AUDIT COMMITTEE REPORT

At present, the Audit Committee comprises three independent non-executive directors, namely SI Stein (Chairman), BC Beaver and S Sithole. In accordance with the committee charter, at the upcoming annual general meeting all three will be up for re-election as members of the Audit Committee.

A short curriculum vitae for each of these directors has been set out in the Directorate section of this integrated report, demonstrating their suitable and relevant skills and experience.

The committee meets at least three times a year. Special meetings are convened as required. Attendance for the year under review is set out in the Corporate Governance section of this integrated report.

An effectiveness evaluation was performed after year-end in terms of which the board satisfied itself that each committee member has the suitable skill and experience to serve on the Audit Committee.

The Audit Committee fulfils the function as an Audit Committee for all subsidiaries in the Group, with the exception of Citadel Life and the Stenham Group of companies. A separate Citadel Life Audit Committee is a requirement of the Long Term Insurance Act. The Stenham Group of companies, as an offshore subsidiary, has a separate Stenham Audit Committee (“SAC”) in view of the size of the Stenham business and the complexities of the offshore environment. The Group Chief Financial Officer is a member of the SAC and the minutes and documents of the SAC are made available to the Group Audit Committee. In addition, the chairman of the SAC presents regular feedback on the functioning and deliberations at the Group Audit Committee as and when required. The Group external auditors attend the year-end SAC meeting via video conference.

The responsibilities of the committee as now formally encapsulated in the revised Audit Committee Charter include:

- Reviewing the internal and external audit reports and annual work plans;
- Reviewing the minutes of the Group Risk & Compliance Committee and discussing significant items raised. The chairman of the Group Audit Committee also chairs the Group Risk Committee;
- Reviewing legal and compliance matters that could have a significant impact on the financial statements;
- Confirming and monitoring the internal audit process and assessing the effectiveness of the internal audit function;
- Monitoring internal control frameworks and procedures, including accounting policies, legislative compliance, regulatory matters and governance;
- Reviewing the effectiveness of the systems of internal control, including IT internal controls and risk management, based on written reports from the Chief Audit Executive;
- Recommending the appointment of external auditors, who in the opinion of the committee are independent of the company, for approval by shareholders at the annual general meeting;
- Approving the remuneration of the external auditors and assessment of their performance;
- Performing an annual assessment of the independence of the external auditors;
- Setting the principles for recommending the use of external auditors for non-audit services;
- Advising and updating the board on issues ranging from accounting standards to published financial information;
- Reviewing the consolidated and separate financial statements;
- Assessing combined assurance from the external auditors, internal auditors and management and ensuring that the combined assurance received is adequate to address all material risks; and
- Monitoring compliance with laws and regulations, via the Group Risk Committee.

The Audit Committee is satisfied with the efficacy and independence of the new independent auditor, Deloitte & Touche, who performed the audit for the year. The rationale behind the appointment of new auditors was the fact that the audit committee and board wanted to satisfy itself that in terms of current thinking around audit rotation, governance and compliance, it is meeting best practice in the industry.

The Audit Committee oversaw the compilation of the integrated report, including appointing individuals with the appropriate skill and experience to assist with its preparation. The committee reviewed the Directors Responsibility Statement in the annual financial statements and concur therewith. A member of the Audit Committee reviews the final report prior to publication.

With the enhancement of the new Auditor’s Report, the Audit Committee has considered and is satisfied with the appropriateness of the key audit matters reported on by the external auditors.

Following the review of the financial statements, the Audit Committee is of the opinion that, in all material respects they comply with the relevant provisions of the Companies Act and IFRS and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), and that they fairly present in all material respects, the results of operations, cash flows and financial position of the company and the Group for the year then ended.

The committee has recommended to the board the entire integrated report for approval. The Audit Committee is of the opinion that it has discharged its functions in terms of its proposed Charter and as ascribed to it by the Companies Act.

The committee has further considered and is satisfied with the expertise and experience of the Chief Financial Officer, RE Katz.

SI Stein
Audit Committee Chairman
Johannesburg
Date: 07 August 2017