

**National Sea Rescue Institute of South Africa "NPC"
Registration No 1967/013618/08
"the Institute"**

Audit Committee Terms of Reference

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1. FUNCTIONS

To assist the Board in discharging its duties relating to:

- The safeguarding of assets
- The operation of adequate systems, control processes and the preparation of accurate financial reporting and statements in compliance with all applicable legal requirements and accounting standards;

Provides a forum for discussing business risk control issues for developing relevant recommendations for consideration by the Board.

2. MEMBERSHIP

- Not less than 2 directors, and (where possible) independent non-executive directors.
- The chairman shall be a non-executive member of the Committee.
- The chairman of the Board shall not be eligible to appointed as chairman of the Committee.
- The Board shall have the power at any time to remove any members of the Committee and fill any vacancies so created.

3. RESPONSIBILITIES

3.1 Auditors and external audit:

The Committee will:

- 3.1.1 evaluate the independence and effectiveness of the external auditors and consider any non-audit services rendered by such auditors as to whether this substantially impairs their independence;
- 3.1.2 evaluate the performance of the external auditors;
- 3.1.3 consider and make recommendations on the appointment and retention of the external auditors and any questions of resignation or dismissal of the auditors;
- 3.1.4 discuss and review, with the external auditors, before the audit commences, the auditors engagement letter, the terms, nature and scope of the audit function, procedure and engagement, the audit fee, and ensure maintenance of a professional relationship between them;

- 3.1.5 negotiate procedures, subject to agreement, beyond minimum statutory and professional duties – there are certain minimum non-negotiable procedures required from the external auditors;
- 3.1.6 agree to the timing and nature of reports from the external auditors;
- 3.1.7 consider any problems identified in going concern or statement of internal control;
- 3.1.8 make suggestions as to problem areas that the audit can address;
- 3.1.9 consider any accounting treatments, significant unusual transactions, or accounting judgements that could be contentious;
- 3.1.10 identify key matters arising in the current years management letter and satisfy itself that these are being properly followed up;
- 3.1.11 consider whether any significant ventures, investments or operations are not subject to external audit;
- 3.1.12 review overall audit role, explore objectives, minimize duplication, discuss implications of new auditing standards and ensure that the external audit fee will sustain a proper audit and provide value for money;
- 3.1.13 agree to the timing and nature of reports from the external auditors; and
- 3.1.14 obtain assurance from the external auditors that adequate accounting records are being maintained.

3.2 Financial Statements

The Committee will examine and review the annual financial statements, the interim reports, the accompanying reports to shareholders, the preliminary announcements of results and any other announcement regarding the company's results or other financial information to be made public, prior to submission and approval by the board, focusing particularly on (and where applicable):

- the implementation of new systems;
- tax and litigation matters involving uncertainty;
- any changes in accounting policies and practices;
- major judgemental areas;
- significant adjustments resulting from the audit;
- the basis on which the company has been determined a going concern;
- capital adequacy;
- internal control;
- compliance with accounting standards, local and international;
- compliance with stock exchange and legal requirements;
- the efficiency of majority adjustments processed at year end;
- compliance with the financial conditions of loan covenants; and

- reviewing special documents such as prospectuses as and when prepared.

3.2 Ethics

There are a number of statutory, common law and other requirements that cover the ethical behaviour of directors, managers and officers of companies. In addition, the company can establish a clearly defined and documented code of ethics. The directors must declare the nature and extent of their interest in contracts.

The Committee will be responsible for:

- monitoring the ethical conduct of the company, its executives and senior officials;
- reviewing any statements on ethical standards or requirements for the company and assisting in developing such standards and requirements;
- compliance with the requirements of the articles of association;
- compliance with the law and regulations of any other applicable statute and of controlling bodies;
- identification of any violations of ethical conduct; and
- environmental and social issues.

The Committee will also give recommendations on any potential conflict of interest or questionable situations of a material nature.

4. REPORTING AND ACCOUNTABILITY

- 4.1 The Chairman of the Committee shall account to the Board for its activities and make recommendations to the Board concerning the adoption of the annual and interim financial statements and any other matters arising from the above responsibilities.
- 4.2 The Chairman of the Committee shall (if required) attend the annual general meeting to answer questions concerning matters falling within the ambit of the Committee.

5. ACTIVITIES OF THE COMMITTEE

In discharging its responsibilities, the Committee will:

5.1 Financial Statements

- 5.1.1 review the quality of financial information, interim and financial statements and other public and regulatory reporting;

- 5.1.2 review the annual report and accounts taken as a whole, to ensure they present a balanced and understandable assessment of the position, performance and prospect of the company;
- 5.1.3 review the external auditors' proposed audit certificate;
- 5.1.4 discuss problems and reservations arising from the audit, and any matters the auditors may wish to discuss (in the absence, where requested by the Committee, of executive directors and any other person who is not a member of the Committee);
- 5.1.5 review the external auditors' management letter and management response; and
- 5.1.6 review the credibility, independence and objectivity of the auditors taking into account their audit and non-audit fees. Where the auditors also supply a substantial volume of non-audit services to the company, the Committee should keep the nature and extent of such services under review, seeking to balance the maintenance of objectivity with value for money.

5.2 Internal Control

- 5.2.1 Review the company's statement on internal control systems prior to endorsement by the Board, and in particular review:
 - 5.2.1.1 the procedures for identifying business risks and controlling their impact on the company;
 - 5.2.1.2 the company's policies for preventing or detecting fraud;
 - 5.2.1.3 the company's policies for ensuring that the company complies with relevant regulatory and legal requirements;
 - 5.2.1.4 the operational effectiveness of the policies and procedures;
- 5.2.2 consider whether or not the objectives, organization, staffing plans, financial budgets and audit plans provide adequate support to enable the Committee to meet its objectives;
- 5.2.3 review such significant transactions not directly related to the Company's normal business as the Committee might deem appropriate;
- 5.2.4 review significant cases of employee conflicts of interest, misconduct or fraud, or any other unethical activity by employees or the company;
- 5.2.5 review the controls over significant risks; and
- 5.2.6 consider other relevant matters referred to it by the Board.

5.3 The Committee, in carrying out its duties under these terms of reference, will have due regard for the principles of governance and code of best practice as contained in the King Report on Corporate Governance for South Africa 2002.

6. RISK

6.1 The Committee, together with the company's legal advisor, will review any legal matters that could have a significant impact on the company's business.

6.2 The Committee will review Management's reports detailing the adequacy and overall effectiveness of the company's risk management function and its implementations by management, and reports on internal control and any recommendations and confirm that appropriate action has been taken.

6.3 The Committee will review the risk philosophy, strategy and policies recommended by Management. The Committee will ensure compliance with such policies, and with the overall risk profile of the Company. Risk in the widest sense includes market risk, which together cover detailed combined risks such as and where applicable:

- 6.3.1 interest rate risk;
- 6.3.2 asset replacement risk;
- 6.3.3 counterparty risk, including provisioning risk;
- 6.3.4 currency and foreign exchange risk;
- 6.3.5 technology risk;
- 6.3.6 price risk;
- 6.3.7 disaster recovery risk;
- 6.3.8 operational risk;
- 6.3.9 prudential risk;
- 6.3.10 reputational risk;
- 6.3.11 competitive risk;
- 6.3.12 legal risk;
- 6.3.13 compliance and control risk;
- 6.3.14 sensitivity risks, e.g. environmental, health and safety;
- 6.3.15 concentration of risks across a number of portfolio dimensions;
- 6.3.16 investment risk;
- 6.3.17 asset valuation risk;
- 6.3.18 other risks appropriate to the business which may be identified from time to time.

6.4 The Committee will review the adequacy of insurance coverage.

6.5 The Committee will review risk identification and measurement methodologies.

6.6 The Committee will monitor procedures to deal with and review the disclosure of information to donors.

- 6.7 The Committee will have due regard for the principles of governance and codes of best practice.
- 6.8 The Committee will liaise with the Board in respect of the preparation of the Committee's report to shareholders as required.

7. MEETINGS

- 7.1 Meetings of the Committee will be held as frequently as the Committee considers appropriate, but it will normally meet not less than three times a year. The Board or any member thereof, including members of the Committee, the external auditors, and the head of internal audit may call further meeting.
- 7.2 Reasonable notice of meetings and the business to be conducted shall be given to the members of the Committee, the Chairman of the Board, the Chief Executive Officer, executives and managers responsible for finance, the head of internal and the external audit partners to make proposals as necessary.
- 7.3 The quorum for decisions of the Committee shall be any two members of the Committee present throughout the meeting of the Committee.
- 7.4 The Chief Financial Officer and senior audit partner in charge of the external audit shall be in attendance at meetings of the Committee and shall have unrestricted access to the Chairman or any other member of the Committee as is required in relation to any matter falling within the remit of the Committee.
- 7.5 The Chairman of the Committee, at his discretion, may invite other executives to attend and to be heard at meetings of the Committee.
- 7.6 The minutes of all meetings of the Committee, or summaries thereof, shall be submitted to the board at the immediate following Board meeting, the agenda for each such Board meeting shall provide an opportunity for the Chairman of the Committee to report orally on any matters of importance as well as on the Committee's findings and shall recommend actions.

8. PROCEEDINGS

- 8.1 Unless varied by these terms of reference, meetings and proceedings of the Committee will be governed by the company's articles of association regulating the meetings and proceedings of directors and committees.
- 8.2 The Committee secretary shall take minutes of meetings. These shall be reviewed and approved by the members of the Committee.

9. AUTHORITY OF THE COMMITTEE

The Committee, in carrying out its tasks under these terms of reference:

- 9.1 is authorized to investigate any activity within its terms of reference;
- 9.2 may, at the discretion of the Committee, require other employees of the company to attend meetings or parts of meetings;
- 9.3 may consult with and seek any information it requires from any employees, and all employees shall be required to co-operate with any request made by the Committee in the course of its duties;
- 9.4 shall at least once a year meet with external auditors without any executive member of the Board in attendance.

10. REMUNERATION

- 10.1 Having regard for the functions performed by the members of the Committee in addition to their functions as directors and in relation to the activities of the Committee and pursuant to the specific power conferred upon the board by the articles of association of the company, members of the Committee shall not be remunerated.

11. GENERAL

- 11.1 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.