[Hospital Name]

*Board of Trustees*

Audit and Compliance Committee Charter

**Purpose**

The Audit and Compliance Committee assists the board in fulfilling its oversight responsibilities: facilitating and ensuring continuous improvement and adherence to finance, accounting, legal and regulatory policies, procedures and practices at all levels of the organization.

**Membership**

The Audit and Compliance Committee chair and committee members shall be appointed annually by the Board Chair. The Committee shall be comprised of [insert number of committee members (e.g. “…shall be comprised of five board members and may include two non-board members whose accounting or finance and legal or compliance experience may assist the Committee in fulfilling its responsibilities)]. None of the Audit and Compliance Committee members shall be members of the Finance Committee and each must be independent and free from any relationship that would interfere with the exercise of his or her judgment as a committee member.

Audit and Compliance Committee members must possess a general understanding of basic finance, accounting and compliance principles and practices. At least [insert number] Committee member(s) must be determined to be a “financial expert”, possessing accounting or related financial management expertise and at least [insert number] Committee member(s) must be determined to be a “legal” or “compliance expert”, possessing legal, compliance or ethical management expertise.

**Meetings**

The Audit and Compliance Committee shall meet no less than [insert requirements for meeting frequency] and more frequently as circumstances dictate to be necessary and appropriate. The committee shall also meet periodically with independent auditors.

Meeting attendance shall include in-person presence, teleconference, videoconference or other electronic presence. The quorum for Audit and Compliance Committee meetings shall be [insert quorum requirement]. Committee action shall require a majority vote of members present.

**Responsibilities**

The Audit and Compliance Committee shall be accountable to carry out the following responsibilities:

***Engagement of Independent Auditor***

* Annually selects and approves the compensation and other terms of engagement for an independent auditor
* Ensures the receipt of written disclosures and letter from the independent auditors regarding the auditors' independence
* Considers rotation of the independent audit firm at least every five years
* Approves any non-audit services proposed by the independent auditor, ensuring such services are compatible with the auditors' continued independence

***Independent Financial Audits***

* **Audit Conduct**
* Reviews and approves scope and plans for conduct of independent audits
* Oversees independent auditor performance
* Oversees audit conduct, including coordination between independent auditors and internal audit in executing audit plans
* Resolves any difficulties an independent audit team encounters during the course of audit work, such as restrictions on the scope of work, access to required information, or significant disagreements with management
* **Audit Report**
* Reviews independent auditor’s report, ensuring that the report:
  + - Reviews all accounting policies and practices used by the hospital
    - Includes all alternative accounting treatments of financial information within generally accepted accounting principles (GAAP) related to material items that have been discussed with management, including the ramifications of the use of such alternative treatments and disclosures and the treatment preferred by the accounting firm
    - Includes other material written communication between the accounting firm and management
* Reviews audit findings, including significant audit adjustments, any "management" or "internal control" letter issued or proposed to be issued by the audit firm to the hospital, accounting adjustments that are noted or proposed by the audit team, but were "passed", and any material financial or non-financial arrangements of the hospital which do not appear on the financial statements of the hospital
* Consults with the independent auditor in executive session about accounting policies and practices, internal controls, audit findings, financial statements and other issues to ensure the integrity of the hospital’s financial matters
* Consults with independent auditor and management about significant risks or exposures, assesses steps to mitigate risks and monitors implementation and effectiveness of corrective steps
* Makes recommendations regarding approval of audit report to the board

***Financial Statements***

* Reviews reports regarding any unusual deviations from prior practice in the preparation of the annual financial results
* Resolves disagreements between management and independent auditors in connection with the preparation of the annual audited financial statements

***Internal Controls***

* Oversees the adequacy, adoption and implementation of the hospital's internal and disclosure controls regarding finance, accounting, legal and regulatory compliance
* Reviews the hospital's accounting policies and auditors' judgments of the quality and appropriateness of accounting policies and financial disclosure practices of the hospital
* Resolves any disagreements over the application of accounting principles

***Legal and Regulatory Compliance***

* Approves adoption of a code of ethics and monitors compliance by board members, management and employees of the hospital
* Sets policies and procedures necessary to ensure the hospital’s compliance with laws, regulations and standards of practice at all levels of the organization
* Reviews the findings resulting from regulatory audits and examinations and monitors implementation of corrective action plans
* Ensures Board education on ethical and compliance issues
* Monitors and makes recommendations to the board concerning programs to bolster the morale of the organization and instill in employees a feeling of pride in the hospital

***Risk Management***

* Monitors the prevention, detection and resolution of actions that do not conform to legal, policy or business standards
* Sets policies and procedures with respect to risk assessment and risk management, including significant financial risk and security breach exposures, and oversees actions to monitor and control such exposure
* Sets policies and procedures for the confidential and anonymous submission by hospital employees of concerns regarding questionable accounting or auditing practices or other matters of legal and ethical compliance (whistleblower)
* Reviews with management and legal counsel any pending legal proceedings or investigations, compliance issues or other contingent liabilities that could have a significant impact on the hospital, ensuring development and implementation of effective corrective actions

***Additional Responsibilities***

* Sets policies and procedures consistent with applicable law regarding the hiring of employees or former employees of the hospital's independent auditors
* Sets policies and procedures for review of executive compensation and benefits
* When necessary and appropriate, initiates and oversees special investigations

***Committee Performance***

* Conducts an annual review and evaluation of the committee’s performance, including its compliance with this charter.

**Reporting**

Reports to the Board of Trustees

**Date of Board Approval:**

**Dates of Reviews and/or Revisions:**

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