

**BOARD MANUAL**

Approved By:	Board	Number:	3-C-16
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Last Review Date:	February 25, 2020	Last Revision Date:	February 25, 2020
SUBJECT:	Terms of Reference – Audit Committee		

Role

To act on behalf of the Board of Directors in overseeing all material aspects of the corporation's financial reporting, internal controls, and the audit of the annual financial statements. The Audit Committee conveys its findings and recommendations to the Board of Directors for consideration and, where required, decision by the board.

Membership

- A maximum of three directors appointed by the board, one of whom shall be the Treasurer, one of whom should be appointed as Chair , (voting)
- Community Members, to a maximum of four (voting)
- Board Chair (ex-officio member, voting)

Resource (non-member): annually appointed at the discretion of the CEO

Responsibilities**1. Governance Processes**

- a. Develop and recommend to the Board of Directors an annual Audit Committee work plan.
- b. Annually, review the committee's terms of reference and recommend any changes to the Governance and Community Engagement Committee (GCEC).

2. Financial Reporting

- a. Oversee the selection of accounting policies used in the preparation of financial statements for the corporation and Pension Plan for Employees of the Kitchener-Waterloo Hospital, including consideration of relevant alternatives.
- b. Review other financial reports to which the external auditors attest (i.e. redevelopment project cost reports, etc.) that are filed with the Ministry or other stakeholders. This review may occur subsequent to filing.

3. Audit Responsibilities

- a. Review the planning for the external audit with the auditors and provide input as necessary.
- b. Review reports from the external auditors concerning their independence.
- c. Review the audited financial statements of the hospital and pension plan and make an appropriate recommendation to the Board of Directors about their approval.
- d. Review with the external auditors the results of the audit. Enquire if there are any difficulties or disputes with management, any significant changes in the audit plan, any significant changes in accounting policies and/or any management estimates that require significant judgment.
- e. Review the auditor's comments with respect to accounting systems and internal control weaknesses and, if appropriate, determine whether steps have been taken to overcome them.
- f. Meet with the auditors without management present.
- g. Recommend the re-appointment (or replacement) of the external auditors and their compensation.

4. Internal Audit

The committee will oversee the hospital's internal audit function. This includes:

- a. Review the organization and independence of the designated internal audit;
- b. Review and approve the annual internal audit plan including objectives, scope, resources and timetable;
- c. Review all audit reports including recommendations and significant responses. Discuss management's responsiveness to recommendations including any restrictions or problems;
- d. Meet periodically and at least annually, with the designated internal auditor without management present;
- e. Review proposed changes in the internal audit function;
- f. In conjunction with the VP Corporate Services & CFO and CEO, assess the performance of the Director of Internal Audit including relationship with external audit; and
- g. In conjunction with the VP Corporate Services & CFO and CEO, periodically review the Internal Audit Charter (including the strategic direction) and recommend it to the Board of Directors for approval.

5. Risk Management and Controls

- a. Review and assess the hospital's achievement of the enterprise risk management assessment (ERMA) program.

- Receive reports at least semi-annually on the progress from board committees on respective ERMA risks as identified in the enterprise risk management policy.
 - Report no less than annually to the board on the status of the enterprise risk management program including the sufficiency of processes and tools.
- b. Understand the corporation's risks relating to inaccurate financial reporting and review management's response to these risks.
 - c. Oversee management's establishment of an adequate system of internal controls, and report semi-annually on the corporation's financial control risks.
 - d. Consider the potential for management's override of controls or other inappropriate influence over the financial reporting process.
 - e. Enquire into the condition of the books and records and the adequacy of resources committed to the accounting function and internal controls.
 - f. Review the reports on internal controls completed by external bodies other than the reports received from the external auditors and internal audit (as noted above).
 - g. Consider the financial reporting implications of identified risks.
 - h. Annually receive a report from management on hospital privacy-related activities. As required, the Chief Privacy Officer may provide an interim update to the committee.

Procedures

1. The Board will appoint members to serve on the committee for a one-year term. The Board may reappoint any members of the Committee for additional one-year terms.
2. The Board will appoint the Chair from among the voting director members of the committee.
3. A majority of committee members will constitute a quorum.
4. Committee Chair is a voting member and shall be included in the determination of a quorum, but shall only vote to break a tie, or when a vote is by written ballot.
5. The Board Chair, or a Vice Chair delegate, is an ex-officio, voting member of all board committees and when present shall be included in the determination of a quorum.
6. The Committee will meet two times per year or more frequently at the call of the Committee Chair.
7. Committee meetings are not public meetings.

8. A Director may attend any committee meeting but only committee members may vote. The Committee Chair may invite staff and other persons to attend committee meetings.

Reporting and Accountability to the Board

Following each committee meeting, the committee will report to the Board on the activities, findings and any recommendations for the board. This will be accomplished by:

- The distribution of the minutes of all committee meetings to the board as part of the board meeting package;
- A written or verbal report at the next scheduled board meeting; and
- A motion and supporting documents as applicable for each matter requiring a decision by the board; and
- making the meeting package and approved minutes available to all directors on the board portal.

References

- 3-A-10: Corporate By-law No. 2016-1
- Section 3-B
- 4-B-4 Rules of Procedure at Board Meetings