

# Financial Management

## External Audit

An external independent audit of Premier's financial reports is conducted annually under the direction of the Audit Committee and reported to the Board. Premier's current external auditors are Ernst and Young.

## Internal Audit

Premier maintains an active internal audit function under the direction of the Audit Committee which reports regularly to the Board regarding the status of this function. . Premier engages KPMG as its internal audit outsource provider. KPMG works with Premier's Chief Financial Officer to administer the day-to-day internal audit operations

### Internal Audit Charter

This charter defines the purpose, authority, scope and reporting requirements of the Internal Audit department.

### Purpose

The purpose of the Internal Audit department is to independently and objectively appraise the operations of Premier, Inc. and its related entities (the Company) as a service to the Board of Directors and Company Management. All audits and reviews will comply with the *Standards for the Professional Practice of Internal Auditing* as well as with the corporate policies and procedures of the Company.

### Authority and Scope

The Internal Audit function is established by executive management at the direction of the Audit Committee of the Board of Directors. The Internal Audit function shall have direct access to Premier's Audit Committee and shall take matters which it believes to be of significant magnitude and importance directly to the Audit Committee. Such matters may include, but are not limited to; evidence of collusion, forgery, material errors, illegal acts, as well as significant management barriers in performing Internal Audit functions. The Internal Audit department has a duty to the Board of Directors to notify the Audit Committee regarding any material errors, irregularities, or control weaknesses. As a matter of policy, reports and findings will be reviewed and discussed with appropriate executive management before being taken to the Audit Committee. For all other matters, including administrative purposes, the Internal Audit function will report to either the Company's Chief Executive Officer or Chief Financial Officer. This reporting relationship ensures independence, promotes comprehensive audits, and assures audit recommendations receive proper consideration.

The Internal Audit department has authority to audit all Company functions, and has unlimited access to all Company activities, records, property, and employees. Limitations of scope, or other serious issues that would impair the Internal Audit function, must be reported directly and immediately to the Audit Committee.

The Internal Audit department must be independent and objective, therefore, they cannot have direct authority, nor responsibility for, the operations or activities they audit. However, the review of proposed procedures and internal controls during development of systems, processes, or policies are appropriate. Suggestions and recommendations to enhance or improve existing systems, processes, and policies are also appropriate.

### **Audit Plan**

The annual audit plan will be developed prior to the beginning of each fiscal year. An overall risk-based approach will be used to develop the audit plan to ensure that the Internal Audit function provides the greatest possible benefit to the Company. Risk categories that will be considered are Financial, Information Technology, Operational, Regulatory, Reputational, and Quality. These risk categories, in conjunction with Premier's business objectives of Creating value for Owners, Improving quality and reducing cost, Facilitating knowledge transfer, Improving organizational health, Growing the enterprise, and Improving financial health, will primarily drive the audit plan.

Other items that will be considered in the ongoing development of the audit plan are the following:

- Significant opportunities to achieve operating benefits
- Major changes in operations, programs, systems or controls
- Major changes in regulatory or other requirements
- Existence of significant known errors, irregularities or control weaknesses
- Results of previous audits
- Requests from management

The Internal Audit department will present a proposed annual audit plan to the Audit Committee for discussion, changes as necessary, and approval. The audit plan will include recommended activities to be audited, the timing of those audits, and the estimated resource needs required for each audit.

### **Reporting**

The Internal Audit department will report significant audit findings to Executive Management and the Audit Committee. Management is responsible for taking action on audit findings and recommendations and must provide the Chief Financial Officer, Internal Audit Department and the Audit Committee, in writing, with an Action Plan which describes appropriate responses to the audit findings and recommendations.

All audit reports are confidential. They should not be distributed outside the Company without authorization from the Chief Financial Officer and the Audit Committee.