

DOCTORS NOVA SCOTIA

Terms of Reference – Audit Committee

1. Introduction and Purpose

Management is responsible for the preparation, presentation and integrity of Doctors Nova Scotia's financial statements and for maintaining appropriate accounting and financial reporting principles and policies. Primary responsibility for information systems, risk management and internal controls of Doctors Nova Scotia ("the Association") is vested in management and overseen by the Board.

The external auditors are responsible for planning and carrying out, in accordance with professional standards, an audit of Doctors Nova Scotia's annual financial statements. They are expected meet with the Audit Committee at least twice annually.

The Audit Committee's purpose is to review the adequacy and effectiveness of these activities and to assist the Board in its oversight of:

- (a) The integrity of the association's financial statements
- (b) The external auditors' qualifications and independence
- (c) The performance of the external auditors
- (d) The adequacy and effectiveness of corporate controls,
- (e) Risk management,
- (f) The association's compliance with legal and regulatory requirements, and
- (g) The association's standards of ethical integrity.

2. Duties and Responsibilities

Subject to the powers and duties of the Board of Directors, and to the requirements of the *Doctors Nova Scotia Act* (the "Act"), the Audit Committee will perform the following duties in relation to Doctors Nova Scotia, as may be appropriate in the context:

2.1 Financial Statements and Other Statements

The Audit Committee will review and recommend for approval to the Board financial information that will be made publicly available (audited financial statements). In this regard, the Audit Committee will:

- (a) review, approve and recommend to the Board for approval the annual audited financial statements for the association
- (b) review and recommend to the Board for approval the financial content of the annual audited report
- (c) review and approve the management's Discussion and Analysis section of the annual audited report
- (d) prior to public disclosure, if necessary review news releases which accompany published financial statements (to the extent such releases discuss the financial

position or operating results) for consistency of disclosure with the financial statements themselves

- (e) review the unaudited, quarterly financial statements for the association as prepared by Management

The Audit Committee will review and assess regularly:

- (f) the appropriateness of accounting policies and financial reporting practices used by the association
- (g) any significant proposed changes in financial reporting and accounting policies and practices to be adopted by the association
- (h) any new or pending developments in accounting and reporting standards that may affect the association
- (i) the key estimates and judgments of management that may be material to the financial reporting of the association
- (j) responses by management to material information requests from government or regulatory authorities
- (k) investigate and recommend a resolution to the Board of any issues or concerns referred to it by the Executive Committee (as the point of entry for any complaints or concerns) arising from ethical complaints that may relate to a breakdown of financial disclosure controls or internal controls over financial reporting. Depending upon the nature of the complaint, the Committee may delegate the investigation and resolution of the complaint to senior management.

Financial and accounting policies and practices that are recommended by the Audit Committee will be referred to the Board of Directors for final approval.

2.2 Internal Control and Information Systems

The Audit Committee will review and obtain reasonable assurance by discussions with and reports from management and the external auditor that the internal control and information systems are operating effectively to produce accurate, appropriate and timely management and financial information and that they are appropriately incorporating the risks identified in the association's risk management framework.

The Audit Committee will receive and discuss:

- (a) Management's annual report on the association's internal control systems, the report will include how the internal controls address the risks identified in the risk management framework, including the risk of fraud or error
- (b) Quarterly compliance reports regarding Management's legislative and policy compliance
- (c) A report on specified internal controls audited by the external auditor
- (d) At least annually, reports summarizing significant payments to suppliers of goods and services
- (e) At least annually, reports summarizing all expense claims over \$5,000.

2.3 Risk Management

On behalf of the Board, the Audit Committee oversees compliance with the Risk Oversight Policy and the Risk Management Framework. The Committee is responsible for:

- (a) Reviewing the risk policy, framework and register on an annual basis and recommending any amendments as required to the Board.
- (b) Reviewing summary risk reports on a quarterly basis.
- (c) Providing a quarterly risk management update in the Committee's report to the Board.

2.4 Investments

The Audit Committee has an investment oversight role on behalf of the Board of Directors. The Committee will:

- (a) review and recommend to the Board at least annually an Investment Policy for the Association (which policy will include a specific delegation of authority over the approval of investment transactions)
- (b) receive reports (from the CEO or external investment managers) on the implementation of the Investment Policy
- (c) review, evaluate and approve procedures that the CEO has implemented to monitor compliance with the Investment Policy by receiving Management's annual report on specified internal controls audited by the external auditor
- (d) oversee the criteria and process for the selection of internal investment managers with discretionary authority to invest the association's assets
- (e) approve the engagement of external investment managers
- (f) oversee the process for monitoring external investment managers
- (g) approve the selection of custodians

2.5 External Auditor

The Audit Committee is directly responsible for overseeing the work of the external auditor. The Audit Committee will review the planning and results of external audit activities and the ongoing relationship with the external auditor. In this regard, the Audit Committee will:

- (a) review and recommend to the Annual General Meeting the annual appointment of the external auditor
- (b) review and approve the terms of the annual external audit engagement plan, including but not limited to the following:
 - (i) engagement letter
 - (ii) objectives and scope of the external audit work
 - (iii) materiality limit
 - (iv) areas of audit risk
 - (v) staffing, and in particular, the lead audit partner and the audit partner responsible for reviewing the audit, including partner rotation
 - (vi) timetable, and

- (vii) proposed fees
- (c) assess the performance and independence of the external auditor
 - (d) meet with the external auditor without management, at least annually, to discuss the association's financial statements, and the external auditor's report, and
 - (e) review and advise the Board with respect to the plan, conduct and reporting of the annual external audit, including but not limited to the following:
 - (i) any difficulties encountered, or restriction imposed by management, during the annual audit,
 - (ii) any significant accounting policies or financial reporting issues, alternative GAAP methods discussed with management, ramifications and external auditors' preferred alternative, and any other material written communications with management
 - (iii) the external auditor's evaluation of the association's system of internal controls, procedures and documentation
 - (iv) the post audit or management letter containing any findings or recommendations of the external auditor including management's response thereto and the subsequent follow-up to any identified internal control weaknesses
 - (v) any significant disagreements between management and the external auditor with regard to financial reporting
 - (vi) any other matters that the external auditor brings to the attention of the Audit Committee, and
 - (vii) any issues relating to review or appointment of external auditors.
 - (f) ensure that direct and open communication exists among the Audit Committee, the external auditor.

2.6 Committee Objectives

In consultation with the Board Chair, formulate annual objectives for the Audit Committee for each fiscal year and review progress against them at least annually.

2.7 Other

The Audit Committee will also:

- (a) annually review insurance coverage of significant business risks and uncertainties
- (b) review an annual report of any litigation matters that could significantly affect the financial statements
- (c) review regular reports from the CEO on regulatory compliance matters
- (d) carry out such other duties as may be determined from time to time by resolution of the Board.

The Audit Committee Chair will also:

- (a) be a member of the Executive Committee

(b) act as Chair of the CEOs Evaluation Committee.

The Audit Committee will have access to management and association documents as required. It will also be provided with the resources necessary to carry out its responsibilities. The Audit Committee may engage independent counsel and other advisors and set and pay the compensation for any advisors so engaged.

3. Committee Membership

The Audit Committee shall be composed of not fewer than three Board members and two non-Board members, and one additional position will be designated for a medical learner (resident or student). If there are no expressions of interest for the medical learner position the seat will be left vacant, and the committee will seek expressions of interest for the following year. All members of the Audit Committee shall meet the standard of financial literacy, which entails the ability to read and understand financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Association's financial statements. All committee members shall be independent of management of the association. At least one committee member shall have accounting or financial management expertise.

The Chair of the Audit Committee will be a Board member appointed by the Board.

Any Board member who is a member of the Audit Committee may be removed and replaced at any time at the pleasure of the Board.

Committee Chair

The chair is responsible for the leadership of the committee and ensuring that the business of the committee is carried out efficiently, effectively, and in an appropriate manner.

The following skills are required:

- Strong leadership skills (communication, ability to motivate, positivity, integrity, responsibility, etc.),
- Strong organizational skills,
- A sense of diplomacy and democracy,
- Excellent facilitation skills, including the ability to:
 - encourage active participation by all committee members,
 - summarize the discussions, and
 - ensure all items are brought to a suitable resolution.

Duties include:

- Working with staff to schedule dates and locations of committee meetings,
- Facilitating committee meetings,
- Allowing the additional time required to plan and prepare for meetings,
- Reviewing meeting agendas and material in advance of the meeting,
- Ensuring minutes are complete and accurate and reviewed at the next meeting,
- Attending an orientation for new committee chairs with the chair of the Board and staff (and attending annual refreshers as needed),
- Ensuring the committee is aware of its responsibilities under the Code of Conduct/ Conflict of Interest Policy and the Respectful Workplace Policy (annual overview with the committee),

- Becoming familiar with the potential conflicts of interest by reviewing conflict of interest declarations submitted by the committee members at the beginning of the year,
- Liaising or conferring with the Board Chair as required for advice or guidance on governance matters or in response to a request from the Board Chair,
- As needed, providing Committee members with feedback and coaching regarding their participation and performance on the Committee; and
- Only voting in the event of a tie.

Ex-Officio Members

The President, President-Elect and CEO are ex-officio, non-voting members of the Committee.

The Board Chair shall not serve as a member of the Audit Committee but may attend Audit Committee meetings. Board members who are not members of the Audit Committee may attend committee meetings but will not have the right to vote on matters requiring decisions.

Terms

The standard term for Committee members will be a maximum of two consecutive (2) three (3) year terms, unless otherwise agreed upon by the Board. Terms of office may have staggered end dates to ensure a required level of continuity.

Staff Resources

The Director, Partnerships & Finance, Manager, Financial Services and Payroll & Finance Administrator are assigned to the committee as a resource and to provide committee support.

<h2>4. Committee Meetings</h2>

The Audit Committee shall meet at least 4 times a year, with additional meetings at the discretion of the Committee Chair.

Quorum

A quorum for the transaction of business at a meeting of the Audit Committee will be a majority of Board members appointed to the Audit Committee. The Committee Chair will vote on matters requiring a decision, and will cast the deciding vote in the event of a tie.

External Auditor

The Audit Committee will have separate private meetings with the external auditors, management or any other persons to discuss any matters that the Committee or these groups believe should be discussed.

The association's external auditor or any member of the Audit Committee, may call a meeting of the Audit Committee.

The external auditor shall attend meetings of the Audit Committee if the external auditor has requested the opportunity to do so or has been requested to do so by an Audit Committee member.

The external auditors may be invited to make presentations to the Audit Committee, as appropriate.

5. Terms of Reference Review and Committee Evaluation

The Audit Committee will complete:

- (a) a review of the committee's terms of reference every two years; and
- (b) a committee evaluation every year.

6. Accountability

The Audit Committee is advisory to and accountable to the Board of Directors. Regular committee reports will be provided to the Board.

7. Committee Timetable

The timetable on the following pages outlines the Audit Committee's annual schedule of activities.

Reviewed by Audit Committee: March 10, 2023

Last approved by Board of Directors: May 12, 2023

Annual Objectives Fiscal YYYY-YYYY

<i>ToR</i>	<i>Annual Objectives</i>	<i>Action required</i>	<i>Meeting Date</i>	<i>Date Completed</i>
2.1	Post-Audit	Review draft audited statements	November YYYY	
2.1	Post-Audit	Review Final audited statements, prepare presentation to Board of Directors	January YYYY	
2.2	Expenses	Review reports summarizing all expense claims over \$5000	April YYYY	
2.4	Investments	Investment performance and reporting presentation	April YYYY	
2.4	Investments	Review investment policy	April YYYY	
2.4	Investments	External review of investment performance	April YYYY	
2.5	Pre-Audit	Engagement Letter, Objectives and scope of audit work, materiality limit, audit plan, proposed fees, timetable	September YYYY	
2.5	External Auditors	Review approved appointment of external auditors YYYYFY	April YYYY	
2.6	Orientation	Review terms of reference and approve annual objectives for the audit committee	September YYYY	
2.7	Budget	For information	April YYYY	
2.7	Insurance	Review current insurance policy renewal to determine if coverage held is sufficient, if premium charged is reasonable, and if competitor quotes are required prior to next years' renewal	November YYYY	
	Compliance Requirements	a) Review financial statements b) Review cheque signing policy c) Review procedures for preparing DNS cheques d) Officers' Certificate e) Review honoraria and expense policies f) Review legislative compliance reports g) Review accounts payable & internal control and information system policies h) Review reports summarizing significant payments (>\$100,000) to vendors		