A. PURPOSE

The Finance & Audit Committee (the **Committee**) is a standing committee established by the Board (the **Board**) of Alberta Health Services (**AHS**). The purpose of the Committee is to assist the Board in fulfilling the financial and audit oversight responsibilities of the Board with respect to the following matters:

i. financial sustainability;
ii. forecasting and budget process (operating and capital budgets) contributing to the development of the business plan;
iii. multi-year health facility infrastructure capital submission;
iv. banking, borrowing and investments;
v. contracts and agreements;
vi. financial risk management oversight and compliance;
vii. quarterly and annual financial reporting;
viii. internal controls over financial reporting;
ix. internal audit; and
x. external audit.

Such oversight includes AHS and AHS’ subsidiaries and, where applicable, the health advisory councils, foundations, trusts and other entities for which AHS has a financial obligation or legal obligation or both (**Other Entities**).

B. SCOPE

1. Committee Approval and Recommendations

The Committee may consider and provide feedback relating to matters forwarded by management or the Board, or on its own initiative, and:

(a) may approve matters which are administrative and non-substantive in nature such as those customarily made to: confirm the accuracy and completeness of the Committee’s own minutes; conduct all or a portion of the Committee meeting **in camera**; and to approve the Committee’s meeting agenda and changes to the agenda;

(b) may refer matters to another committee of the Board for further consideration, including any sub-committee established by and accountable to the Committee;
(c) may delegate to one or more of the Committee members any responsibility of the Committee itself, with the delegation including a reporting accountability back to the Committee, if applicable; and

(d) may make recommendations for approval to the Board on matters of a substantive nature.

2. **Finance Responsibilities**

2.1 **Financial Sustainability**

The Committee shall provide oversight and where appropriate review and make recommendations to the Board on financial sustainability.

The Committee shall make the necessary inquiries to assess the trends and projections in demand for services, in capacity to provide needed services, and in costs to provide the services as well as to assess the expected outputs and outcomes. Specifically, the Committee shall review the following matters:

(a) the planning and performance of management with respect to improving the financial sustainability of the organization;

(b) reports regarding trends affecting AHS and the multi-year implications of those trends on finances and property;

(c) reports comparing AHS financial performance with other jurisdictions;

(d) opportunities to increase revenues including grants, fees and charges, recoveries, ancillary operations and donations. The Committee will receive an asset optimization summary report annually, or more frequently as required;

(e) opportunities to reduce expenses through improving business process efficiencies and clinical effectiveness;

(f) identification and management of financial risks, including budget forecasts and budget management strategies, which may jeopardize the achievement of the Health Plan and Business Plan; and

(g) the strategic value and operational sustainability of AHS related parties including the subsidiaries and joint ventures, contracted health service providers, health advisory councils, foundations and other related parties.

2.2 **Forecasting & Budgeting Process**

The Committee shall provide oversight and where appropriate review and make recommendations to the Board on the following matters:
(a) inputs into the annual Business Plan including operating and capital budgets and assumptions;

(b) the forecasting process, which will help to inform budget planning and includes a multi-year outlook and key risks affecting future sustainability;

(c) allocation of funds including global and other revenues, use of borrowing capacity, and unrestricted accumulated operating surplus;

(d) where applicable, operating, capital and any other budgets of AHS or Other Entities and major issues of policy related to budgets; and

(e) if necessary, recommendation for approval of an interim authorization to spend pending approval of the operating and capital budgets by the Minister of Health, or of an interim authorization to spend in unbudgeted extraordinary circumstances such as a pandemic.

2.3 Capital Submissions, including Facilities and Equipment

The Committee shall provide oversight and where appropriate review and provide information to the Board on the following matters:

(a) the long term capital submission, supportive of the AHS vision and Health Plan. In addition to the Alberta Health requirements, the capital submission will include at a minimum:

(i) future capital expenditures needed to effectively maintain or modify the asset base to support service delivery strategies;

(ii) context for the Minister of Health to assess provincial capital project priorities as the basis for annual decisions on project approvals; and

(iii) a preliminary estimate of the operating cost implications of the proposed investment;

(b) the long term capital planning process which must include transparency, integration and collaboration, rigour, and anticipation of future changes in health service delivery and demands; and

(c) acquisition, management, control, and disposition of land and buildings.
2.4 Banking, Borrowing and Investments

The Committee shall provide oversight and where appropriate make recommendations to the Board on the following matters for AHS and AHS’ subsidiaries:

(a) approvals of signing officers for banking, borrowing and investing activities;
(b) actual borrowings or changes in borrowing capacity, terms, and utilization;
(c) investment reports in accordance with the AHS Investment Bylaw;
(d) annual investment management discussion including changes in investment strategies and risk tolerances;
(e) interest rates, exchange rates, and commodity price risk mitigation and other investment strategies;
(f) policies and practices related to assessing financial instruments, banking, investments, and acquisition of funds, including borrowing and leasing; and
(g) compliance with the applicable legislation, government directives, and AHS bylaws (including the borrowing and investment bylaws), as applicable.

2.5 Contracts and Agreements

The Committee shall provide oversight and where appropriate review and make recommendations to the Board on the:

(a) delegation of authority to the President & CEO (CEO); and
(b) approval of, and authority to execute, financial commitments that exceed the CEO approval limit for matters such as significant service provider contracts and grant agreements.

3. Audit Responsibilities

3.1 Financial Risk Management and Compliance

The Committee shall provide oversight of financial, capital, and internal control risks for the organization. The Committee will review and receive regular reports from management on:

(a) management’s assessment of the significant risks or exposures facing the organization;
(b) management’s assessment of AHS’ current and projected risk levels and targets and risk tolerance for these risks; and

(c) management’s plans, processes and initiatives and the steps that management has taken to mitigate these risks.

In particular, the Committee reviews and focuses on the following risk areas:

(a) financial sustainability;

(b) capital infrastructure and capital equipment;

(c) contracted service delivery and service providers; and

(d) emergency disaster recovery and business continuity.

The Committee will also oversee whether AHS develops and implements effective financial and internal control systems, processes, policies, and directives. This would include:

(a) the general control environment and delegation of authority policies to ensure that the organization promotes financial compliance;

(b) whether AHS has adequate processes and controls to prevent and detect fraud;

(c) obtaining the internal and external auditors’ views regarding:

   (i) whether management’s choices concerning accounting principles are conservative, moderate, or aggressive from the perspective of income, asset, and liability recognition, and whether those principles are common or minority practices; and

   (ii) the adequacy of internal controls including computerized information system controls and security;

(d) any legal claim, proceeding, matter, or other contingency, and the advice of AHS legal counsel, that could have a material effect upon the financial position or operating results and the manner in which these matters have been disclosed in the financial statements; and

(e) reviewing the findings of any examinations by regulatory agencies and any auditor observations related to compliance with government directives and relevant legislation having a material impact on the financial statements, including tax reporting and legal withholding requirements.
3.2 Quarterly and Annual Financial Reporting

The Committee shall oversee the quarterly and annual financial reporting of AHS. The Committee will review and where appropriate recommend approval of:

(a) unaudited quarterly consolidated financial statements and reports and related analysis;

(b) annual consolidated financial reports:
   (i) audited annual consolidated financial statements and related reports;
   (ii) financial statements discussion and analysis (FSDA); and
   (iii) Annual Report (including audited annual financial statements and FSDA), considering accuracy and completeness of the information;

(c) all major changes to AHS’ accounting policies, assumptions and practices and review significant accounting and reporting issues, including complex or unusual transactions and highly subjective areas;

(d) any published documents containing financial information derived from the financial statements. The Committee will determine whether the information is consistent with the financial statements;

(e) reports with respect to compliance with relevant legislation having a material impact on the financial statements, including tax reporting and, legal withholding requirements;

(f) where applicable, any other financial reports or summary financial information related to AHS or Other Entities that have a significant impact on AHS financial operations.

3.3 Internal Controls over Financial Reporting (ICOFR)

The Committee shall provide oversight and where appropriate make recommendations on the following ICOFR matters:

(a) the reliability, appropriateness, and effectiveness of internal controls over financial reporting, including information technology security and control, for AHS and its subsidiaries; and

(b) the scope of internal and external auditors’ review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management’s responses.
### 3.4 Internal Audit Oversight

The Chief Audit Executive (the **CAE**) reports functionally to the Board, through the Committee Chair, and administratively to the CEO. The Committee shall provide oversight and where appropriate make recommendations on the following matters:

(a) the internal audit charter;

(b) the annual internal audit plan, and all major changes to the plan;

(c) the internal audit department’s budget, staffing plan and work schedule;

(d) internal audit reports submitted, including significant findings during the past fiscal year, and the responses of management thereto;

(e) status updates and progress of implementation by management on internal audit recommendations;

(f) communications on internal audit’s performance relative to its plan and other matters;

(g) significant difficulties encountered in the course of an audit including any restrictions on the scope of the internal audit department’s or access to required information;

(h) investigations of alleged misappropriation of assets, theft and fraud;

(i) regarding the appointment, replacement, re-assignment, or dismissal of the CAE;

(j) regarding the annual review of the CAE’s performance and compensation;

(k) ensuring the independence of the primary internal auditor and any service providers in providing internal auditing services to AHS and its subsidiaries; and

(l) the effectiveness of the internal audit function and compliance with the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics.

The Committee shall meet regularly with the CAE to discuss any matters that the Committee or the CAE believes should be discussed privately, *in camera.*
3.5 External Audit Oversight

3.5.i) Financial Statement Audits

The Committee shall provide oversight of the audit of AHS’ financial statements including:

(a) recommending the appointment of the external auditor for audit of AHS’s annual financial statements. Where the Auditor General is appointed as external auditor, the Committee may also provide input into the Auditor General’s choice of agent;

(b) reviewing and assessing the written confirmation of independence from the external auditor, including any relationships between the external auditor or its agent and AHS, that may impact the external auditor’s independence and objectivity in performing the audit.

(c) Reviewing and providing advice to the external auditor on:

(i) the audit plan including audit objectives, scope, risks and materiality; and
(ii) audit reports and draft opinions on the financial statements for AHS.

(d) The Committee may also review audit reports and opinions on the financial statements of AHS subsidiaries, and Other Entities where the results are relevant and significant to AHS.

3.5.ii) Performance Audits

The Auditor General Act gives the Auditor General the mandate to conduct performance audits of the Government of Alberta Departments and Alberta public sector agencies, including AHS. These audits typically focus on programs or initiatives that an organization undertakes to achieve its goals and objectives. As an independent officer of the Legislature, the reports of the Auditor General are prepared for the Legislative Assembly and are made public. As part of the performance audit process, the Auditor General typically prepares audit plans and reports that are shared with both management and governing boards.

The Committee will review and provide advice to the Auditor General on performance audit plans and audit reports, including findings and recommendations, arising from any performance audits of AHS.

3.5.iii) Other Matters

The Committee shall provide oversight and where appropriate provide advice to
management or the external auditor on the following:

(a) status updates and progress of implementation of external audit recommendations by management;

(b) any serious difficulties or disputes with management and/or internal audit encountered during the course of an audit for AHS; and

(c) other matters related to the conduct of the audit which must be communicated to the Committee under generally accepted auditing standards.

The Committee shall meet regularly with the external auditors to discuss any matters that the Committee or the external auditor believe should be discussed privately, *in camera*.

4. Governance Responsibilities

The Committee shall:

(a) evaluate, on an annual basis, its performance and review its Terms of Reference and shall, as it considers appropriate, propose any changes to the Governance Committee for recommendation for approval by the Board, as required;

(b) ensure adequate resources and support are in place to enable the Committee to fulfill its duties effectively and efficiently;

(c) fulfill such other duties as may be assigned to the Committee by the Board;

(d) review any applicable bylaws and policies annually and make recommendations to the Board for revisions, as required; and

(e) review policies for reimbursable expenses of the Board in accordance with directives from the Minister of Health.

C. MEMBERSHIP

1. Members

The Committee comprises:

(a) a minimum of two members of the Board (*Members*) appointed to the Committee by the Chair of the Board, each of whom shall have voting rights;

(b) any other individuals who are not Members, appointed by the Board, whose voting status shall be determined at the time of appointment;
(c) the Chair of the Board shall be an ex officio member of the Committee and shall have full voting rights;

(d) the CEO shall be a non-voting ex officio member of the Committee. The CEO may appoint another individual to attend a Committee meeting as an ex officio non-voting Committee member in their absence; and

(e) notice of Committee meetings shall be provided to other Members that are not appointed to the Committee, along with the meeting materials. Such Members shall be entitled to attend the Committee meetings as non-voting participants.

2. Committee Member Qualifications

At least one voting member must be financially literate and have accounting or related financial expertise. Fundamental literacy requirements that may be considered include:

(a) ability to read, comprehend, and analyze financial statements and related notes;

(b) ability to understand accounting policies, estimates, and judgments;

(c) understanding of AHS business and any unique features that may impact financial reporting or business strategies;

(d) knowledge and understanding of business strategies adopted, including any inherent or associated risk; and

(e) ability to understand AHS’ risk environment.

3. Term of Office

The terms of individuals appointed under C.1.(b) shall be determined at the time of appointment. These individuals shall cease to be a member of the Committee if they, resign by notice in writing, if their term expires, or if they are removed by resolution of either the Board Chair or Board, depending upon how the member was appointed in C.1.

4. Committee Chair and Vice Chair

The Committee delegates to the Chair of the Board the authority to appoint a Committee chair and a vice chair from among the voting members of the Committee. In the absence of the Committee chair, the vice chair shall chair the meeting.
5. Auditors

The external auditors and Auditor General may participate at Committee meetings to discuss audit plans and audit reports and will be invited to attend the audit portion of the Committee meetings.

6. Advisors

The Committee may request the participation of advisors from time to time, including but not limited to AHS’ employees, management, or external consultants, to provide advice or information to the Committee or to its members independently, with respect to any matter before or related to the Committee, at AHS’ expense.

D. MEETINGS

1. Confidentiality

The nature and subject of discussions and deliberations on matters before the Committee are confidential until such time as an item is approved by the Board and released publicly.

2. Frequency

The Committee shall meet at least four times each year at the call of the Committee chair, or at the discretion of the Chair of the Board.

3. Quorum

A majority of Committee members entitled to vote shall constitute a quorum.

4. Conduct of Meetings

Committee members may participate in meetings in person or by any other method that permits them to hear and participate in the meeting.

Committee feedback, discussion and approvals outlined in B.1 may be made via electronic means when necessary, provided that discussion and exchange of views occurs.

5. Notice

Notice of the time and place of every meeting of the Committee shall be given electronically, by postal service, or as agreed to by the Committee members, at least seven days in advance of a meeting. In the event the Committee chair or the Chair of the Board determines an urgent requirement to meet, notice of the time and place of the meeting may be given electronically or by telephone at least 24 hours in advance.
Notice may be waived by a Committee member in any manner, including by unanimous consent of all Committee members. Attendance of a Committee member at a meeting is a waiver of the notice of the meeting, except where the Committee member attends for the express purpose of objecting to the transaction of any business on the grounds that the Committee member was not given adequate notice of the meeting.

6. **Report and Recommendations**

Subject to confidentiality requirements, the Committee shall submit an overview report on the business conducted at each meeting, and shall make recommendations, if appropriate, to the Board at its next public meeting.

7. **Minutes**

The Corporate Secretary or such other person acceptable to the Committee shall act as recording secretary to attend at every Committee meeting to take minutes. Minutes shall be approved by the Committee at its next meeting.

8. **In camera Discussions**

The Committee shall meet *in camera* with management in separate sessions to discuss any matters that should be discussed privately with the Committee.

The Committee shall meet regularly *in camera* with the CAE to discuss any matters that the Committee or the CAE believes should be discussed privately.

The Committee shall meet regularly *in camera* with the external auditors and Auditor General to discuss any matters that the Committee or the external auditors and Auditor General believes should be discussed privately.

9. **Rules of Order**

Unless provided otherwise in the AHS Amended General Bylaws or these Terms of Reference, Committee business and conduct of the Committee members shall follow Robert’s Rules of Order as may be modified by the Committee chair. The Committee chair and vice chair will be provided with a summary of Robert’s Rules of Order and with an algorithm with respect to the management of conflict of interests.