Board in fulfilling its oversight responsibilities related to:

- i) financial information, other than the audited financial statements, that will be provided to the Government and other stakeholders;
- ii) strategic financial plans and the annual operating and capital budgets;
- iii) strategic Information Management and Information Technology (IMIT) plans, including the security of information, information systems and recovery plans; and
- iv) integrated risk management (including fraud risk management), 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 Finance and Operations Committee shall be composed of no fewer than three directors, none of whom shall be officers or employees of the Authority or any of its affiliates.
- 2.2. The Finance and Operations Committee shall operate in a manner that is consistent with the Committee Guidelines<sup>1</sup>.
- 2.3. Finance and Operations Committee members shall be “financially literate”<sup>2</sup> and at least one member shall have “accounting or related financial expertise”.
- 2.4. The Finance and Operations Committee shall meet at least four times each year.

## 3. Duties and Responsibilities

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

<sup>2</sup> 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

Subject to the powers and duties of the Board, the Finance and Operations Committee will perform the following duties.

### **3.1 Financial Reporting**

3.1.1. The Finance and Operations Committee will:

- i) review internal periodic financial statements and other internal financial information provided to the Board.
- ii) ensure that the Board receives:
  - a) timely, meaningful financial reports for information and decision-making;
  - b) financial reports that clearly display the financial results of each principal area of activity, if appropriate; and
  - c) periodic up-to-date forecasts of year-end financial results that reflect events to date and known factors that may influence either revenue or expense components.
- iii) review and advise the Board on financial information forwarded to the Government or made publicly available that requires Board approval, other than the audited financial statements, including:
  - a) the financial content of the annual report and significant financial reports required by the Government or regulatory authorities; and
  - b) management reports that accompany published financial statements (to the extent such reports discuss the financial position or operating results) for consistency of disclosure with the published financial statements.

3.1.2. The following duties with respect to external financial reporting are delegated to the Chair of the Finance and Operations Committee:

- i) review and approve the quarterly financial forecast reported to the Ministry of Health prior to submission; and
- ii) in conjunction with the Chair of the Audit Committee, review and advise the Board on the annual Financial Information Act reporting.

### **3.2 Financial Planning**

3.2.1 The Finance and Operations Committee will review and advise the Board in respect of:

- i) financial plans forwarded to the Board, the Government or made publicly available, including:
  - a) strategic financial plans;

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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.

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- b) annual operating and capital budgets; and
- c) other significant financial reports.
- ii) the appropriateness and validity of any fundamental assumptions and estimates used in the preparation of such financial plans;
- iii) the consistency of the financial plans with other financial data; and
- iv) strategic financial plans involving major capital or revenue generation initiatives.

### **3.3 Information Management and Information Technology (IMIT)**

3.3.1 The Finance and Operations Committee will review and advise the Board in respect of:

- i) plans forwarded to the Board, the Government or made publicly available, including:
  - a) strategic IMIT plans;
  - b) cybersecurity plans; and
  - c) other significant IMIT reports.
- ii) Security of information, information systems and recovery plans, including an annual report on information system risk.

### **3.4 Integrated Risk Management**

3.4.1 The Finance and Operations 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.

3.4.2 The Finance and Operations 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 and risk tolerance levels, 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 material 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.

**3.4.3** The Finance and Operations 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;  
  
be immediately advised when there is an elevation in financial fraud risk through the Board Chair and/or the Committee Chair.
- iii) request and receive detailed reports related to specific fraud, theft or corruption incidents or investigations as it sees fit;
- iv) support the continuous efforts for Ransomware preparedness;
- v) review and evaluate exceptions to the Fraud, Theft & Corruption Policy in collaboration with the Chief Executive Officer;
- vi) review the Fraud, Theft & Corruption Policy annually, along with management's Policy implementation plans;

### **3.5 Compliance**

- 3.5.1 The Finance and Operations 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 its relative ranking, changes in significant legal, regulatory or contractual requirements; and
  - ii) obtain reasonable assurance that the compliance management systems are reliable and secure.
- 3.5.2 The Finance and Operations Committee will review and provide oversight on the establishment, implementation, maintenance, and effectiveness of compliance risk assessment, compliance risk management, and compliance reporting practices.
- 3.5.3 To obtain reasonable assurance with respect to PHSA's compliance risk management arrangements, the Finance and Operations 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.

### **3.6 Other**

- 3.6.1 The Finance and Operations Committee will review and advise the Board in respect of:
- i) the terms of reference for the Finance and Operations Committee;
  - ii) the appointment and changes to the role of the Chief Financial Officer and VP Finance, in conjunction with the Audit Committee;
  - iii) the annual review of the Board approved policies delegated to the Finance and Operations Committee under the Board Policy Framework, and the responsibilities assigned to the Finance and Operations Committee under those policies; and
  - iv) financial transactions with any perceived or actual contravention of government laws, regulations, policies and guidelines as brought to their attention by management or other parties.

## **4. Accountability**

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- 4.1. The Finance and Operations Committee Chair has the responsibility to make periodic reports to the Board, as requested, on financial matters relevant to the Authority.
- 4.2. The Finance and Operations 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 Finance and Operations Committee will work closely with the Audit Committee and will advise the Audit Committee in respect of any matters that might impact the work of the Audit Committee concerning the audited financial statements, fraud or other assurance activities.

<b>Effective Date:</b>	23-JUN-2022		
<b>First Released:</b>	15-DEC-2005		
<b>Last Revised:</b>	23-JUN-2022		
<b>Last Reviewed:</b>	23-JUN-2022		
<b>Last Approved:</b>	23-JUN-2022		
<b>Approved By:</b>	PHSA Board of Directors		
<b>Owner:</b>	PHSA Finance		
<b>Revision History:</b> <i>(optional)</i>	<b>Version</b>	<b>Date</b>	<b>Description/ Key Changes</b>
	2.0	06-DEC-2006	
	3.0	13-DEC-2007	
	4.0	22-JUN-2011	
	5.0	24-OCT-2013	
	6.0	23-OCT-2014	
	7.0	03-DEC-2015	
	8.0	27-APR-2017	
	9.0	22-FEB-2018	
	10.0	14-FEB-2019	
	11.0	29-APR-2021	<ul style="list-style-type: none"> <li>• Added Section 1.1(iii) and Section 3.3 to include responsibilities related to IMIT plans.</li> <li>• Update for changes in title from CFO to VP Finance.</li> <li>• Deleted Appendix A: Finance Committee Timetable.</li> </ul>

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	12.0	25-NOV-2021	<ul style="list-style-type: none"> <li>Move operational responsibilities from Audit Committee to Finance and Operations Committee for better alignment.</li> </ul>
	13.0	24-FEB-2022	<ul style="list-style-type: none"> <li>Expand on the Committee's responsibilities in relation to Integrated Risk Management and Compliance Risk Management.</li> </ul>
	14.0	23-JUN-2022	<ul style="list-style-type: none"> <li>Provide clarification on the Committee's responsibilities in relation to Fraud Risk Management</li> </ul>

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