

TITLE:	External Audit and Non Audit Services		
Manual/Policy #:	Board of Directors IV-9	Division:	CPDMH
Original Issue:	November 2021	Issued by:	Board Chair and Board Secretary
Previous Date Reviewed:		Approved by:	Board of Directors
Last Date Reviewed:	November 2021	Cross References:	

1. POLICY STATEMENT:

The Carleton Place & District Memorial Hospital (CPDMH) believes that effective independent audits are both an important financial control measure and a key means of demonstrating accountability to stakeholders.

2. SCOPE:

This policy applies to all professional services which are or may be rendered by the CPDMH's External Auditor.

3. GUIDING PRINCIPLES:

N/A

4. DEFINITIONS:

Auditor independence requires the External Auditor and his/her firm and members of his/her firm to be and remain free of any influence, interest or relationship which, in respect of the engagement, impairs the professional judgment or objectivity of the member, firm or a member of the firm or which, in the view of a reasonable observer, would impair the professional judgment or objectivity of the member, firm or a member of the firm.

Audit services include all professional services rendered by the organization's External Auditor for the audit of the organization's financial statements or services that are normally provided by the External Auditor in connection with Ministry of Health, and other statutory & 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.

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 are more consultative in nature.

External Auditor performs an audit, in accordance with specific laws/rules, of the financial statements of an organization, and is independent of the entity being audited. Users of these entities' financial information, such as banks, government agencies, and the general public, rely on the external auditor to present an unbiased and independent audit report.

Tax services include all professional services rendered by the external auditor for tax compliance, tax planning & advice, and tax recovery or resolution of tax disputes.

Other services include all professional services rendered by the External Auditor not considered to be audit services, audit related services, or tax services.

5. PROCEDURE:

External Auditor Engagement

The engagement of the External Auditor including associated fees must be approved annually by the Members of the Corporation. All audit and audit related services are considered to be included in this annual approval.

On an annual basis, the External Auditor must confirm its independence to the JFRAC for audit and audit related services prior to performing the engagement.

Subject to meeting acceptable qualification standards and competitive fees, whenever possible, the External Auditor should be engaged to perform all audit and audit related services required by CPDMH.

Should another audit firm be considered to perform audit services, other than the External Auditor, the business rationale must be documented and approved by the Chief Financial Officer (CFO) and be approved by the Board, before the engagement begins.

A comprehensive formal review of the External Auditor (encompassing performance, independence, and potential partner rotation) will take place with JFRAC at each 5 year interval. The JFRAC can extend the External Auditor's engagement or direct the CFO to establish a process to seek a new External Auditor.

Audit Engagement

All findings from the External Auditor's work must be reported to the JFRAC.

The JFRAC will meet at least twice per year with the External Auditor to discuss the annual audit plan, the findings of the annual audit and any other matters raised by either the JFRAC or the External Auditor. At least once per year, usually after the annual audit, the JFRAC will meet with the External Auditor without Management present.

On a day-to-day- basis, the CFO will act as the liaison between the External Auditor, CPDMH and the JFRAC

Tax Services

Tax services are permitted provided that the independence of the External Auditor is not impaired.

Other Services / Prohibited Services

Other services must be specifically pre-approved on a case-by-case basis and only those services will be considered which would not:

- Impair the independence of the External Auditor
- Cause undue reputational risk to CPDMH

- Diminish competition on future procurement of other services
- Facilitate Management having significant undue influence over external audit reported results

Subject to obtaining pre-approval by the Board, Management may arrange the provision of other services. To ensure integrity of the External Auditor, the External Auditor is restricted from providing services to CPDMH when they act in a capacity where they could be reasonably be seen to:

- function in the role of management
- audit their own work, or
- serve in an advocacy role on behalf of CPDMH

The following other services are prohibited from being performed on behalf of CPDMH:

- Bookkeeping or other services related to the account records or financial statements;
- Financial information systems design and implementation including sign-off;
- Appraisal or valuation services, fairness opinions, or contribution in-kind reports;
- Actuarial services;
- Internal audit functions such as approving the overall audit work plan and/or the performance of audit procedures;
- Management functions (including via staff secondments) such as:
 - Authorizing, approving, executing or consummating a transaction,
 - Having or exercising authority on behalf of CPDMH,
 - Determining which of any recommendation of the External Auditor will be implemented,
 - Reporting in a management role to those charged with governance ;
 - Internal control design and implementation including sign-off.
- Human Resource functions such as searching for candidates, negotiating compensation, or reference checking or testing;
- Broker-dealer, investment advisor, or investment banking services;
- Legal services and litigation support/expert services unrelated to the audit;
- Act as a Delegate of CPDMH's CFO, for approval of the audit reports & special reports as requested by the Ministry of Health;
- Any other service that the JFRAC determines is impermissible.

6. REFERENCES:

Chartered Professional Accountants Canada, Rule 204: Harmonized Rule of Professional Conduct

Trillium Health Partners IV-8 External Audit and Non Audit Services

7. APPENDICES:

N/A

EVALUATION

This policy will be reviewed every two years.