Illustrative
AUDIT COMMITTEE CHARTER

Our board requires the assistance of standing committees to effectively/efficiently meet its obligations, fulfill its responsibilities and perform its roles because: some aspects of governance work are best tackled by small groups; and our board does not have enough time, when it meets, to accomplish everything required of it. Excluding noted exceptions, standing committees are not authorized to formulate policies or make decisions on behalf of our board. Rather, committees are charged with performing governance “staff work” that leverages our board’s time and effort.

purposes

✔ assist our board to fulfill its responsibility for ensuring __[organization name]___financial integrity and credibility

✔ assist our board formulating policies regarding, making decisions about and overseeing __[organization name]___independent audit and internal audit function

tasks

✔ develop an annual committee work plan; forward to the executive committee for review/input and approval

✔ draft policies and decisions regarding financial integrity and credibility; forward to the board for discussion/action

✔ make recommendations to our board regarding audit firm selection, retention and authorization of fees/expenses

✔ review and approve the audit firm’s annual engagement proposal
✓ as needed, meet with the auditor and management to resolve issues regarding financial reporting

✓ review the auditor’s opinion and management letter; forward an assessment and recommendations to the board for discussion/action

✓ facilitate the auditor’s conference with our board

✓ annually, review the independent auditor’s performance; forward an assessment and recommendations to the board for discussion/action

✓ serve as the point-of-contact for the internal auditor with our board

✓ periodically, review internal audit analyses and findings; when warranted, forward an assessment and recommendations to the board for discussion/action

✓ annually, review the internal audit function and project focus/execution; forward an assessment and recommendations to the board for discussion/action

✓ periodically, review all personal expense reimbursements made to the President/CEO and approved by the board chair

✓ review all significant financial communications to external parties (e.g., public, press, lenders, creditors and regulators), ensuring they are prepared in accordance with generally accepted accounting principles and fairly represent ___[organization name]____ financial condition/status

✓ when necessary, review and approve proposals for any non-audit related consulting work to be performed by the audit firm for ___[organization name]___
✔ as requested, serve as a financial “sounding board” and “brain-storming” group for the President/CEO and Chief Financial Officer regarding ___[organization name]___ financial integrity and credibility

✔ as needed, coordinate its work with the board’s finance committee

✔ perform other tasks, dealing with the audit and financial controls, requested by our board

✔ annually, forward a report to the executive committee: detailing the committee’s activities/accomplishment; assessing its performance; making recommendations for alteration in functions/processes/procedures

meetings

✔ the committee will meet without management team members or staff present; when input is needed from management or staff, they will be invited into the meeting to make their presentations and then excused

✔ quarterly, four times per year

✔ expected duration: two hours

✔ agenda books and background materials will be distributed to committee members at least ____ days prior to the meeting

composition

✔ four “independent” community directors

✔ the chair must possess knowledge in financial accounting

✔ non-directors are not permitted to serve on this committee
staffing

✔ professional:
  - accounting/financial consultant (not associated with the external/independent audit firm) on retainer and available to the committee as needed
  - outside legal counsel experienced in corporate/governance law on retainer and available to the committee as needed

✔ administrative(secretarial): individual designated by the President/CEO

NOTES:

A charter assists in directing and structuring committee work. This illustrative charter is crafted for the audit committee of a free-standing hospital board based on current best practices; modifications would need to be made for: health system (parent) boards; boards of hospitals which are system subsidiaries; and boards of other healthcare organizations (e.g., medical group, health plan).

This is an illustration and not meant to be comprehensive or inclusive. It is provided as a template, and point of departure, for formulating your board’s audit committee charter.

The charter is grounded on a model of healthcare organization governance forwarded in Board Work by Dennis Pointer and James Orlikoff (Jossey-Bass, 1999).