

# Terms of Reference

## Audit and Finance Committee

### 1. Purpose

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The primary function of the Audit and Finance Committee (the “Committee”) is to assist the Board in fulfilling its financial oversight responsibilities including: ensuring that tax dollars are used in a responsible manner and consistent with VCH’s budget and government mandate; ensuring adequate financial controls are in place for sound financial stewardship; and stewarding transparent accounting and reporting processes.

In particular, the Committee assists the Board with the following key functions:

- a) **Financial and Service Planning and Performance** – Review and monitor financial and service performance of the organization. Review and recommend for approval of certain capital spending.
- b) **External Financial Statements** – Review and recommend for approval.
- c) **External Audit** – Review and recommend engagement of and provide oversight of the external Auditor; review external financial statements, external audit report's, findings and recommendations, and monitor compliance.
- d) **Financial Information and Management Reports** –Review public facing reports and material items as needed..
- e) **Operating and Capital Budgets** – Review, monitor, and recommend for approval by the Board the Operating and Capital budgets. Ensure that the organization’s budget advances its mandate.
- f) **Internal Audit** – Review and recommend for Board approval the Internal Audit Services Plan. Direct Internal Audit to carry out audits to assist the Board in providing oversight over internal controls, organizational risks, and compliance with various requirements. Review internal audit findings and recommendations and monitor compliance with action plans.
- g) **Enterprise Risk Management** – Provide oversight over the policies and processes for the organization’s identification and management of enterprise risk. Review results and mitigation strategies of enterprise risk management as deemed necessary.

- h) **Internal controls** – Obtain reasonable assurances that internal financial controls are operating effectively and reliably and are properly designed and effectively implemented to produce accurate and timely financial information.

## 2. Composition and Operations

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- a) The Committee shall be composed of not fewer than three directors and not more than five directors, none of whom shall be officers or employees of the Authority or any of its subsidiaries.
- b) All Committee members shall be financially literate<sup>1</sup> and at least one member shall have accounting or related financial expertise.
- c) The Committee shall operate in a manner that is consistent with the Committee Guidelines and shall comply with the protocols in Appendix B.
- d) The Authority's external auditors shall be advised of the names of the Committee members and will receive notice of and be invited to attend meetings of the Committee, and to be heard at those meetings on matters relating to the Auditor's duties.
- e) The Committee shall meet with the internal auditor and the external auditor as it deems appropriate to consider any matter that the Committee or such auditors determine should be brought to the attention of the Board.
- f) The Committee shall meet five times per fiscal year. Regularly scheduled meetings shall be spaced out such that there are at least two months between meeting dates. Additional meetings may be held as needed to discharge the committee's responsibilities. Meetings may be held electronically or in person.
- g) Quorum consists of two Committee members.

## 3. Duties and Responsibilities

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Subject to the powers and duties of the Board, the Committee will perform the following duties:

### a. *Financial and Service Planning and Performance*

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<sup>1</sup> The Board has defined "financial literacy" as the ability to read and understand a statement of financial position, statement of operations and accumulated surplus and a statement of cash flow in accordance with Canadian Public Sector Accounting Standards. 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 Public Sector Accounting Standards.

- i. Monitor the financial, operational and service performance of VCH and all consolidated entities. Ensure that performance is measured against comparable organizations, standards or benchmarks.
- ii. Ensure that management has performance management systems in place and operating effectively to reliably report programs against budgets and expected results and to evaluate operations in relation to budget and planned outcomes.
- iii. Monitor and recommend to the Board, as appropriate, all matters relating to long range financial planning.
- iv. Ensure the Board receives timely, meaningful reports that provide information needed for decision making and that the Board is properly informed of the Health Authority's financial situation.
- v. Review the financial performance of each principal area against the annual plan; ensure that the Committee receives an up-to-date forecast of year end results which reflects events to date and known factors which may influence either revenue or expense components.
- vi. Review material activities delegate to or delivered by an agent, ensuring that resources are aligned to support the business objectives. Ensure performance measures, targets, compliance and oversights are in place that include achievement of strategic objectives and whether strategies are efficient. Monitor the operational, financial and service performance from the perspective of either being the service provider or customer as the case may be.
- vii. Review the PHSA Commercial Services activities by ensuring that the organization's objectives as they relate to VCH are specific, measurable, time-bound, realistic and results-oriented. Ensure that performance measures and targets are in place that measure achievement of strategic objectives and whether strategies are efficient.
- viii. Review and receive a financial status update as required for all trusts and affiliated entities and provide a financial status update as required.

**b. *External Financial Statements***

- i. Review the external financial statements, as needed.
- ii. Review, monitor and recommend for approval by the Board

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- the appropriateness of accounting policies and financial reporting practices, as needed;
- any significant proposed changes in financial reporting and accounting policies and practices to be adopted, as needed; and
- any new or pending developments in accounting and reporting standards, as needed.

**c. External Audit**

The Committee will have primary oversight of the external auditor and the external audit function. The Committee will be engaged with planning and reviewing the results and recommendations of the external auditor, and advising the Board on same.

- i. Appointment – Recommend the annual appointment of the external auditor (unless the Auditor General is appointed in accordance with the *Auditor General Act* as the auditor of the Health Authority). In making recommendations, give consideration to such matters as the external auditor's independence.
- ii. Review of terms of audit engagement – Prior to the commencement of the audit engagement, review the annual external audit plan, including but not limited to: engagement letter, objectives and scope of audit work, procedures for review of financial statements, materiality limit, areas of audit risk, staffing, and timetable.
- iii. Assess performance – As part of assessing performance, on an annual basis, review and discuss with the external auditor all significant relationships that could impair the auditor's independence.
- iv. Compensation – Review and recommend for approval to the Board the compensation of the external auditor, with consideration to the reasonableness of the estimated audit fees.
- v. Ongoing liaising with Committee – Meet with the external auditor at least annually without management present.
- vi. Non-audit related services – Review and pre-approve any non-audit related services to be provided by the external auditor's firm or its affiliates as needed, including fees, and consider the impact on the independence of the external auditor.

- vii. Audit report and Audited financial statements – Meet with the external auditor after the audit work has been conducted, and upon completion of the audit report; review the audited financial statements and the audit report; review the external auditors' findings and comments as needed. Review Auditor's report on all material subsidiaries.
- viii. Unbudgeted expenditures – Review and recommend approval of all unbudgeted expenditures and commitments greater than the amount approved by the CEO or the CFO in the Spending Authority Matrix, as applicable.

**d. *Financial Information and Management Reports***

- i. Review and recommend for approval by the Board, as appropriate,
  - financial information to be forwarded to government, other stakeholders, or made publically available, including but not limited to the annual audited financial statements;
  - significant reports required by government or regulatory authorities (to the extent such reports discuss the financial position or operating results) for consistency of disclosure with the financial statements themselves; and
  - Vancouver Coastal Health's annual "Statement of Financial Information (SOFI)" (also referred to as "Public Bodies Report").
- ii. Review internal financial information provided to the Board, including but not limited to internal financial statements.
- iii. Ensure that the Board's statutory responsibility with regard to the *Financial Information Act*, the *Health Authorities Act* and other applicable legislation have been fulfilled.
- iv. Ensure all periodic operating reports to the Board clearly display the financial results of each principal area of activity, the financial position reporting and includes capital cash flow and statement of cash flow for the period being reported and year to date.

**e. *Operating and Capital Budgets***

The Committee will exercise oversight of the budget development process.

Operating Budget:

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- i. Review operating budget alternatives based on risk assessment, strategic direction and funding and recommend that management make changes as appropriate;
- ii. Conduct Board/Management working session; and
- iii. Review and recommend to the Board, as appropriate, approval for the annual operating budget, balance sheet impacts and cash flow. Review the budget planning, methodology, and assumptions used in preparing the operating budget.

**Capital Budget:**

- i. Review and recommend to the Board, as appropriate, the annual capital budget and risk lists. Review the budget planning, methodology, and assumptions used in preparing the capital budget.
- ii. Review lease commitments as required.
- iii. Review capital project proposals as required.
- iv. Review post-implementation evaluation of capital projects as required.
- v. Review and recommend to the Board, as appropriate, approval for capital projects greater than the amount approved by the CEO or the CFO in the Spending Authority Matrix, as applicable.

Final Budget Approval & Sign-Off (Operating, Capital, Ministry of Health documents) per Ministry of Health timeline.

**f. *Internal Audit Services***

The Committee oversees VCH's internal audit function.

- i. Annually review the budget of the internal audit department.
- ii. Annually review and receive assurances of the independence of the Internal Audit department; review any restrictions or problems. Ensure the Internal Audit department has a direct channel of communication to the Chair of the Committee.

- iii. Review Internal Audit's Services Plan including internal initiatives, audit plan, resources, and audit processes. Confirm alignment with Board direction, and industry standards.
- iv. Review Internal Audit's Status Updates including investigations completed, audit reports issued, other engagements and issues, and updates on past report findings. Assess management responses and actions for completed engagements for appropriateness. Receive annual update on the Whistleblower Policy, the Conflict of Interest Policy and Public Interest Disclosure Act.
- v. Meet with the Executive Director, Internal Audit, without Management present as required (and at least once annually).
- vi. Direct Internal Audit to carry out audits to assist the Board in providing oversight over internal controls, organizational risks, and compliance with various requirements.
- vii. Review annual report including year-end progress on Internal Audit's Services Plan, nature of investigations received, and general statistics on past finding remediation.

**g. *Enterprise Risk Management***

The Committee is primarily concerned with financial risks that may affect financial reporting, but also with enterprise risk management.

- i. Review information related to the organization's financial and operational risks, and management's processes and internal control framework to identify and mitigate these risks.
- ii. Review and approve the Risk Register items allocated to A&F.
- iii. Obtain confirmation that the Board Committees have also reviewed and approved the organization's Risk Register.
- iv. Review the organization's business continuity and disaster recovery plans for adequacy and effectiveness included in the Risk Register.
- v. Review material litigation not related to clinical performance prior to year end.
- vi. Monitor compliance with the *Freedom of Information and Privacy Act*.

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- vii. Assess whether management has implemented policies and controls to prevent, detect and deter fraud. Review reports concerning any significant fraud or non-compliance. This review should include consideration of the internal controls that should be strengthened to reduce the risk of a similar event in the future.

#### **h. Internal Controls**

Obtain reasonable assurances that internal financial controls are operating effectively and reliably and are properly designed and effectively implemented to produce accurate and timely financial information.

- i. Review significant accounting accruals, reserves, judgments and estimates, and any accounting policy changes for reasonableness and appropriateness.
- ii. Review significant financial policies, including the Spending Authority Policy. With respect to the Spending Authority Policy, ensure its reasonableness and appropriateness and that related procedures have been adequately completed per annual policy review cycle.
- iii. Confirm CEO's annual expense report is reviewed and approved.

### **4. Accountability**

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- a) The Committee Chair has the responsibility to make periodic reports to the Board, as requested, on financial matters relative to VCH.
- b) The Committee shall report its discussions to the Board by maintaining minutes of its meetings and providing an oral report at the next Board meeting.
- c) The Committee will conduct an annual review of its Terms of Reference.

### **5. Current Membership**

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- Board Chair, ex-officio, voting
- CEO, ex-officio, non-voting
- Chair

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- Two to four additional Directors
- The quorum for any committee of the Board shall be two (2) members of the committee.

## **6. Committee Timetable**

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The Terms of Reference Checklist outlines the Committee's schedule of activities and is to be attached as **Appendix A**.

### ***Questions***

Contact: Cher Leung at [cher.leung@vch.ca](mailto:cher.leung@vch.ca) or 604-875-4280

## Appendix B

- A. Due to the nature of the Audit and Finance Committee's duties and responsibilities, its meetings are typically held *in camera*, meaning that members of the public are typically excluded from attending. The Audit and Finance Committee members may invite senior management, employees or consultants who are required for full discussion of an *in camera* agenda item to attend for the discussion of any such item.<sup>2</sup>
- B. Audit and Finance Committee's meeting agendas and minutes will document that the Committee is meeting *in camera*.
- C. The Committee will pass a resolution at the start of its meetings confirming the Committee's decision to hold the meeting *in camera*, in reliance on s. 8(3) of the *Health Authorities Act*, and will ensure that the resolution is recorded in the meeting minutes.
- D. Board members and any staff who attend a Committee meeting will maintain strict confidentiality of the *in camera* sessions.

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<sup>2</sup> S. 8(3) of the *Health Authorities Act* authorizes the Board (and its committees) to hold meetings that exclude members of the public:

s. 8(3) Meetings of a board are open to the public, but the board may exclude the public from a meeting if the board considers that, in order to protect the interests of a person or the public interest, the desirability of avoiding disclosure of information to be presented outweighs the desirability of public disclosure of the information.

## Appendix C

As part of VCH's commitment to delivering an exceptional care experience for all, we continually look for ways to improve health care programs and services to help ensure they are safe, respectful and appropriate, and advance health equity. In 2023, VCH identified four pillars – Indigenous cultural safety; equity, diversity and inclusion (EDI); anti-racism; and planetary health – to support us in continuing to deliver safe, quality care and support an equity-led, intersectional approach to caring for patients, clients and residents and to caring for our staff and medical staff. These pillars need to be taken into consideration across all aspects of the work the Board oversees as part of its fiduciary and governance responsibilities for VCH.

### VCH's Pillars

- **Indigenous Cultural Safety:** Committing to reconciliation and learning, and providing the best care informed by the history and culture of Indigenous peoples.
- **Equity, Diversity and Inclusion:** Promoting a sense of belonging where we can bring our whole selves to VCH.
- **Anti-Racism:** Creating a community where we dismantle attitudes, practices and processes that impact people based on their race or ethnicity.
- **Planetary Health:** Restoring, stewarding and conserving healthy ecosystems for generations to come.

The Board has the responsibility to oversee the conduct of VCH as it pertains to the implementation of equitable access and outcomes related to the pillars and is accountable to help ensure VCH delivers a full continuum of patient-centred services to meet the diverse needs of all British Columbians living in the region through services that are accessible, high-quality, appropriate, equitable and cost-effective.

The following sections outline the Board's areas of responsibility, aligned with the 2023/24 Ministry of Health mandate letter as they relate to VCH's four pillars.

### Indigenous Cultural Safety

The Board will continue working towards lasting and meaningful reconciliation with Indigenous Peoples by supporting opportunities for Indigenous Peoples to be full partners in the province, and delivering on specific commitments as outlined in the *Declaration on the Rights of Indigenous Peoples Act* action plan and by:

- Working with Indigenous partners and communities to support Indigenous-led solutions to improve culturally safe services grounded in traditional practices.
- Developing and maintaining effective working relationships with the First Nations Health Authority (FNHA), Métis Nation BC (MNBC), the BC Association of Aboriginal Friendship Centres (BCAAFC) and associated Friendship Centres, other Urban Indigenous service providers and directly with First Nations and communities to ensure a high-quality, culturally safe, integrated and well-coordinated systems of care for Indigenous people in B.C., which is free of racism.

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- Working with FNHA, MNBC, BCAAFC and Indigenous partners to help ensure VCH continues the work to action the recommendations of the *In Plain Sight Report* working towards the elimination of Indigenous-specific racism; including implementing policy, practices, standards and other changes as directed by the Ministry of Health or the Ministry of Mental Health and Addictions.
- Helping ensure VCH works collaboratively with Indigenous partners in service planning and delivery activities and in the implementation of plans that already exist.
- Addressing gaps in health and mental health and substance use care services experienced by Indigenous people and vulnerable populations, including addressing access, cultural safety and humility, and eliminating Indigenous-specific racism.

### **Equity, Diversity and Inclusion**

The Board has a moral and ethical responsibility to tackle systemic discrimination in all its forms, to improve the health and wellbeing of the people we serve. As part of this work, VCH will adopt the Gender-Based Analysis Plus (GBA+) lens to help ensure gender equity is reflected in its operations and programs. The inclusive application of an equity lens through Gender-Based Analysis+ (GBA+), should inform service delivery design and service delivery.

### **Anti-Racism**

The Board will address the broader challenges of systemic racism, inequity and discrimination in B.C. and will help ensure VCH continues to play a critical role in making sure our systems and institutions are safe and inclusive for everyone. A large portion of that work will include using data acquired from the *Anti-Racism Data Act*, to help take action to dismantle systemic racism and advance racial equity in B.C. and to address Indigenous-specific racism.

### **Planetary Health**

As required by the Climate Change Accountability Act, the Board will help ensure VCH implements targets and strategies for minimizing greenhouse gas emissions and managing climate risk, including achieving carbon neutrality each year and aligning with the CleanBC plan and targets. VCH will also work closely with government to report out on these plans and activities as required by legislation.

Following are some questions for each of the four pillars that may be incorporated as part of the Board's considerations. In addition to the positive elements of planned initiatives, the Board should consider the likelihood of unintended negative outcomes related to each pillar.

<b>VCH Pillar</b>	<b>Considerations</b>
<b>Indigenous Cultural Safety</b>	<p>Does the initiative seek to reduce barriers that Indigenous People face in the health care system?</p> <p>Can this initiative support improved access and experience of quality health services for Indigenous Peoples?</p>
<b>Equity, Diversity and Inclusion</b>	<p>Does this initiative consider the needs of underserved patient populations? Have we considered any barriers to access?</p>
<b>Anti-Racism</b>	<p>How does this initiative proactively address and dismantle systemic racism at VCH?</p> <p>Have we applied an antiracist approach to improve outcomes for racially marginalized patients, clients, staff and medical staff?</p>
<b>Planetary Health</b>	<p>Has a climate lens been applied that considers the greenhouse gas implications for the work, and/or the risks that future climate conditions could introduce?</p>