



AUDIT COMMITTEE TERMS OF REFERENCE

Authority: The Audit Committee operates as a Standing Committee under the authority of the Board of Directors and as outlined in the Stevenson Memorial Hospital (SMH) Corporate By-laws, Article 8 and Board Policies V-A-2, Roles and Responsibilities of the Board of Directors, V-A-3, Roles and Responsibilities of Individual Board Directors V-A-7 Board Standing and Special Committees. No decision of this Committee shall be binding on the Board until approved or ratified by the Board.

Membership and Quorum: Quorum of a Standing Committee for the purpose of conducting business will be more than 50% of the voting members of the Committee.

The presence of Board Chair at Committee meetings counts towards quorum; whereas; the absence of the Board Chair at Committee meetings does not count against quorum. For greater clarity, the intent to this rule is to recognize that the Board Chair may not attend every meeting.

The members of the Audit Committee shall consist of:

Voting Members:

1. Board Treasurer;
2. two (2) additional elected Directors who are financially literate, one of whom shall serve as Chair;
3. up to two (2) Advisory Members who are financially literate; and
4. Board Chair, ex-officio.

Non-Voting Members:

5. Chief Executive Officer (CEO); and
6. Chief Financial Officer (CFO).

Mandate: The members of the Audit Committee shall:

1. recommend the annual appointment of independent auditors for approval by the voting members;
2. recommend for approval by the Board the compensation to be paid to the independent auditors as negotiated by the Hospital's CFO;
3. review and approve the Audit Plan and receive the Engagement letter in advance of each year's external audit;
4. ensure the audit plan includes the actuarial calculation in accordance with GAAP of the present value of future anticipated payouts under the current retirement benefit plan commitments; frequency for completing this review is not less than every three years;
5. review and recommend to the Board for approval the Hospital's annual audited financial statements;
6. meet separately with each of the auditors and financial management staff during the annual financial statement review process;
7. ensure that management has in place a financial reporting process with appropriate internal controls;

8. require the Hospital's CFO to respond in writing to the Committee about each recommendation made by the external auditors on internal control and other financial management suggestions;
9. review annually the Committee Terms of Reference and if any change is recommended forward same to the Governance and Nominating Committee for consideration;
10. prepare an annual work plan for the Committee describing topics to be addressed at each meeting for approval by the Board; and
11. assume such other duties as may be assigned from time to time by the Board.

Administration: Support is provided by the office of the CFO.

Reporting: The Committee reports to the Board of Directors.

Schedule: The Committee meets at least 2 times per year at the call of the Chair.

Original Effective Date: Nov 08
Reviewed/Revised Date: Nov 11; Feb 12; May 12; Sept 12; Feb 13; Dec 15