

South East LHIN Audit Committee Terms of Reference

Role

To act on behalf of the Board of Directors in overseeing all material aspects of financial reporting, internal controls, the internal audit function and the audit of the annual financial statements.

Core Responsibilities

The Audit Committee shall exercise oversight in three interrelated areas as follows:

1. Financial Reporting

Includes:

- Oversight of the selection of accounting policies used in the preparation of the financial statements, including consideration of all relevant alternatives;
- Reviewing and discussing the draft year end financial statements with management;
- Reviewing financial reports prepared for government agencies;
- Reviewing other financial information e.g. reviewing the annual report for consistency with the financial information in the financial statements and other audit reports required by the LHIN; and
- Maintaining an effective communications policy, including disclosure of the Audit Committee's mandate.

2. Audit Activities

Include:

- Recommending to the Board of Directors the approval of the audited financial statements;
- Pre-approval of all audit and non-audit services to be performed by the external auditor, including the approval of the auditors' annual engagement letter;
- Reviewing reports from the external auditor concerning their independence;
- Reviewing the overall scope of the external audit, including areas of identified risk;

- Reviewing and discussing the annual financial statements and related note disclosures with the external auditors;
- Reviewing with the external auditors the results of the audit and determine if there were any difficulties or disputes with the management, any significant changes in the audit plan, any significant changes in accounting policies and any management estimates that required significant judgment;
- Reviewing with the external auditors any internal control weaknesses, and if appropriate, determine whether effective steps have been taken to overcome them; and
- Recommending the re-appointment (or replacement) of the external auditors to the Board of Directors, and their compensation.

3. Risk Management and Control

Include:

- Reviewing and assessing the LHIN's financial risk management policies and processes;
- Having a clear understanding of the risk of fraud and error in the LHIN and reviewing management's response to these risks;
- Overseeing management's establishment of an adequate system of internal controls and risk management systems to mitigate the financial risks facing the LHIN and to ensure a strong internal control environment exists;
- Consider the potential risk of management's override of controls or other inappropriate influence over the financial reporting process; and
- Enquiring into the condition of the books and records and the adequacy of resources committed to the accounting function and internal controls.

4. Membership

- The Audit Committee shall be comprised of 3 or more board members plus the board chair, the majority of whom should have experience in financial reporting. There may also be one or more independent non-board members appointed who shall not be employed directly or indirectly by the LHIN or any entity funded directly or indirectly by a LHIN.
- The chairperson of the Committee shall be appointed by the Board and shall be a director of the LHIN. The Committee chair shall approve the agenda of the meetings based on the work plan developed in response to the Audit Committee mandate as approved by the Board from time to time.
- By direction of the LHIN Board of Directors, members of the committee do not have the prerogative of appointing an alternate in the event the member is unable to attend a scheduled meeting.

- Because of the very important role of and responsibility assigned to the Audit Committee and in recognition that the number of meetings is limited, full attendance by all members is vital. If any member misses two (2) scheduled meetings without substantial justification, as judged by the Chair, shall be deemed resigned from the Committee.

5. Conflict of Interest

In accordance with Section 5.7 of the Conflict of Interest Policy, members of the audit committee from the community, who are not directors, are required to disclose and address any/all conflicts of interest.

6. Term of Office

Committee members should serve for a term of two years and may be reappointed at the discretion of the Board for a maximum of one additional term provided that no term of office may exceed the term of any applicable Order-In-Council appointment.

7. Meetings and Quorum

- The Committee should meet between three and five times each year. The Committee may choose to hold additional meetings if considered necessary for it to carry out its responsibilities effectively;
- At meetings where the auditor is present, time should be allocated for the Committee to meet separately with management and with the external auditor;
- Minutes of each meeting must be prepared and circulated to the Board of Directors; and,
- A quorum at all meetings must include a majority of members who are directors of the LHIN.

8. Communication

The Committee should:

- Be accountable to all stakeholders of the LHIN
- Have open communication with management, other committee members and advisors, as applicable, to strengthen the Committee's knowledge of current and prospective issues; and
- Insist on open discussions with management and the external auditors about issues of quality and integrity.

9. Other

The Committee should:

- Review and update its mandate on a regular basis;
- Conduct or authorize investigations into matters within the Committee's scope of responsibilities, including retaining independent legal counsel and other professionals as required;
- Establish procedures that encourage all LHIN employees and directors to report any potential unlawful, unethical or fraudulent activity, including and concerns about questionable accounting or auditing matters, or any other activity that causes them concern;
- Obtain management's confirmation that all statutory filings and requirements have been met; and
- Perform other duties delegated to it by the Board of Directors (e.g. review of senior managements' expense reports, meeting with representatives of governmental funding agencies, and reviewing correspondence with such agencies, etc.).

10. Committee Performance

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

Amendment

These terms of reference may be amended by the Board.