

Audit committee charter

1. Constitution

The Audit Committee shall be a committee of the Board of Southern Cross Medical Care Society.

2. Objectives

The objectives of the committee are to assist the Board in discharging its responsibilities to exercise due care, diligence and skill in relation to oversight of:

1. Financial Functions
2. Internal and External Audit Functions;

3. Membership

The members of the Audit Committee shall comprise members of the Board appointed by the Board.

The number of members of the committee shall be not less than three Directors.

The Board shall appoint a Chairman from the Directors appointed to the committee. The appointee shall not be the Chairman of the Board. At least one Director shall have a financial or accounting background.

4. Meetings of the Committee

A quorum of members of the committee shall be not less than two, one of whom shall be the Chairman.

The secretary to the Board will act as secretary to the Audit Committee. Minutes of all meetings shall be kept.

The Chief Executive Office, the Chief Executive – Health Insurance, the Financial Controller and representatives of the external and internal auditors will attend committee meetings at the invitation of the Chairman. Other members of the management group may be required to attend from time to time at the Chairman's request.

Reasonable notice of meetings and the business to be conducted shall be given to the members of the committee, the Chief Executive Officer, the Chief Executive – Health Insurance, the Financial Controller, and the external and internal auditors.

Meetings shall be held not less than four times a year:

- At the planning stage of the external and internal audit
- before the Directors meet to approve the annual financial statements and annual report
- to undertake an annual review of the committee's objectives, responsibilities and terms of reference; and
- to review the quarterly reports of the internal auditors.

At each meeting the Audit Committee will meet in committee with the external and/or internal auditors as appropriate.

The Audit Committee will meet in committee at the end of each Audit Committee meeting.

Any member of the committee, the Chief Executive Officer, the Chief Executive – Health Insurance, the Financial Controller, the external and or the internal auditors may request a meeting at any time if they consider it necessary.

5. Responsibilities

The responsibilities of the committee are as follows:

Financial Functions

- Review the financial statements with management and the external auditors to determine that the committee is satisfied with the disclosure and content of the financial statements to be published in the Annual Report
- ensure that adequate internal controls are in place
- ensure the Board makes informed decisions regarding accounting policies, practices, and disclosures
- assess the performance of financial management
- oversight of compliance with statutory responsibilities relating to financial and other disclosures
- obtain from the CEO, CE and the FC a formal statement that the annual financial statements present a true and fair view in all material respects and are in accordance with applicable accounting standards
- to review the frequency and significance of all transactions between the entities in the Southern Cross Group and other related parties and assess their propriety
- to recommend and from time to time review the discretionary spending level of the Chief Executive Officer in conducting the day to day affairs of the group, and
- to review any matters referred to it by the Board.

Audit Functions

- Consider and recommend to the Board the selection and appointment of external and internal auditors
- liaise with external and internal auditors
- review the annual audit plan with external auditors and to generally ensure adequate internal controls are in place
- review the annual internal audit plan with the internal auditors
- review of audit findings and annual financial statements prior to the presentation to the Board
- to review and approve the audit representation letter
- to review and approve the audit management letter and to report the findings of the management letter to the Board
- to review internal audit findings.

Risk Management

- Ensure that management has established a risk management framework which includes policies and procedures to effectively identify, treat, monitor and report key business risks
- monitoring policy compliance (both financial and non-financial)
- ensure that the Board receives a report from management that the risk management framework is in place and operating effectively, and, a report on the principal business risks, at least annually
- review key insurance policy terms and cover adequacy and make recommendations to the Board if required
- to review on a quarterly basis the reports of the legal counsel.

6. Authority

The committee is authorised by the Board to investigate any activity within its terms of reference and to seek any information it requires from management.

The committee will have a clear understanding with the external and internal auditors that they are accountable to the Board of Directors and the Audit Committee, who have the ultimate authority to engage, evaluate and, if appropriate, to terminate their services.

7. Reporting Procedures

The committee shall maintain direct lines of communication with external and internal auditors, the Chief Executive Officer, the Chief Executive – Health Insurance, Financial Controller and with management.

The Chief Executive Officer, Chief Executive – Health Insurance and Financial Controller shall be responsible for drawing to the committee's immediate attention any material matter that relates to the financial condition of the company, any material breakdown on internal controls, and any material event of fraud or malpractice.

The minutes of all committee meetings shall be circulated to members of the Board, the Chief Executive Officer, the Chief Executive – Health Insurance, the Financial Controller, and the external and internal auditors.

The committee shall be provided with copies of all correspondence between both the internal and external auditors and the management, and with copies of all reports from the internal and external auditors to management.