

Minutes
Board Finance and Audit Committee
Toronto Central Local Health Integration Network

**Wednesday, January 28, 2015
4:00 – 5:30 pm**

Boardroom, Toronto Central LHIN
425 Bloor Street East, 2nd Floor Boardroom, Toronto

Directors: John Fraser (Committee Chair) Carol Perry Angela Ferrante (Board Chair) Maurice Hudon Felix Wu	Staff Resources: Camille Orridge, Chief Executive Officer Raj Krishnapillai, Senior Finance Director and Corporate and Shared Services (CFO) Bill Manson, Senior Director, Performance Management Sue Robertson, Recorder
Guest: Steve Stewart, Deloitte Inc.	

1. Welcome and Call to Order

The Finance and Audit Committee Chair welcomed members and called the meeting to order at 4:00 p.m.

2. Guide to Open Meetings of the Toronto Central LHIN

There were no members of the public in attendance.

3. Approval of Agenda

The Chair invited comments from the Committee regarding the meeting agenda.

Upon Motion duly made and unanimously carried, the Finance and Audit Committee approved the agenda as circulated.

4. Declaration of Conflict(s)

No declaration(s) of conflict(s) were made.

5. Approval of Minutes

The Chair invited comments from the Committee regarding the November 5, 2014 minutes. No issues or concerns were raised.

Upon motion duly made and unanimously carried, that the Finance and Audit Committee approved the minutes of the meeting held on November 5, 2014.

6. LSSO/LHINC Audit Subcommittee – Appointment of Members

John Fraser noted that a recruitment process was undertaken to identify two individuals for membership on the LSSO/LHINC Audit Subcommittee. The Committee received the background information regarding the process to nominate membership to the LSSO/LHINC Audit Subcommittee.

Based on the membership criteria, selection guidelines and principles, the Chair recommended the appointment recommending the re-appointment of Janet Cosier and appointment of Mike Lowther to the LSSO/LHINC Audit Subcommittee.

There being no issues or concerns raised, the following motion was passed:

MOTION:

The Finance and Audit Committee hereby approves the re-appointment of Janet Cosier and appointment of Mike Lowther to the LSSO/LHINC Audit Subcommittee.

John Fraser advised the Finance and Audit Committee that the LSSO/LHINC Audit Subcommittee had reviewed their existing terms of reference and will be recommending some amendments which will be brought forward to a future Governance and Nominations Committee.

7. Annual Audit Plan

The Chair welcomed and introduced Mr. Steve Stewart from Deloitte Inc. Mr. Stewart joined the meeting to present the Annual Audit Plan for the year ending March 31, 2015.

Members received the Audit Service Plans for the TC LHIN, the LHIN Shared Services Office (LSSO) and the LHIN Collaborative (LHINC). The audit of the financial statements of the TC LHIN will include procedures related to both LSSO and LHINC. The Chair noted that the LSSO/LHINC Audit Subcommittee held their meeting today and reviewed and discussed the audit plans for LSSO and LHINC. The LSSO/LHINC Audit Subcommittee recommends that the Finance and Audit Committee approve the audit plans for LSSO and LHINC.

Mr. Stewart reviewed the key elements of the audit service plans. He noted that while there are two separate audit plans, Deloitte will include the TC LHIN, LSSO and LHINC in the consolidated financial statement. The audit approach adheres to applicable professional auditing standards and accordingly, is risk based and tailored to address the significant risks to financial reporting – the audit risks. Mr. Stewart advised the Committee that there will be two separate materiality levels.

In response to a question raised, Mr. Stewart clarified that the Financial Management Branch (FMB) fees are a shared expense for all the LHINs. He clarified that the health service providers receive their LHIN funding through the FMB. The audit includes a review of each of the LHINs approval processes of the health service provider funding allocations.

The Committee Chair noted that Deloitte has been requested to do a review of one contract sample to investigate whether the procurement process was completed correctly and the appropriate approvals were received. The IT contract/procurement process will be reviewed and the results will be provided to the Committee.

In response to a question raised, Mr. Stewart clarified that the Toronto Central LHIN has appropriate internal controls in place related to financial transactions. Raj Krishnapillai noted that a few years ago, the auditor completed a review of the LHINs internal controls and some system changes were implemented as a result of that review.

Camille Orridge, Raj Krishnapillai and Bill Manson left the meeting.

The Committee held a closed discussion with the audit partner, Steve Stewart.

There being no further questions raised, the following motion was passed:

MOTION:

That the Finance and Audit Committee recommends that the Board of Directors approve the 2014/15 Audit Plans for TC LHIN, LSSO, and LHINC.

Steve Stewart left the meeting.

The Board Chair raised a question related to cyber security and how the LHIN manages risks. John Fraser noted that Deloitte will do their usual review as part of the year-end audit. It was agreed that through the LHINs IT provider, management will prepare a preliminary report that lays out the scope of the LHINs risks in the area of cyber security.

8. Q3 Financial Reports

John Fraser noted that the Q3 financial reports were included in the meeting materials. The Committee was asked to table any comments or questions related to the reports.

A question was raised regarding the LHIN balanced budget projection and the issue of a requirement for a balanced budget waiver for Toronto Central CCAC (TC CCAC). In this regard, TC LHIN requested and received approval from the Ministry of Health and Long Term Care (Ministry) for a balanced budget waiver for the TC LHIN. This allowed the TC LHIN to issue a waiver to the TC CCAC with a commitment for the CCAC to achieve a balanced budget by March 31, 2017. This was precipitated by the reduced TC LHIN community funding envelope and the significant impact of Health System Funding Reform (HSFR) on TC CCAC. By allowing TC CCAC to balance over 2 years, the short term impact on client services is minimized.

There being no further questions raised, the following motion was passed:

MOTION

That the Finance and Audit Committee recommends that the TC LHIN Board of Directors approve the Q3 2014/15 Consolidated Financial Results Report (unaudited).

9. Update re TC LHIN Draft Budget 2015-16

The CEO noted that typically, each January, management tables the draft budget and assumptions for review and input by the Committee.

This year, the LHIN is anticipating some budget information and directions from the Ministry of Health through the Ministry Management Committee. (Ministry Management Committee (MMC) is a Ministry driven Committee comprised of LHIN CEOs and the Ministry's senior management team. The Committee typically meets monthly to discuss LHIN/Ministry priorities and direction setting)

MMC will next meet on February 3, 2015. Management recommended that the development of the budget assumptions be done after this meeting has taken place and the LHIN will have more information on the Ministry's directions. The Committee agreed to this approach.

The Finance and Audit Committee will receive the draft budget and assumptions at their April meeting.

10. Draft Delegation Authority Policy and IT Vendor Example

John Fraser noted that further to the last Committee meeting, work has been underway to update the organization's delegation of authority policy. Utilizing a sample template, the Committee received an updated policy for their consideration.

The Committee provided their comments on the policy:

- The policy is more comprehensive than the previous version
- No issues were identified related to the increase in the CEOs signing authority
- It was suggested that travel and hospitality expenses be subject to the travel directive and this will be added to the policy
- It was suggested to add the internal process that is in place whereby there are two signatories for all payments that are processed
- A question was raised regarding the Chair's signing authority level, specifically, on pages 3 and 4; and the provisions that are subject to Management Board Approval.
- It was suggested to refer to the Chair role profile for details related to the Chair's responsibilities (page 5 of the policy).

The Finance and Audit Committee agreed to re-circulate a revised draft of the policy and subject to the Committee's review and approval, the policy would be brought forward to the Board for approval at their next meeting.

The Finance and Audit Committee received information regarding the CompuCom contract as an example of TC LHIN's procurement process. No questions or concerns were raised.

11. Risk Report and CCAC Waiver

The Committee received the risk report which included the TC CCAC risk related to their forecasted funding shortfall in 2014/15 and their need for a waiver to balance over two years to mitigate the impact on patients.

In response to questions, the following points were clarified:

- CCACs are classified as community agencies with an M-SAA and the funding challenges are not dealt with in the same manner. Specifically, they cannot carry over surpluses from one year to the next.
- TC LHIN will provide performance obligations and expectations with respect to the waiver to the TC CCAC.
- TC LHIN and TC CCAC are committed to a performance improvement plan that includes alignment and adjustments to Health System Funding Reform.
- The LHIN and the TC CCAC are committed to maintaining patient service levels. Reductions to patient services levels will not be contemplated until all other options have been exhausted.

12. Contract Update and Board per Diems

The Committee received the contracts updates and board per diem expense reports. No questions were raised.

13. Update re Annual Business Plan (Ministry)

The Committee Chair noted that further to the briefing note in the meeting materials, it is management's goal to bring alignment between the Annual Business Plan and the Strategic Plan. However the reporting format and timelines do not currently align. To meet this goal, options were discussed with the Ministry and they have agreed to the use of the updated Strategic Plan as the framework for our new Annual Business Plan. To allow for the use of this information in the new Annual Business Plan the associated timeline needs to be modified to align with the strategic refresh timeline.

To that end, management requested agreement from the Finance and Audit Committee to provide the draft 2015/16 Annual Business Plan directly to the Board of Directors for review in April 2015.

No questions were raised.

14. Finance and Audit Committee Workplan – 2015

The Committee Chair referred members to the Committee work plan in the meeting materials. He noted that the work plan contemplates the Committee's responsibilities as laid out in the terms of reference.

No questions were raised.

15. Other Business

The CEO provided the Committee with an update on the recent discussions and approval of the Shared Services IT budget. The TC LHIN holds accountability for the management of Shared Services. The IT budget for 15/16 was approved by the LHIN CEOs. The CEO advised that no new IT initiatives will be introduced in 15/16. Options will be reviewed through planning for and the development of the business case the next IT contract. The CEO noted that the IT contract RFP requires Cabinet approval.

The CEO will keep the TC LHIN Board updated as this work progresses.

16. Next Meeting

The next meeting of the Finance and Audit Committee is scheduled for April 22, 2015.

17. Termination

The meeting was adjourned at 5:30 p.m.