



TERMS OF REFERENCE

FINANCE AND AUDIT COMMITTEE

Purpose

- To review the adequacy and effectiveness of:
 - the operating and capital planning processes
 - the presentation and integrity of the Hospital's financial statements, including applicable accounting and financial reporting principles and policies; and,
 - processes and structures for managing risk, including internal controls and procedures designed to ensure compliance with accounting standards and applicable laws and regulations
- To monitor financial performance against plans, and,
- To oversee the qualifications, independence and performance of the external auditors.
- Responsible on behalf of the Board of directors (the "Board") for oversight of financial matters and the annual external audit.

Responsibilities Budget Planning and Oversight

- Ensure that there are processes in place for the development of an annual operating budget and capital budget.
- Review and recommend to the Board financial assumptions used to develop the operating budget, capital budget, and strategic plan.
- Review on a routine basis financial performance and compare actual performance against budget including year-end projections.
- Review and recommend to the Board the Corporation's investment policy.
- Oversee investment performance for compliance with the investment policy
- Oversee compliance with accounting and financial, legal, public disclosure, and regulatory requirements.
- Approval material changes to accounting principles and practices as suggested by management with the concurrence of the external auditor.
- Perform such other duties as may be requested by the Board from time to time.

Financial Reporting

- Review the annual financial statements of the Hospital and:
 - approve the draft statements for delivery by management to the auditors
 - recommend the audited statements for approval by the Board.
- Review with management and the external auditor significant accounting principles and disclosure issues, including complex or unusual transactions, judgmental areas (such as reserves or estimates), significant changes to accounting principles and alternative treatments.

- Review interim financial performance, including the financial statements, key financial indicators, the quarterly financial forecast, and management's discussion and analysis of the quarterly financial information, including comparisons to prior years and to budget.

Human Resources

- Recommend and periodically review policies to provide a framework for the recruitment, retention, health and safety of physicians, employees and volunteers.
- Review and monitor human resource cost driver performance indicators (i.e. overtime, sick time, employee turnover rates) on a quarterly basis

Technology Investments

- Review and recommend to the Board actions to be taken to ensure a strong Clinical Information System is in place at the Hospital
- Review and monitor the implementation (including costs) of advancements in information technology

Risk Management and Control

- Oversee, review, and make recommendations to the Board on management's risk management process
- Review and make recommendations on the adequacy of financial resources.
- On a quarterly basis, receive and review reports on high-risk areas and mitigating strategies relevant to financial and resource management of the Hospital.
- Identify unusual risks and oversee management's plan to address unusual or unanticipated risks including but not limited to cybersecurity and AI (artificial intelligence) and make recommendations to the Board.
- Ensure, through periodic review and understanding of the risks of fraud and error in the Hospital, that the internal policies, procedures and practices pertaining to financial matters and risk are adequate for the safeguarding of the Hospital's assets, the mitigation of risk and for the regular reporting of its financial position and performance.
- Review with the external auditors any internal control weaknesses identified and determine whether effective steps have been taken to overcome them.
- Review, evaluate and recommend to the Board any changes required for the Hospital's insurance policies.
- Obtain management's confirmation that all statutory filings and requirements have been met.

Audit Activities

- Recommend to the Board the appointment or re-appointment of the Hospital's external auditors and the annual audit fee;
- Review the overall scope of the external audit, including the audit plan, external auditor independence, audit materiality and areas of identified risk.
- Review audit findings and their disposition by management and report thereon to the Board.
- Pre-approve all audit and non-audit services to be performed by the external auditor, including the approval of the auditor's annual engagement letter.
- Oversee the performance of the external audit as required, including ensuring the external auditor is receiving the assistance of management.

- Meet with the external auditor and receive and review recommendations with respect to management, accounting systems, and internal control issues.
- At least annually, the elected director committee members shall meet with the external auditor without management present.
- Review management's response to internal control recommendations of the external auditor and oversee implementation of internal control recommendations.

Operating and Capital Budgets

- Review, evaluate and recommend to the Board operating budget plans (that is, Hospital Accountability Planning Submission – HAPS) prepared by management.
- Review, evaluate and recommend to the Board the acceptance of the Hospital's service accountability agreements with the Central East Local Health Integration Network.
- Receive the recommendations and/or advice of the Fiscal Advisory Committee relating to the operating budget and plans through the CEO / CFO.
- Review, evaluate and recommend to the Board capital budget plans prepared by management. This shall include annual capital budgets and longer-term life cycle plans.
- Collaborate with the Northumberland Hills Hospital Foundation and Auxiliary to ensure alignment of fundraising strategies and the Hospital's capital budget plans.
- Review, evaluate and recommend to the Board proposals and/or business cases relating to regional and shared services for administrative and support services.
- Review, evaluate and recommend to the Board business cases and financial impact analysis for regional, integration and network initiatives for clinical services.
- Review and make recommendations on material asset acquisitions not contemplated in the annual capital plan.

Membership

- A minimum of five (5) elected board members, of which two shall hold the positions of Board Chair or Board Vice Chair and Vice Chair of the Committee
- Chief Executive Officer (ex-officio) (non-voting)
- Such other individuals as the Board may from time to time appoint; provided however that the majority of committee members must not be officers or employees of the Corporation or any of its affiliates

At least one elected director committee member must have a professional accounting designation All committee members must be financially literate, which is defined as the ability to read and understand a set of financial statements that present the breadth and level of complexity of accounting issues that are raised by the Corporation's financial statements.

Notice of the time and place of committee meetings shall be given to the external auditor. The external auditor shall be entitled to attend committee meetings and to be heard and shall attend every committee meeting if requested to do so by a committee member

The Chief Financial Officer, Chief Nursing Executive and Vice President People, Culture and Organizational Effectiveness and Chief Clinical Information Officer shall attend all meetings of the Committee.

Meetings and Quorum

The Committee shall meet five times between the period of September to May or at the call of the Chair. Meetings may also be held at the call of the external auditor or a committee member.

No business may be transacted by the Committee at a meeting unless a quorum of the Committee is present. 50% plus 1 of the voting members of the Committee shall constitute a quorum.

Resources

The Chief Executive Officer and the Chief Financial Officer shall provide the committee with appropriate resources to perform its mandate.

Reporting

The Committee, through its Chair, is accountable to and reports to the Board following each meeting with respect to its activities and with such recommendations as are deemed desirable in the circumstances.

(R) October 2008
(R) February 17, 2009
(R) September 24, 2009
(R) August 18, 2010 (R)
August 28, 2011 (R)
August 29, 2012
(R) September 25, 2013
(R) August 13, 2014
(R) February 25, 2015
(R) August 19, 2015
(r) August 19, 2016
(r) September 5, 2017
(r) September 27, 2018
(R) August 20, 2019
(R) September 29, 2021
(R) September 28, 2022
(r) September 27, 2023
(R) September 18, 2024

R) – revised
(r) - reviewed