



PROFMED AUDIT COMMITTEE CHARTER

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1 CONSTITUTION

- 1.1 The reason the scheme has established a Committee known as the Audit Committee ("Committee") is to assist the Board of Trustees in the discharge of its oversight responsibilities. It reviews the financial reporting process, the system of internal control and management of financial risks, the audit process and the process for monitoring compliance with laws and regulations and the Code of Conduct. In performing its duties, the Committee maintains effective working relationships with the Board, management and the external and internal auditors.
- 1.2 The Committee is an aid to the Board and carries no executive powers or authority, other than to advise the Board and to make recommendations. The Committee should, accordingly, not perform any management functions or assume any management responsibilities.
- 1.3 The Committee should make recommendations to the Board for its approval or final decision. The membership, resources, responsibilities and authorities (composition, functions and operation) of the Committee to perform its role effectively, are stipulated in this Charter, which may be amended by the Board of Trustees from time to time.
- 1.4 The Committee should review the operational and business risk reports of the GSR Committee and review the governance processes adopted by the Board of Trustees and make recommendations thereon.
- 1.5 The overall objective of the Committee is, inter alia, to ensure that the financial reporting of the scheme is accurate and timely and that the risks faced are adequately managed.

2 MEMBERSHIP

- 2.1 The Committee shall consist of:
 - Minimum of two trustees
 - Three additional independent members with appropriate financial literacy.
- 2.2 The Principal Officer shall attend meetings but shall not have voting rights.
- 2.3 Each member should make a unique and valuable contribution to the Committee. A diverse outlook among members is also desirable, since a uniform point of view could lead to overemphasis in one direction. Attributes that each committee member should possess include:
 - 2.3.1 Integrity;
 - 2.3.2 Independence;
 - 2.3.3 Recognition of the Committee's significant role;
 - 2.3.4 Dedication and commitment of time and energy;
 - 2.3.5 Understanding of their role and the roles of management, internal and external audit;
 - 2.3.6 Knowledge of the business, its products and services to identify the key risk areas and the controls over them and to challenge both the line management and internal and external auditors on critical and sensitive issues;
 - 2.3.7 Inquisitiveness and independent judgement (asking the right questions and interpreting the answers);
 - 2.3.8 Ability to offer new and different perspectives and constructive suggestions;
 - 2.3.9 Financial literacy and the ability to read and understand basic financial statements as they affect Profmed.
- 2.4 At least one member or attendee of the Committee should be financially literate in terms of the most recent applicable accounting and other reporting standards.
- 2.5 The Board should ensure periodically that the mix of characteristics, experiences and skills of Committee members provides an appropriate balance necessary for the Committee's successful performance.
- 2.6 The Committee is responsible for overseeing the financial reporting process and, in doing so, it often must question the judgement of management or take positions that may be contrary to those of

management or the Board. It must act in favour of the member and other stakeholders and other users of the financial statements. Because of this oversight role, there is no doubt that independence is essential for the Committee to effectively function. This independence is supported and embraced by the Board.

- 2.7 The chairman shall be appointed by the Committee from time to time. The chairman should possess the characteristics as set out in 2.2 above as well as strong leadership qualities, objectivity, and the ability to promote effective working relationships among Committee members and with others such as management and internal and external auditors.
- 2.8 The secretarial duties shall be the responsibility of the Executive Office of Profmed.

3 TERMS OF REFERENCE

The Committee will perform all functions required of it by law. In addition, its responsibilities will include, but not be limited to, the following:

3.1 Internal Control

- 3.1.1 Evaluate whether or not management is setting the appropriate “control culture” by communicating the importance of internal control and the management of risk and ensuring that all employees have an understanding of their roles and responsibilities;
- 3.1.2 Focus on the extent to which the internal and external auditors review computer systems and applications, the security of such systems and applications and the contingency plan for processing financial information in the event of a systems breakdown;
- 3.1.3 Ensure the internal and external auditors keep the Committee informed about fraud, illegal acts, deficiencies and breakdowns in internal control;
- 3.1.4 Gain an understanding of whether or not internal control recommendations made by the internal and external auditors have been implemented by management;
- 3.1.5 Make recommendations to the Board regarding internal controls.

3.2 Financial Reporting – General

- 3.2.1 Gain an understanding of the current areas of greatest financial risk and how management is managing these;
- 3.2.2 Review significant accounting and reporting issues, including recent professional and regulatory pronouncements and understand their impact on the financial statements;
- 3.2.3 Ask management and the internal and external auditors about significant risks and exposures and the plans to minimise and manage such risks;
- 3.2.4 Review any legal matters which could significantly impact on the financial statements.

3.3 Financial Reporting – Annual Financial Statements

- 3.3.1 Review the annual financial statements and determine whether or not they are complete and consistent with the information known to Committee members; assess whether the financial statements reflect appropriate accounting principles;
- 3.3.2 Pay particular attention to complex and unusual transactions;
- 3.3.3 Focus on judgement areas, for example, those involving valuation of assets and liabilities and other commitments and contingencies;

- 3.3.4 Meet with management and the external auditors to review the financial statements and the results of the audit;
- 3.3.5 Review the whole annual report and consider whether or not the information is understandable and adequate and consistent with members' knowledge about Profmed and its operations;
- 3.3.6 Consider management's handling of proposed audit adjustments identified by the external auditors;
- 3.3.7 Consider proposed changes in accounting policies or their application, the reasons for changes, the effect of the changes on the current and future financial statements and the external auditor's views on these.

3.4 Internal Audit

- 3.4.1 Review the activities and organisational structure of the internal audit function and ensure no unjustified restrictions or limitations are made;
- 3.4.2 Review the effectiveness of the internal audit function;
- 3.4.3 Meet separately with the internal auditors to discuss any matters that the Committee or auditors believe should be discussed privately;
- 3.4.4 Ensure that significant findings and recommendations made by the internal auditors are received and discussed on a timely basis;
- 3.4.5 Ensure that management responds to recommendations by the internal auditors;
- 3.4.6 Review and approve the internal audit plan;
- 3.4.7 Consider differences of opinion between management and the internal auditors and their resolution;
- 3.4.8 Review the attributes of internal audit personnel and advise the Board on the appointment and dismissal of the internal auditors;
- 3.4.9 Review the internal audit budget fee.

3.5 External Audit

- 3.5.1 Review the external auditor's proposed audit approach and scope and ensure no unjustified restrictions or limitations have been placed thereon;
- 3.5.2 Consider the independence of the external auditors and ensure that no other services are provided by them;
- 3.5.3 Review the performance of the external auditors and make recommendations to the scheme regarding their reappointment or dismissal;
- 3.5.4 Meet separately with the external auditors to discuss any matters that the Committee or auditors believe should be discussed privately;
- 3.5.5 Ensure that significant findings and recommendations made by the external auditors are received and discussed on a timely basis;
- 3.5.6 Ensure that management responds to recommendations made by the external auditors;
- 3.5.7 Review the external audit budget fee.

3.6 Compliance with laws and regulations

- 3.6.1 Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any fraudulent

acts, accounting and any other irregularities;

- 3.6.2 Obtain regular updates from management as well as legal counsel regarding compliance matters, where necessary;
- 3.6.3 Be satisfied that all regulatory and other compliance matters have been considered in the preparation of the financial statements;
- 3.6.4 Review the findings of any examinations by regulatory agencies.

3.7 Compliance with the Code of Conduct

- 3.7.1 Ensure that the Code is in writing and that arrangements are made for all trustees and employees to be aware of it;
- 3.7.2 Evaluate whether management is setting the appropriate “tone at the top” by communicating the importance of the Code;
- 3.7.3 Review the process for monitoring compliance with the Code;
- 3.7.4 Obtain regular updates from management regarding compliance.

3.8 Fraud

- 3.8.1 Assess, monitor and influence the tone of management and reinforce a zero-tolerance policy for fraud.
- 3.8.2 Evaluate management’s process and procedures for:
 - the identification and mitigation of fraud risk, including the measures implemented by management designed to help detect and prevent fraud;
 - screening potential employees, including monitoring whether or not background checks are performed;
 - making significant estimates used in the financial reporting process; and
 - the processing of manual journal entries and the reporting cycle closing process.
- 3.8.3 Provide oversight to management’s internal controls and contemplate the potential for management override of or inappropriate influence over those controls.
- 3.8.4 Compare the reasonableness of financial results with prior or forecast results and consider quarterly analysis of key reserves.
- 3.8.5 Monitor the establishment of a whistleblower process.
- 3.8.6 Provide other insight into and guidance on implementing or strengthening fraud prevention and detection measures.

3.9 Risk Assessment and Governance

- 3.9.1 Ensure that risk assessment and management procedures are satisfactory and implemented;
- 3.9.2 Consider the risk assessment of the Board;
- 3.9.3 Ensure that governance is satisfactory and implemented;
- 3.9.4 Consider whether the governance of the Board is satisfactory and implemented.

3.10 Reporting Responsibilities

- 3.10.1 Regularly update the Board about Committee activities and critical issues discussed, including compliance with this Charter, and make appropriate recommendations;

- 3.10.2 Ensure the Board is aware of matters which may significantly impact the financial condition or affairs of the business;
- 3.10.3 Report on the effectiveness of internal controls in the annual report;
- 3.10.4 Report on whether or not the Committee discharged its responsibilities in terms of the Charter in the annual report;
- 3.10.5 Comment on its evaluation of the financial statements in the annual report;
- 3.10.6 Disclose attendance at meetings by members of the Committee in the annual report.

3.11 Other Responsibilities

- 3.11.1 Perform other oversight functions as requested by the Board;
- 3.11.2 If necessary, institute special investigations and, if appropriate, hire special counsel or experts to assist;
- 3.11.3 Review and update this Charter biennially and receive approval of changes from the Board;
- 3.11.4 Evaluate the Committee's own performance on a regular basis;
- 3.11.5 The chairman to discuss the Committee's evaluation with the Chairman of the Board;
- 3.11.6 Evaluate the governance processes of the Board of Trustees annually.

4 MEETINGS

- 4.1 Meetings of the Committee will be held at least three times per annum and in accordance with Annexure A (Audit Committee Meeting Schedule). Meetings should be organised so that attendance is maximised. The chairman of the Committee may call a meeting at any time.
- 4.2 The notice of each meeting of the Committee, confirming the venue, time and date and enclosing an agenda of items to be discussed, shall other than under exceptional circumstances, be forwarded to each member of the Committee not less than five working days prior to the date of the meeting.
- 4.3 The quorum for decisions of the Committee shall be any three members present and voting on the matter for decision.
- 4.4 The chairman should invite the Chairman of the Board and such executives and senior management of the Administrator or other outsourced Parties as appropriate to attend and be heard at meetings of the Committee.

5 PROCEEDINGS

- 5.1 Unless varied by these terms of reference, meetings and proceedings of the Committee will be governed by the Rules of the Scheme regulating the meetings and proceedings of trustees and committees.
- 5.2 The delegated secretary shall take minutes of meetings. The chairman of the Committee shall report to the Board of Trustees on the decisions and activities of the Committee at the ensuing Board meeting. Minutes of meetings shall be distributed to the Board of Trustees once approved by the Committee.

6 REMUNERATION

- 6.1 Having regard to the functions performed by the members of the Committee, in addition to their functions as trustees in relation to the activities of the Committee, and pursuant to the specific power conferred upon the Board by the rules of the Scheme, members of the Committee who are non-executive members may be paid such remuneration in respect of their appointment as shall be determined by the Remuneration Committee.
- 6.2 Such remuneration shall be in addition to the Board fees and/or other approved fees payable to trustees.

7 COMMITTEE EVALUATION AND PERFORMANCE

- 7.1 The Committee shall undertake a self-evaluation of its own performance and effectiveness from time to time in order to guide any issues for improvement or enhancement in its operation.
- 7.2 This shall be structured and supervised under the guidance of the chairman of the committee and its results discussed with the committee as a whole, and reported to the Board.

8 GENERAL

- 8.1 The Committee, in carrying out its tasks under these terms of reference, may obtain such outside or other independent professional advice as it considers necessary to carry out its duties.
- 8.2 The Board will ensure that the Committee will have access to professional advice both inside and outside the Scheme in order to perform its duties.
- 8.3 The Committee will have access to any information it needs to fulfil its responsibilities.
- 8.4 The Committee will only investigate matters within its mandate.
- 8.5 These terms of reference may from time to time be amended as required, subject to the approval of the Board.

AUDIT COMMITTEE MEETING SCHEDULE

1 AUDIT SCOPE MEETING – YEAR-END MEETING

- 1.1 Gain an understanding of the current areas of greatest financial risk and how management is managing these.
- 1.2 Review significant accounting and reporting issues, including recent professional and regulatory pronouncements and understand their impact on the financial statements.
- 1.3 Ask management and the internal and external auditors about specific risks and exposures and plans to minimize and manage risks.
- 1.4 Review any legal matters that could significantly impact on the financial statements.
- 1.5 Review the external auditors' proposed audit scope and approach and ensure no unjustified restrictions or limitations have been placed on the scope.
- 1.6 Update the Board about Committee activities and make appropriate recommendations.
- 1.7 Ensure the Board is aware of matters that may significantly impact the financial condition or affairs of the business.
- 1.8 Review and approve the external and internal audit budget fees.
- 1.9 Review and approve internal audit plan.
- 1.10 Meet separately with the external auditors to discuss any matters that the Committee or auditors believe should be discussed privately.

2 POST AUDIT MEETING – FIRST MEETING OF THE YEAR

- 2.1 Review the annual financial statements and determine whether or not they are complete and consistent with the information known to Committee members; assess whether the financial statements reflect appropriate accounting principles.
- 2.2 Pay particular attention to complex and unusual transactions.
- 2.3 Focus on judgmental areas, for example those involving valuations of assets and liabilities; litigation reserves and other commitments and contingencies.
- 2.4 Meet with management and the external auditors to review the financial statements and the results of the audit.
- 2.5 Review the other sections of the annual report before its released and consider whether the information is understandable and consistent with members' knowledge about the entity and its operations.
- 2.6 Ensure that significant findings and recommendations made by the internal auditors are received and discussed on a timely basis.

- 2.7 Ensure that management responds to recommendations by the internal auditors.
- 2.8 Review the performance of the external auditors.
- 2.9 Consider the independence of the external auditors, including ensuring that they are not performing any other services for the Board.
- 2.10 Make recommendations to the Board regarding the reappointment of the external auditors.
- 2.11 Meet separately with the external auditors to discuss any matters that the Committee or auditors believe should be discussed privately.
- 2.12 Ensure that significant findings and recommendations made by the external auditors are received and discussed on a timely basis.
- 2.13 Ensure that management responds to recommendations by the external auditors.
- 2.14 Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary actions) of any fraudulent acts or non-compliance.
- 2.15 Obtain regular updates from management and legal counsel regarding compliance matters.
- 2.16 Be satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements
- 2.17 Review the findings as a result of any examinations by regulatory agencies.
- 2.18 Ensure that the Code of Ethics is in writing and that arrangements are made for all Board members and employees to be aware of it.
- 2.19 Evaluate whether management is setting the appropriate "tone at the top" by communicating the importance of the code.
- 2.20 Review the process for monitoring compliance with the code.
- 2.21 Obtain regular updates from management regarding compliance.
- 2.22 Regularly update the Board about Committee activities and make appropriate recommendations.
- 2.23 Ensure the Board is aware of matters that may significantly impact the financial condition or affairs of the business.
- 2.24 Consider changes in accounting policies or their application, the reasons for changes, the effect of the changes on the current and future financial statements and the external auditors' views on these.
- 2.25 Review material adjustments made as a result of the audit.
- 2.26 Meet with management to discuss external audit matters.

3 MID-YEAR MEETING

- 3.1 Consider with the internal and external auditors any fraud, illegal acts, deficiencies in internal control or other similar issues.
- 3.2 Review the activities and organizational structure of the internal audit function and ensure that no unjustified restrictions are made.
- 3.3 Review the qualifications of internal audit personnel and advise the Board on the appointment or dismissal of internal auditors.
- 3.4 Review the effectiveness of the internal audit function.
- 3.5 Meet separately with the internal auditors to discuss any matters that the committee or auditors believe should be discussed privately.
- 3.6 Ensure that management responds to recommendations by the internal auditors.
- 3.7 Update the Board about Committee activities and make appropriate recommendations.
- 3.8 Ensure the Board is aware of matters that may significantly impact the financial condition or affairs of the business.
- 3.9 Perform other oversight functions as requested by the Board.
- 3.10 If necessary, institute special investigations and, if appropriate, hire special counsel or experts to assist.
- 3.11 Review and update the charter; receive approval of changes from the Board.
- 3.12 Evaluate the Committee's own performance annually.
- 3.13 The chairperson of the Audit Committee to discuss the Committee's evaluation with the Chairperson of the Board, in accordance with 3.12 above.
- 3.14 Review the governance and risk processes of the Board of Trustees.