

BRIEFING NOTE
Toronto Central Local Health Integration Network
Finance and Audit Committee Meeting
May 18, 2016

Agenda Item 1 & 2 – Welcome & Call to Order

The Toronto Central Local Health Integration Network (TC LHIN) welcomes the public to its open Board Finance and Audit Committee meeting. Please refer to A Guide to Open Meetings of the Toronto Central Local Health Integration Network (LHIN).

Link:

<http://torontocentrallhin.on.ca/~media/sites/tc/New%20media%20folder/Board%20and%20Governance/Guide%20to%20Open%20Meetings.pdf>

Agenda Item 3 – Approval of Agenda

TIME	DUR (MIN)	ITEM	TOPIC	PRESENTER/ DISCUSSANT	MOTION REQUIRED
4:00	1	1	Welcome and Call to Order	John Fraser	
4:01	1	2*	Guide to Open Meetings of the Toronto Central Local Health Integration Network	John Fraser	
4:02	1	3	Approval of Agenda	John Fraser	✓
4:03	2	4*	Approval of Minutes - February 10, 2016	John Fraser	✓
4:05	1	5	Declaration of Conflict(s)	ALL	
NEW BUSINESS					
4:06	30	6*	Audited Financial Statements – March 31, 2016 6.1 Briefing Note 6.2 TC LHINs Report on Audited Financial Statements 6.3 Explanation to Notes 10-12	John Fraser	✓
CLOSED SESSION					
4:36	10	7	Committee Discussion with Auditors	John Fraser	
CLOSED SESSION ENDS					
4:46	5	8*	Recommendation re Appointment of Auditors	John Fraser	✓
4:51	5	9*	Risk Reporting Process 9.1 Briefing Note 9.2 Q1 Quarterly MOHLTC Risk Summary	Susan Fitzpatrick	✓
REPORTS					

4:56	10	10*	Q4 Reports 10.1 Q4 MLAA Indicator Report Briefing Note 10.1.1 MLAA Indicator Report 10.2 Q4 Contracts Listing and Procurement Updates Briefing Note 10.2.1 Contract Listing 10.2.2 Procurement Listing 10.3 Q4 Discretionary Funding Report Briefing Note 10.3.1 Discretionary Funding Results Report	Susan Fitzpatrick/Raj Krishnapillai	
5:06	5	11*	2015/16 Year-end Compliance Report	Raj Krishnapillai	
5:11	5	12*	Update on Internal Controls 12.1 Briefing Note 12.2 TC LHINs Internal Controls	Raj Krishnapillai	
5:16	5	13*	Board-governed Agency Attestation 13.1 Briefing Note 13.2 TC LHINs Declaration of Compliance	Raj Krishnapillai	
5:21	1	14*	Board Per Diems Report 14.1 Briefing Note 14.2 Per Diems Report	Raj Krishnapillai	
STANDING BUSINESS ITEMS					
5:22	1	15	Other Business	John Fraser	
5:23	1	16	Next meeting date – September 21, 2016	John Fraser	
5:24		17	Termination	John Fraser	✓

Legend:

- * circulated with Agenda
- ** to be circulated at meeting
- *** to be circulated electronically before meeting

COMMITTEE RESOURCES ATTACHED:

1. Committee Work Plan
2. Committee Terms of Reference

Agenda Item 4 – Approval of Minutes of the Meeting held on February 10, 2016

To be posted to website once approval by Committee.

Agenda Item 5 - Declaration of Conflict(s)

The Committee member(s) shall at this time in the meeting declare any conflict(s) of interest in accordance with the LHIN Conflict of Interest Policy.

Agenda Item 6 – Audited Financial Statements – March 31, 2016

TOPIC: Toronto Central LHIN’s Draft Audited Financial Statements 2015-16

PURPOSE OF THIS AGENDA ITEM

Finance and Audit Committee to review and recommend the approval of the 2015/16 draft audited financial statements.

BACKGROUND:

On February 10, 2016, our auditors, Deloitte presented their year-end audit plan to the Finance and Audit Committee and they carried out the audit on site in the week starting April 25, 2016.

Deloitte will present its audit results report and the combined audited financial statements together with their findings for fiscal 2015/16.

The Board of Directors is required to approve the Toronto Central LHIN’s (TC LHIN) combined audited financial statements.

DISCUSSION:

TC LHIN

Summary of Auditor’s Report

While management of TC LHIN is responsible for the preparation and fair presentation of financial statements in accordance to Canadian public sector accounting standards (PSAS), our auditors will express an opinion of the fair presentation of the financial statements in all material respects, the financial position, results of operations and cash flows in accordance with Canadian PSAS.

The conclusion of the auditor’s report is, Deloitte will issue a clean report on the combined financial statements for the year ended March 31, 2016.

Major contents of the report are:

1. Under *significant audit and fraud risks*, revenue recognition and management override were identified and the results concluded that internal controls were designed and implemented appropriately and there were no material misstatements;
2. Under *business insights*, Deloitte examined accounting and internal controls and no significant deficiencies were identified;
3. Under *uncorrected misstatements and uncorrected disclosure misstatements*, there were no misstatements to correct;
4. Under *significant accounting practices, judgments and estimates*, all selected accounting practices and policies are acceptable under PSAS and the accounting estimates are free of possible management bias and of material misstatement.

Major Highlights of TC LHIN's Draft Audited Financial Statements

On a combined financial position, there are sufficient funds to cover the operations for the next quarter.

HSPs' Operations Transfer Payments

A total of \$4.8B was received from the Ministry of Health and Long-Term Care and flowed to HSPs in 2015-16 with a balanced position, representing 0.8% increase over last year (2014-15: \$4.7B).

TC LHIN Operations

At the end of the financial year, the TC LHIN reported a surplus of \$1,900 (2015: \$2,807) from its operation budget of \$5,535,121 while all the Ministry initiatives balanced their funding and expenditures at the end of the year.

On the expense side, lower than planned salaries and benefits expenses (due primarily to timing of filling vacancies) were offset by higher than planned consulting services and document translation costs.

Major Highlights of LSSO's and LHINC's Financial Statements

LSSO completed the fiscal year 2015-16 in a balanced position from the operation expenses of \$5,657,942 (2015: \$5,823,826).

LHINC also completed the year 2015-16 with a balanced position. The total expenses were \$1,524,614 (2015:\$1,518,229).

The audit fees for the year for TC LHIN is \$15,900, LSSO \$6,200, LHINC \$5,100 and review of internal controls at Financial Management Branch (FMB) of Ministry of Health is \$15,800 totalling \$43,000. The review at FMB is done on behalf of the fourteen LHINs and the funding comes from LSSO budget.

MOTION:

That the Finance and Audit Committee recommends that the Board of Directors approves the Toronto Central LHINs 2015/16 audited financial statements.

Agenda Item 7 – Closed Session

The Committee will have an in-camera discussion with the auditors.

Agenda Item 8 – Recommendation re Appointment of Auditors

TOPIC: Appointment of Auditors for the fiscal year ending March 31, 2017

PURPOSE OF THIS AGENDA ITEM

The Finance and Audit Committee to recommend that the TC LHIN Board of Directors approve the appointment of Deloitte Inc. to conduct the audit for the fiscal year ending March 31, 2017.

BACKGROUND:

In May 2015, the Board had signed a three year contract extension to March 31, 2018 with Deloitte LLP. The fiscal year ended March 31, 2016 is the first year.

DISCUSSION:

Each year, the Finance and Audit Committee is required to pass a motion to make their recommendation to the Board to appoint the auditor for the following year.

The Finance and Audit Committee will then make a recommendation to the TC LHIN Board for the appointment of Deloitte LLP for the provision of audit services for the next fiscal year ending March 31, 2017.

MOTION

That the Finance and Audit Committee recommends that the TC LHIN Board of Directors approve the appointment of Deloitte LLP for the fiscal year ending March 31, 2017.

Agenda Item 9 – Risk Reporting Process

TOPIC: Risk Reporting Process to the Toronto Central LHIN's Finance & Audit Committee

PURPOSE OF THIS AGENDA ITEM

To review current management risk reports and decide on a process for Finance & Audit (F&A) Committee Risk Reporting.

BACKGROUND:

Currently there are two risk reports that are provided to the Finance and Audit Committee:

1. The Ministry of Health and Long-Term Care (MOHLTC) Quarterly Risk Summary:

- LHINs provide a report to the Ministry that outlines the top/significant risks that affect the following areas which are then distributed to the various branches of the Ministry:
 - Risks to Key Government Priorities
 - Risks to Key Local Priorities
 - Health service provider and health system significant risks and issues
- This is one of a series of quarterly reports that the TC LHIN submits to the LHIN Liaison Branch of the MOHLTC at Q1, Q2 & Q3
- The risk to obligations identified in the Ministry-LHIN Performance Agreement (MLAA) previously reported on the Ministry Quarterly report are now reported in the LHIN Stocktake report.

2. The Agency Risk Report (ARR)

- Broadly speaking, the ARR risks are related to LHIN operations and can be divided into 3 categories:
 - **Mandate** - Risks that pose a threat to a LHIN's ability to set and execute its overall strategy; risk of not meeting performance expectations or commitments.
 - **Financial** – Risks related to the LHINs inability to manage its financial resources cost-effectively.
 - **Reputational** – Risk of negative publicity as a result of not meeting commitments; risk of failure to meet expectations of the public, Government or other stakeholders (i.e., employees, providers, patients/clients, media) in an effective, efficient and economical manner.
- The Agencies and Appointment Directive (ADD) requires that all crown agencies develop and submit enterprise risk assessments to their respective ministries.
- The LHIN Board Chair or CEO is required to sign the final document
- There is a more thorough report due in Q2 & Q4 and only high-level risks are reported in Q1 & Q3.

DISCUSSION:

In recent discussions, it was noted that the risk items overlapped and it was challenging to understand which risks needed to be in which report. The MOHLTC Quarterly Risk Summary has functionally become a “heads up” report to the MOHLTC with regard to emerging issues and risks. Its scope focuses mainly on the system and does not account for agency risk, and is only submitted 3 times a year.

The Agency Risk Report contains information that is more closely tied to the accountabilities of the Board of Directors and has a more comprehensive assessment of risks facing the mandate, finances and reputation of the TC LHIN and the larger health care system.

Streamlining the risk reporting will enable the F&A committee to focus on a single report that effectively captures the relevant risks for governors. This will create an effective and efficient mechanism to report relevant risks to the Board of Directors via the Finance and Audit Committee and will also eliminate redundancy.

RECOMMENDATION:

The Management Team has reviewed the purpose and mandate of both risk reports and are recommending that going forward, the Agency Risk Report be the only report that continues to be presented to the F&A Committee.

*Note: the Q1 report has been provided in the meeting materials, pending the outcome of this proposed change and further direction from the Committee and the Board.

MOTION:

That the TC LHIN Finance and Audit Committee recommend that the Board of Directors agree with the proposal that management will continue to submit the Agency Risk Report to the Finance & Audit Committee and discontinue submitting the MOHLTC Quarterly Risk Summary.

Appendix A: Details of Agency Risk Report

The TC LHIN Agency Risk Report:

Broadly speaking for the ARR, risks can be divided into 3 broad categories:

1. **Mandate** - Risks that pose a threat to a LHIN's ability to set and execute its overall strategy. Risk of not meeting performance expectations or commitments.
2. **Financial** – Risks related to the LHINs inability to manage its financial resources cost-effectively
3. **Reputational**- Risk of negative publicity as a result of not meeting commitments. Risk of failure to meet expectations of the public, Government or other stakeholders (i.e., employees, providers, patients/clients, media) in an effective, efficient and economical manner.

Details:

- **Strategic/Policy/Performance** - Risks that pose a threat to a LHIN's ability to set and execute its overall strategy. Risk of not meeting performance expectations or commitments
- **Political Commitment/Stakeholder and Public Perception** - not meeting publicly announced commitments made to meet/further the LHIN's priorities or mandate commitments. The risk of failure to meet expectations of the public, the governments, health service providers and/or other stakeholders in an effective, efficient and economical manner.
- **Governance/Accountability/Organizational** - Inadequate definitions of roles and responsibilities.
- **Legal and Regulatory Compliance** - not complying with applicable laws and regulations. The risk of being unable to meet the terms of the Ministry/LHIN Accountability Agreement or other contractual obligations.
- **Controllershship/Accounting** - poor oversight over the accounting and reporting functions of the organization
- **Service/Operational** - services will not get completed or delivered to quality standards or in a timely manner as expected.
- **Workforce** - related to skill shortage; specialized skills not available, or the agency is unable to attract or retain staff with specialized skills.
- **Information & Information Technology** - risk that information produced or used is incomplete, out-of-date, inaccurate, irrelevant or inadequately protected from inappropriate disclosure. Risk that information or other technology (e.g., architecture, hardware, and software) does not support business requirements, and/or does not support the availability, access, integrity, relevance and security of data and the system.
- **Other** - risk that does not fit in any of the above categories: E.g. corporate social responsibility concerns, organizational Assets (facilities and equipment, personal safety, physical security. Issues relating to third parties that are involved with the agency such as service or goods providers.

Agenda Item 10 – Q4 Reports

TOPIC: TC LHIN MLAA Indicator Report, April 2016 (Data reporting period: FY 2015/16 Q1 –FY 2015/16 Q3)

PURPOSE OF THIS AGENDA ITEM:

Present TC LHIN performance on key health system performance indicators to the TC LHIN Finance and Audit Committee.

BACKGROUND:

As outlined in the Ministry-LHIN Accountability Agreement (MLAA), the Ministry of Health and Long Term Care (MOHLTC) requires LHINs to meet performance targets that are set for each fiscal year. The MLAA indicators consist of 14 key system indicators, where targets are set each year by the Ministry. When determining the performance against targets, the following monitoring scheme is used:

- Green for those targets that are being met
- Yellow for those within 10% of the target
- Red for those targets not being met

KEY CHANGES TO MLAA SCORECARD:

In an effort to supply the most comprehensive data and information possible, supplementary indicators have been included on the Performance Dashboard. The aim is to provide additional data that will contextualize the pre-existing indicators provided by the Ministry, within the TC LHIN environment. Supplementary indicators have been selected through consultation with external stakeholders, including providers as well as inter-LHIN tables. Further details can be found within the report (Slide 2).

PERFORMANCE HIGHLIGHTS:

Total Indicators	Met Target		Within 10% of Target	
	Last Reported	Current	Last Reported	Current
14	1	2	3	3

An integrated approach to manage current performance gaps in line with the new indicators/targets has been developed. A cross-LHIN team has initiated “root cause analyses” and planning activities using a combination of in-depth data analyses and targeted outreach at key stakeholder tables such as the CE/CU Committee. Highlights of recent activity can be found below:

Personal Support and Nursing Services

- TC LHIN has developed a Transition and Flow Strategy whereby low needs and moderate needs clients are transitioning to CSS providers and CCAC is focusing on complex needs clients.
- TC LHIN has engaged TC CCAC to further understand the reasons for the drop in performance for Q2 FY 15/16 (Personal Support Services). This plan will include looking at client availability and understanding the magnitude of the impact that has on overall performance. TC CCAC will provide TC LHIN with performance data based on the patient availability date (PAD) in order to take into consideration patients who prefer to delay their first visit.
- Funding has been provided in 2014-15 and 2015-16 to increase access to nursing services within five days. Base funding was provided to TC CCAC in 2015-16 in the amount of \$459,800 to increase their nursing services maximum.

Hip and Knee Replacements

- TC LHIN is aiming to drive further improvements with wait time standardization, maximizing central intake and capacity planning. There is variation across hospitals in priority assignment which impacts the % of cases being completed within access target. This quarter there is a LHIN initiative to review wait time data quality and identify the source of local variation and any opportunities to achieve standardization. This will better inform LHIN level performance strategies.
- TC LHIN funded 78 Incremental Hip Quality Based Procedures (QBPs) across all providers in FY15/16.
- TC LHIN has engaged in discussions with the TC LHIN Orthopaedics Planning Committee to identify:
 - The appropriate explanatory indicator(s); and
 - An appropriate program to drive quality improvements that impact this service and the MLAA indicator

ALC Days and ALC Rate

- As part of the TC LHIN's Transition and Flow strategy, TC LHIN collaborated with TC CCAC, and six hospitals with the highest ALC days and rates to develop and implement an ALC Avoidance Framework, which has been included as an HSAA obligation in FY 2016/17.

Readmissions for HIG Conditions

- TC LHIN is in the process of reviewing the data to identify the root causes (e.g. Length of Stay for Index and readmit cases, proportion of direct admits vs admits through the ED, 7 day readmission rates). Analysis on readmissions in TC LHIN identified congestive heart failure (CHF), chronic obstructive pulmonary disease (COPD), and pneumonia as areas of focus.
- TC LHIN will aim to expand the UHN model of care for CHF and better care

coordination for COPD.

- While the overall aim is to monitor both the hospital-specific and system level performance and experiences, the Clinical Utilization Clinical Effectiveness (CECU) committee will focus on determining a strategy for selected HIG conditions that presents a system level opportunity to reduce readmission rates in the TC LHIN. TC LHIN is deploying a survey to identify existing initiatives (in TCLHIN or other jurisdictions) that are ready and appropriate to spread across the TC LHIN system.
- Readmissions to own hospital is included as a performance indicator in the HSAA for FY 16/17 which would enable hospitals to better track performance and monitor improvements.

LHIN INFLUENCE ON INDICATOR MODIFICATION

The TC LHIN is actively working with the Ministry to address indicators which have been identified problematic:

- **Personal Support and Nursing Wait Times**
The OACCAC has sent both the Delivery and Implementation Branch, and Health System Accountability and Performance Division of MOHLTC, to consider changing the definition of the five-day wait time measure to account for patient availability and choice by replacing the initial authorization date with a patient availability date (PAD).
- **Repeat ED Admissions for Mental Health and Addictions Conditions**
Last fiscal, the LHIN completed a root-cause analyses of all 14 MLAA indicators and identified Mental Health and Substance Abuse ED readmission as indicators which were significantly impacted by varying degree of patient/client factors. An in-depth analysis of these indicators was subsequently completed in March 2016, where it was confirmed that TC LHIN residents (and Unknown LHIN residents) are most likely to have repeat visits for both Mental Health and Substance Abuse problems, indicating that TC LHIN may have more complex patients than other LHINs. The report recommended further exploration of risk adjustment focusing on comorbidities and concurrent disorders, age group, and identify other factors that can accurately be used for risk adjustment. As part of this ongoing investigation, TC LHIN participates on the MHA Acute Care Alliance Committee which has identified significant issues with these two indicators and are in the process of reviewing and advising on improvements going forward.

TOPIC: Contracts Listing Q4 2015-16

PURPOSE OF THIS AGENDA ITEM

To provide the Finance and Audit Committee with the listing of contracts created between April 2015 and March 2016.

Contract Listing

Quarterly, the Finance and Audit Committee receives an update on TC LHIN contracts.

To the best of their knowledge, management is not aware of any legal litigation actions. Proper insurance coverage are in place.

Procurement updates

Employee Group Benefits

As reported at the meeting in February, this procurement was in progress. The LHIN CEOs agreed to discontinue this procurement and the incumbent provider's contract (Desjardins) was extended to March 31, 2017.

CCAC Lease

To follow on the Q3 note on CCAC lease, TC LHIN has recommended the CCAC's business case for approval from the Ministry and is now awaiting for the final decision.

MOTION

None

TOPIC: Q4 2015-16 Discretionary Funding Allocation

PURPOSE OF THIS AGENDA ITEM

To report the discretionary funding allocation for the 4TH Quarter of 2015-16 to the Finance and Audit Committee.

BACKGROUND

In February 2016, the Board approved the 2016-17 investment plan approach for discretionary funding. In keeping with the LHINs reporting process, TC LHIN is reporting the allocations to the Finance and Audit Committee on a quarterly basis.

TC LHIN has three sources of discretionary funds:

1. Urgent priority funds (UPF);
2. Community investment funds and
3. Surplus reallocation funds from the community sector HSPs.

UPF and surplus reallocation funds are fully discretionary for TC LHIN to allocate and TC LHIN has limited discretion on community investment funds.

The UPF and surplus reallocation funds are allocated as one-time funding (funds used for only one fiscal year) for projects. This is in alignment with TC LHIN's strategic priorities.

Community funds are received and allocated as base funds (once allocated in a fiscal year, the same amount rolls over to the HSP perpetually) which aligns with Ministry conditions and TC LHIN strategic priorities.

Financial Highlights

Allocations

In the fourth quarter, TC LHIN allocated \$5.9M. Total funds allocated to HSPs this fiscal year is \$23.2M. Funding by strategic priority is shown below.

Funding Sources

A further summary of allocation by funding source and by quarter is as below:

Q4 2015-16 Summary Allocation Funding by funding source				
	Urgent priorities funds	Community Investments	Surplus Re-allocation	Total
	\$M	\$M	\$M	\$M
<i>1st QTR Payment Allocation</i>	3.9	0.9	2.4	7.2
<i>2nd QTR Payment Allocation</i>	2.5	3.6	0.1	6.2
<i>3rd QTR Payment Allocation</i>	1.2	0.0	2.7	3.9
<i>4th QTR Payment Allocation</i>	1.5	2.5	1.9	5.9
Total Funds allocated	9.1	7.0	7.1	23.2

Motion:

No motion

Agenda Item 11 – 2015/16 Year-end Compliance Report

TOPIC: Toronto Central LHIN's Annual Compliance Report

PURPOSE OF THIS AGENDA ITEM

To inform the Finance and Audit Committee on the year-end operational and compliance of Toronto Central LHIN

BACKGROUND:

The Toronto Central Local Health Integration Network (TC LHIN) compliance requirements are numerous including the Ministry of Health, internally developed policies and from a broader perspective, the healthcare industry.

Table I below lists a breakdown of compliance sources together with the form of requirement.

Table 1

Originating source	Form of requirement
Ministry of Health & Long-Term Care (MOHLTC) Federal Government	Regulations & Legislation Statutes
MOHLTC, Treasury Board/Management Board of Cabinet and Ministry of Finance	Directives, MOU, Performance Agreements
Hospitals, Healthcare Business Partners, Vendors, or other stakeholders	Contracts & Agreements, Outsourcing
Toronto Central LHIN	Internal policies, procedures, processes, internal controls & internal audit
Healthcare industry	Good business practices. conduct and standards

TC LHIN addresses compliance by assessing the risks and its impact and mitigation based on its framework. The framework supports the Board of Directors in their responsibility for oversight of TC LHIN’s compliance requirements.

As compliance is a form of risk management, TC LHIN has identified the main risks which are:

- strategic and business risks addressed by TC LHIN’s risk management policy
- organizational financial risks which deals with approval of budget, monitoring and reporting
- operational and compliance risks assessed with the development of a framework which includes risk assessment and risk register
- Hazard risks which include health and safety assessment in office setting and adequate insurance coverage

STATUS OF COMPLIANCE

As compliance is an ongoing process, TC LHIN has identified the areas where it has complied or not the applicable directives as summarized below:

Memorandum of Understanding	Complied or not	Status
<u>MOU</u> <ul style="list-style-type: none"> Roles & Responsibilities outlined for TC LHIN and LSSO in relation to administrative policies and procedures, guidelines & directives 	x	Note 1
Regulations and legislation (applicable to TC LHIN)	Complied or not	Status
<u>Labour & Employment Legislation (Human Resources)</u>		
• Employment Standards Act	√	
• Occupational Health and Safety Act (revision- Bill 168)	√	
• Workplace Safety & Insurance Act	√	
• Ontario Human Rights Code	√	
• <i>Labour Relations Act</i> , Pension Benefits Act, 1990, Pay equity Act	√	
• TC LHIN staff orientation booklet, ethics including conflict of interest, code of business conduct	√	
<u>Privacy & Information</u>		
• Freedom of Information & Protection Privacy Act (FIPPA)	√	
<u>Level of Accountability</u>		
• Broader Public Sector Accountability Act, 2010 (BPSAA)	√	
<u>Local Health System Integration Act (LHSIA)</u>	x	Note 1
<u>Other Applicable Legislation- Major ones</u>		
• Accountability, Cash management and internal controls	√	
• Procurement Directive	x	Note 1
• Financial Administration Act (FAA)	x	Note 1 and 2
• Public Sector Disclosure Act, 1996	√	
• Excise Tax Act for provisions for HST	√	
• Payroll deduction-Income Tax Act	√	
• Business Corporations Act	√	
• Transfer Payment Accountability Directive	√	
• Travel, Meal and Hospitality Expenses Directive	√	
<u>Archives and Recordkeeping Act, 2006</u>		

• Records retention and disposal plan	√	
• Records management	√	
Directives, policies and procedures	Complied or not	Status
<u>Ministry of Health</u>		
• Annual Business Plan	√	
• Quarterly reports	√	
• Results based planning	√	
• Service Accountability Agreement (SAA) negotiation and refresh	√	
• Risk report	√	
• Annual reconciliation APTS and MLPA	√	
• Ministry LHIN Accountability Agreement (MLAA)	√	
<u>Mandatory Policies and Procedures</u>		
TC LHIN Policies and Procedures which are based on Ministry Directives and best practices of internal controls. Major ones are:		
• Procurement– applies to all goods and services, including consulting services	√	
• Delegation of Authority	√	
• Travel and expense	√	
• Transfer Payments directive	√	
• Transfer payments funds flowing in 40 days	√	
• Obligations Payments in 90 days to vendors	√	
• Financial internal controls including segregation of duties, conflict of interest	√	
• Fraud and irregularities	√	
<u>Contracts & Administration</u>		
Key elements of contract management described in Procurement Directive above		
• Contract management	√	
• Procurement completion & file management & retention	√	
• Procurement documentation must be complete	√	
<u>Information Technology Standards & Security</u>		
• TC LHIN IT Policies and procedures which are based on the Government of Ontario Information & Technology Standards (GO-ITS)	√	
• Disaster recovery plan for all LHINs	√	

<ul style="list-style-type: none"> General computer controls and applications, specific controls, integrity of information 	√	
<p><u>Directors & Officers (code of business conduct, standard of care)</u></p> <ul style="list-style-type: none"> Indemnification Directive (Ministry of Finance) 	√	

LEGEND for status	
	Complied with applicable sections for TC LHIN during the year and ongoing compliance
	Partial compliance
	No compliance

Note 1

Partial compliance on these regulations and legislation relate to prior years. An insurance contract is in breach of certain provisions of the *Local Health System Integration Act, 2006* (“LHSIA”), procurement directive and the *Financial Administration Act* (the “FAA”) related to contingent liability.

The Ministry had been made aware and all LHINs are disclosing it in their quarterly reporting.

Note 2

This relates to a non-compliance of the new lease extension signed in September 2015 with the Treasury Board and FAA. In addition, there is expectation that upon expiry, the renewal would be done after Infrastructure Ontario, Treasury Board and FAA approvals and would be sought at that time, in year 2020.

CONCLUSION:

TC LHIN is monitoring the framework on an ongoing basis and reporting annually to the Board through the Finance and Audit Committee. The CEO and Senior Directors complete their Declaration of Compliance on a quarterly basis.

All the above partial compliance to directives relates to the insurance contract and lease contract that are disclosed in the CEO Compliance report.

MOTION

No motion required

Agenda Item 12 – Update on Internal Controls

TOPIC: TC LHIN's Update on Internal Controls

PURPOSE OF THIS AGENDA ITEM

To provide the Finance and Audit Committee with an update of the internal controls in Finance at TC LHIN.

BACKGROUND:

Based on the new "Agencies & Appointments Directive" issued In October 2015, TC LHIN must confirm annually that it has complied with legislation, directives, policies as applicable and has an effective system of internal controls which supports the integrity and reliability of its financial reports.

DISCUSSION:

Internal controls are important and an effective internal control provides reasonable assurance that TC LHIN is achieving operational efficiency and effectiveness, reliable financial reporting, compliance with regulations, directives and internal policies.

In light of the new directive with strong lens on internal controls, TC LHIN has reviewed its existing internal control and developed an internal control document highlighting the purpose of internal control, responsibilities, framework and current status. As a conclusion, additional controls have been implemented in investment decision making, central documentation supporting investments and a new policy on transfer payment commitment will be developed.

TC LHIN's Segregation of Duties

There are four general categories of duties or responsibilities that fall under segregation of duties: authorization or approval, custody of assets, record keeping, and reconciliation.

TC LHIN's internal controls ensure to the extent possible that key accounting duties are segregated among the CFO, Financial Analysts, Business Manager, and Receptionist.

1. The accounting duties, including payroll processing are segregated among various staff, particularly the Senior Director who approves transactions are not allowed to record transactions in the accounting software and have custody of assets.
2. Financial Analyst, who keys invoices (record keeping), is not allowed to approve transactions.
3. Financial Analyst, who record journals, is not allowed to approve journal transactions and have custody of assets.
4. Financial Analyst, who performs bank reconciliation, is not allowed to approve transactions, as well have custody of assets. - The bank reconciliation should be approved by the Senior Financial Analyst and the CFO.

5. Reporting Financial Analyst, who prepares and analyzes the financial statements, must have the Senior Director review the financials.
6. Staff requesting purchases has approval of their director and is not receiving the goods. The receptionist is receiving them.
7. Receptionist (who is not involved in printing a cheque), mails out the cheque

A minimum of two staff at TC LHIN are involved in the process of issuing cheques, and a combination of two persons will sign the cheques for payment, based on the delegation of authority policy. In addition, a designated cheque printer is stationed in a locked office room and cheques will be logged and controlled by the Office Administrator.

Furthermore, the vendor master files are periodically reviewed to ensure that no unauthorized vendors exist in the accounting system.

On a regular basis, the finance policies and procedures, finance administration handbook which outlines all the accounting procedures and internal controls are updated. Based on the review and update, management is confident that adequate internal controls are in place.

It should also be noted that at TC LHIN there has always been the Fraud and Irregularities policy for staff to confidentially report. This policy is available to all personnel and is oriented to all new employees within the code of conduct rules. Existing employees are required to review the code of conduct annually and submit their signed disclosure form and acknowledgement.

MOTION:
None

Agenda Item 13 – Board-governed Agency Attestation

TOPIC: TC LHIN's Board-governed Agency Attestation (CoA)

PURPOSE OF THIS AGENDA ITEM

To inform the Finance and Audit Committee on the internal processes involved in the signing of the annual Board-governed Agency Attestation by TC LHIN's Board Chair, Chief Executive Officer and Chief Financial Officer before submission to Ministry of Health and Long Term Care (MOH).

BACKGROUND:

In October 2015, the "Agencies & Appointments Directive" was issued and outlined the accountability framework and mandatory requirements for Board-governed provincial agencies.

TC LHIN must confirm on an annual basis that:

1. It is in substantial compliance with all applicable legislation, regulations, directives and

- policies;
2. It has maintained an effective system of internal controls and
 3. The system of internal controls supports the integrity and reliability of the agency's financial reports.

While the year-end compliance in Agenda item #11 deals with point 1 above, the CoA focuses on internal controls.

Process for signing the CoA

In order to obtain signatures on the CoA, the following processes are being undertaken:

1. Senior Management signs the directives and legislation compliance checklist on a quarterly basis
2. Throughout the year, Finance department monitors internal controls and review controls, policies and procedures on a regular basis and ensures that segregation of duties are adequate
3. A self-assessment checklist in major financial cycles has been completed and signed off by the CFO.
4. An internal control document was prepared establishing framework, responsibilities and was forwarded to the auditors for feedback. The last update on internal controls was upon the change in accounting software and update will be done on a needs basis.
5. TC LHIN completes a LHIN declaration of compliance process as per Attachment A.

Based on the above, TC LHIN has sufficient documentary evidence to support the Board Chair's, CEO's and CFO's sign offs on the annual CoA.

ATTACHMENT:

Attachment A: TC LHIN's Declaration of Compliance (for information)

MOTION:
None

Agenda Item 14 – Board Per Diem Report

TOPIC: Board per Diems and Expense Claims – 2015-16

PURPOSE OF THIS AGENDA ITEM

To provide the Finance and Audit Committee with an update on the Board per diems and expense claims for 2015-16 as of March 31, 2016.

Board per Diems and Expense Claims

The summary and detailed Board of Directors per diems, travel and other expenses for Q4 2015-16 is provided to the Committee quarterly.

The detailed list shows month by month claims by each Board member from April 2015 to March 31, 2016.

MOTION:

None

Agenda Item 15 – Other Business

Other business will be tabled at the meeting as requested by the Committee members.

Agenda Item 16 – Next Meeting Date

The Finance and Audit Committee will meet next on Wednesday, September 21, 2016, 4:00 pm to 5:30 pm.

Agenda Item 17 - Termination

Finance and Audit Committee meeting to terminate upon completion of business.