

# Finance, Audit & Risk Committee

TERMS OF REFERENCE – 2023-24

## Purpose

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The purpose of the Finance, Audit & Risk (FAR) Committee is to assist the Board in fulfilling its obligations and oversight responsibilities relating to financial planning and reporting, the external audit process, and the system of corporate internal controls and risk management. The committee will make recommendations to the Board as required.

In the process of overseeing the Calgary West Central Primary Care Network (CWC PCN) finance, audit, and risk procedures, the FAR Committee will be provided with the resources necessary to carry out its responsibilities, including the limited authority to engage with independent counsel and advisors.

## Quorum and composition

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Quorum will be met by 50 per cent attendance of committee members who are not CWC PCN employees.

The committee will be comprised of at least three and no more than five members, at least two of whom will be members of the Board of Directors. The Board Treasurer will serve as Chair of this committee. Up to two members at large and one Alberta Health Services (AHS) governance member may also sit on this committee. The committee cycle will be annual.

The Executive Director, the Manager of Governance & Organizational Operations (G&O), and the Manager of Finance will serve as ex-officio members on this committee to provide additional support. Other members of the CWC PCN leadership team, external stakeholders, or consultants may be invited to attend as guests when needed.

Committee members may resign from their committee duties with one month's written notice for any justified cause. Committee members may be removed from the committee by the Board for non-performance, conflict of interest, disruption, inability to fulfill duties, or any other reason deemed appropriate.

## Reporting relationship and scope

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The FAR Committee reports to the CWC P.G. Co. Board of Directors. The Board of Directors, in turn, is accountable to the Joint Venture Governance Committee (JVGC) for the alignment of the finance, audit, and risk management initiatives within the business plan, PCN objectives, Primary Care Initiative (PCI) regulations, and agreed-upon strategic direction.

The FAR Committee acts in an advisory capacity to the Board, and decisions must be approved by the Board of Directors. The committee has no decision-making authority unless specifically authorized by the Board through the committee Terms of Reference (TOR) or an approved Board motion.

## Duties

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The FAR Committee shall be responsible for reviewing and making recommendations to the Board regarding the following on a periodic basis:

### 1. Financial Planning and Reporting

- Reviewing and ensuring that interim financial statements, financial plans, and budgets are in alignment with financial policies, financial data, and any significant assumptions, forecasts, targets, or performance goals used by management in the preparation of the budgets and financial plans.

- Reviewing the CWC PCN's annual financial statements to ensure they are fairly presented in all material respects in accordance with Canadian Generally Accepted Accounting Principles (GAAP) and the Accounting Standards for Not-for-Profit Corporations (ASNPO), as described in the Chartered Professional Accountant (CPA) Canada handbook.
- Reviewing all draft financial statements, budgets, and operating and capital financial plans prepared by management for accuracy, completeness, and appropriateness, including the presentation, disclosures, and supporting notes and schedules, and recommending approval to the Board.
- Discussing with management and the external auditor any significant financial reporting, record, or presentation issues discovered during the fiscal period, the manner of their resolution, including proposed changes in financial and risk management policies, and compliance with accounting standards.
- Reporting to the Board on all financial matters of which the committee has knowledge may materially affect the current or future position of the CWC PCN, including current or anticipated budget variances.
- Reporting to the membership on the overall financial position of the CWC PCN at the Annual General Meeting (AGM).

## **2. External Audit**

- Acting in an objective, independent capacity as a liaison between the external auditors, management, and the Board to ensure the auditors have a facility to discuss governance and audit issues with parties not directly responsible for operations.
- Being available to assist and provide direction in the audit planning process and to the external auditors, as appropriate.
- Reviewing and recommending the audit plan for approval by the external auditors prior to the commencement of the annual audit.
- Meeting with the external auditors prior to the release and approval of financial statements to review audit, disclosure, and compliance issues. Further meetings may be held on an as-needed basis.
- Reviewing matters raised by the auditors with appropriate levels of management where necessary and reporting findings back to the external auditors.
- Informing the external auditors of any issues of disclosure, corporate governance, fraud or illegal acts, non-compliance with laws or regulatory requirements that are known to them where such matters may impact the financial statements or auditor's report.
- Inquiring, as appropriate, into the external auditor's findings with respect to corporate governance, management conduct, cooperation, information flow, and internal controls.
- Obtaining confirmation of the external auditors' independence and determining whether management has provided full and open disclosure to the external auditor's inquiries.
- Determining whether the performance of the external audit is satisfactory, cost-effective, and meets the requirements of the CWC PCN on an annual basis.
- Reviewing any problems experienced by the external auditor in performing the audit, including any restrictions imposed by management and all significant accounting issues on which there were inconsistencies.
- Reviewing any communication containing the recommendations of the external auditor and reviewing management's response and subsequent follow-up to any significant identified weaknesses in internal controls, accounting procedures and/or risk management safeguards.
- Meeting in-camera with the external auditor annually or as requested and permitting the external auditor to attend committee meetings as needed.
- Recommending the appointment of the external auditor to the Board as needed.
- Recruiting and recommending to the Board the appointment of a different external auditor at least every five years, with the next target date for a new recruiting firm being the year 2024.

### 3. Internal Controls

- Ensuring that management implements an appropriate system of internal controls with regard to the effective operations of:
  - Financial reporting; and
  - Adherence and compliance with relevant policies and procedures.
- Reviewing the CWC PCN's insurance and liability coverage annually.
- Reviewing a summary of the CWC PCN's business continuity plans to ensure that plans are kept up to date.
- Ensuring the CWC PCN's compliance with statutory and regulatory obligations and reviewing any legal or regulatory matters that may have a material impact on financial reporting.

### 4. Risk Management

- Promoting the CWC PCN's risk culture by overseeing the regular review of risk management activities and Risk Register and making recommendations to the Board as appropriate.
- Regularly reviewing strategic and operational risks reported by the CWC PCN that may impact goals or deadlines shared with Alberta Health (AH), the Calgary Zone, or similar.
- Continuously scanning the CWC PCN's business environment to identify emerging risks and bringing such emerging risks to the attention of the Board for planning purposes.

### Meetings

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The FAR Committee will meet at least four times per year either in-person or virtually, as needed. Additional meetings may be held as deemed necessary by the Committee Chair or as requested by any committee member, the Board and/or the external auditor. The agenda and meeting materials will be distributed five business days in advance of the meeting, whenever possible, via the Board's approved meeting management software.

The Committee Chair has the responsibility to excuse any elected member of the committee from any given topic who might be perceived to have a conflict of interest. Decisions will be consensus-based. Therefore, formal motions are only required when the committee is advising the Board to act on a specific matter.

The Manager of G&O, or one of their direct reports, will keep minutes of committee proceedings. The Chair or designate shall report the minutes to the next meeting of the Board of Directors once the minutes have been approved by the committee or, alternatively, verbally as a committee update if the minutes have not yet been formally approved.

### Responsibility for policy review and committee evaluation

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The FAR Committee has a responsibility to review annually and more frequently, if necessary (e.g., based on legislative or regulatory changes or development in governance best practices) the following:

- FAR Committee Terms of Reference;
- Board Indemnity and Liability Insurance Agreements;
- Board Financial policies and procedures; and
- Assessment of committee members, processes, and established goals.

### Resources

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Physician members serving on this committee will be paid hourly as per the Board Cost of Governance Policy.

The terms of reference were approved by the CWC P.G. Co. Board of Directors on **January 16, 2024**.