



HALIFAX HEALTH

TO: Jeff Feasel, President and Chief Executive Officer
FROM: Eric Peburn, Executive Vice President and Chief Financial Officer
CC: Lisa Tyler, Corporate Controller
DATE: April 23, 2018
RE: External Audit Engagement

Halifax Health received an engagement proposal from RSM to provide an independent external audit as requested by the Committee at the February 28th meeting. The proposal is for audit services for fiscal years 2018 and 2019 and reflects a 3% increase in fees for each year. The proposed fees for 2018 and 2019 are \$206,500 and \$213,000 respectively. RSM's previous engagement was for five fiscal years 2013 through 2017 with no increase during those years. We recommend accepting RSM's proposal.

Halifax Hospital Medical Center Audit Committee Charter of the Audit and Finance Committee

I. PURPOSE

The Halifax Hospital Medical Center (Halifax) Audit Committee is responsible for assisting the Board of Commissioners in fulfilling its oversight responsibilities relative to auditing, the financial reporting process, and supporting a reliable system of internal controls. In doing so, it is the responsibility of the Audit Committee to maintain free and open communication between the Board of Commissioners, the internal auditors, the external auditors, and the senior management of Halifax.

The Audit Committee is established pursuant to the provisions of the Sarbanes-Oxley Act. The Audit Committee shall recommend and adopt specific portions of Sarbanes-Oxley, even though Halifax is not subject to the provisions of Sarbanes-Oxley.

II. AUTHORITY

The Audit Committee has authority to conduct or authorize investigations into any matters. It is empowered to:

- Appoint, compensate, and oversee the work of the public accounting firm employed by Halifax to conduct the annual audit.
- Resolve any disagreements between management and the auditor regarding financial reporting.
- Pre-approve all auditing and permitted non-audit services performed by Halifax's external audit firm.
- Retain independent counsel, accountants or others to advise the committee or assist in the conduct of an investigation.
- Meet with the Halifax officers, external auditors or outside counsel as necessary.

III. COMPOSITION AND QUALIFICATIONS OF MEMBERS

The Audit Committee will consist of a minimum of five members with at least one member being a member of the Board of Commissioners. The Audit Committee Chair will be selected by the Chair of the Board of Commissioners and approved by the Board of Commissioners. At least one member of the Audit Committee will be a financial expert (as defined by Sarbanes-Oxley) approved by the Board of Commissioners. All Audit Committee members will be independent of Halifax Hospital Medical Center management.

Audit Committee members shall serve initial terms of one year, but shall continue to serve until a successor is appointed and accepts the appointment. Reappointment terms shall be for a period of two years. Each member of the Audit Committee shall have the right to exercise one vote.

**Halifax Hospital Medical Center
Audit Committee Charter
of the Audit and Finance Committee**

IV. MEETINGS

The Audit Committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require. All Committee members are expected to attend each meeting, in person or via teleconference. Attendance of 50% of the members shall constitute a quorum. The committee will invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared.

V. RESPONSIBILITIES

The Audit Committee will carry out the following responsibilities:

A. Financial Reporting Process

- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- Review with management and the external auditors the results of the audit, including any difficulties encountered, and all matters required to be communicated to the committee under generally accepted auditing standards.
- Review the annual financial statements, and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles.
- Understand how management develops interim financial information, and the nature and extent of internal and external auditor involvement.
- Understand the financial reporting process.

B. Internal Control

- Consider the effectiveness of the Halifax internal control system, including information technology security and control.
- Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.

Halifax Hospital Medical Center Audit Committee Charter of the Audit and Finance Committee

C. Internal Audit

- Review with management and the Director of Audit Services:
 - the annual audit plan and progress on the annual audit plan;
 - audit reports;
 - audit follow-up results;
 - staffing; and
 - organizational structure of the internal audit function.

The activities of the Audit Services department shall be presented to the Audit Committee on a quarterly basis.

- Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the Director of Audit Services.
- Review and approve performance evaluations and salary increases for the Director of Audit Services.
- Review the audits of the business practices of the CEO.
- Request special audits when deemed necessary.

D. External Audit

- Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit.
- Review the performance of the external auditors, and recommend to the Board the appointment or discharge of the auditors.
- Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and Halifax, including non-audit services, and discussing the relationships with the auditors.
- Ensure the rotation of the primary external audit partner every five years, as specified under Sarbanes-Oxley per review of Audit Committee.
- ~~Ensure that no personnel employed by the external auditor are hired in certain key financial oversight positions (CEO, CFO, controller, etc.) within a year of working on the audit, unless approved by the Audit Committee, in compliance with Sarbanes-Oxley.~~
- ~~Assure that the external auditors understand that their accountability is to the Board of Commissioners and the Audit Committee.~~
- Review the following with the external auditors and/or management:
 - Draft of the audit report;
 - Management Letter; and
 - Matters required to be communicated to the Audit Committee by the Statements of Auditing Standards, including audit adjustments made and passed.

E. Reporting Responsibilities

- Regularly report to the Board of Commissioners about Committee activities, issues, and related recommendations.
- Provide an open avenue of communication between the internal auditors, the external auditors, and the Board of Commissioners.

**Halifax Hospital Medical Center
Audit Committee Charter
of the Audit and Finance Committee**

- Review any other reports Halifax issues that relate to Committee responsibilities.

F. Risk Assessment

- Inquire of management, the internal auditors and the external auditors concerning significant risks or exposures and assess the steps management has taken to minimize such risk to Halifax Hospital Medical Center.

G. Other Responsibilities

- Perform other activities related to this charter as requested by the Board of Commissioners.
- Institute and oversee special investigations as needed.
- Review and assess the adequacy of the Committee charter annually, requesting Board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
- Complete an annual self-assessment to confirm that all responsibilities outlined in this charter have been carried out.
- Provide sufficient opportunity for the internal auditors and external auditors to meet with the members of the Audit Committee without members of management present.
- Monitor management's corrective action taken on issues identified in Management Letters and Internal Audit Reports.