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CATEGORY:	Part IV – Ensure Financial Viability	**PAGE:**	1 of 3
SUBJECT:	**EXTERNAL AUDIT AND SERVICES**		

Purpose and Application

- To set out broad principles of the scope and nature of the services provided by the external auditor to the Hospital.
- To detail the responsibilities of Hospital management, the Audit Committee and the Board pertaining to the external auditors.
- To establish principles and controls designed to provide reasonable assurance that the external auditor maintains independence to ensure objectivity and integrity is maintained, and effective and independent audit(s) are achieved.
- To outline the approvals required for all services provided by the Hospital's external auditors.

Policy

The Audit Committee of the Board of Directors (Board) is responsible for the recommendation, appointment, compensation and oversight of the work performed by the independent external auditor.

The Audit Committee shall consider whether the external auditor is best positioned to provide the most effective and efficient service, for reasons such as familiarity with the Hospital’s business, people, culture, accounting systems, risk profile and other factors, and whether the service may enhance the Hospital’s ability to manage or control risk or improve audit quality. All such factors will be considered as a whole, and no one factor should necessarily be determinative.

As part of this responsibility, the Board is required to pre-approve, upon recommendation from the Audit Committee, all services in excess of the set threshold performed by the external auditor to assure that they do not impair the auditor’s independence and to support compliance with applicable auditor independence standards.. All non-audit services to be provided in excess of $100,000 per engagement by the external auditor shall be pre-approved by the Board. The Board elects to delegate pre-approval authority to the CEO for any one or more individual services for which estimated fees do not exceed $100,000, provided that all such approvals are disclosed to the Audit Committee at its next scheduled meeting.

Monitoring Procedures

The CEO shall report to the Audit Committee with respect to compliance with this policy, as well as disclose the nature of actual audit, audit-related, and non-audit services provided by any external auditor and the associated fees.

On an annual basis, management shall provide the Audit Committee with details of the length of term served and the length of the term remaining of the appointed external audit firm.

The Audit Committee shall annually review the proportion of audit and non-audit fees and any other factors relevant to auditor independence, to ensure that objectivity is maintained.

It should be noted that incumbent auditors are required to report all services provided to the Hospital as part of their annual independence letter and regular reporting to the Audit Committee, regardless of the size of the fees.

Definitions

1. Audit services include all professional services rendered by the Hospital's external auditor for the audit of the Hospital's year-end financial statements or services that are normally provided by the external auditor in connection with the Ministry of Health, Ontario Health (North), and other statutory and regulatory filings or engagement. This includes analysis and interpretation of accounting principles and their application along with advice on accounting policies. An Independent Auditor’s Report is issued.

2. Audit-related services include all assurance and related services (e.g. reviews, specified audit procedures, etc.) that are reasonably related to the performance of the audit of the financial statements other than those reported as audit services. These services could include, but are not limited to:

   a. Reporting on “Other Vote” programs
   b. Reporting on operational programs and services
   c. Consultations with respect to accounting treatment of specific transactions
   d. Reporting on the effectiveness of internal controls.

3. Provision of non-external audit services may include business case analysis, financial projections, and other non-attest engagements. The below guidelines are designed to ensure that non-external audit services provided by the external auditors are not perceived as conflicting with the independent role of the external auditor. Additionally, the external auditor shall not provide services that would result in auditing their own work, assuming a management role, or otherwise impairing independence.

   a. the external auditor will not have any involvement in the production of financial information or preparation of financial statements;
   b. the external auditor will not perform any function of management, or be responsible for making management decisions;
   c. the external auditor will not be responsible for the design or implementation of financial information systems; and
   d. the separation between internal and external audit will be maintained.

Policy Review Log

Date	Activity
September 25, 2018	Issued
June 2, 2020	Reviewed
September 26, 2023	Revised
March 31, 2026	Revised