

AUDIT COMMITTEE REPORT

AUDIT COMMITTEE REPORT	
Prepared by its chairman, Nigel Payne	
COMPOSITION	INVITED TO ATTEND
<i>Independent non-executive directors:</i> Nigel Payne Anton Botha Nomavuso Mnxasana Dr Suresh Kana	Chairman of the Board CEO CFO Group Company Secretariat Internal Audit External Auditors Financial Services Board



Summary of the Audit Committee’s responsibilities in terms of the Companies Act and King III

Finance function	External auditor and external audit	Financial statements/ Integrated report	Internal financial control/Internal audit	Complaints
Appropriateness and expertise of CFO	Nominate independent auditor for appointment	Review all financial reports	Responsible for appointment, performance and assessment of the internal audit function	Regarding accounting practices and internal audit
Appropriateness and expertise of senior members of the finance team	Determine terms of engagement and fees	Prepare report on how duties are discharged	Approve internal audit plan	Regarding content or audit of financial statements
Annual review of the finance function	Approve nature and extent of non-audit services	Make submissions to Board regarding accounting policies, records and reporting	Make submissions to Board regarding internal financial control	Regarding internal financial controls
		Have regard for factors and risks affecting integrity of integrated report		Any related matters
	Sections 90-92; 94	Section 94	Section 94	Section 94
King III Principles	King III Principles	King III Principles	King III Principles	King III Principles

Oversight role
underpinned by combined assurance model

Composition and meeting procedures	Primary roles and responsibilities
<ul style="list-style-type: none"> During the year under review, three Audit Committee meetings were held. The Audit Committee is composed of its chairman, who is an independent non-executive director, and three other independent non-executive directors, thus satisfying section 94(4) of the Companies Act. The Chairman of the Board, CEO, CFO, director of GRC, Company Secretariat, and representatives of the external auditors and Internal Audit, as well as the Financial Services Board, attend meetings by invitation. The committee is suitably skilled to perform the role required, as reflected in the table below. The collective skills of the committee include an understanding of financial and sustainable reporting, internal financial controls, the internal audit function, the external audit process, corporate law, risk management, IT governance as it relates to integrated reporting, and the governance processes of the Company. However, it is not expected that each member should possess all the required qualifications, skills and experience. The Chairman of the Board is not a member of the Audit Committee. 	<ul style="list-style-type: none"> The committee acts in accordance with its statutory duties, the delegated authority of the Board as recorded in its terms of reference, and within the guidelines of King III. The committee must prepare a report describing how it carried out its functions as specified in section 94(7) of the Companies Act. The committee has power to investigate any activity within the scope of its terms of reference. The committee has an independent role with accountability to both the Board and shareholders. The committee, in the fulfilment of its duties, may call upon the chairmen of other Board committees, any of the executive directors, officers or the Company Secretary to provide it with information. The committee has reasonable access to the Company's records, facilities and any other resources necessary to discharge its duties and responsibilities. The committee does not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management.

Appointment of Audit Committee/Audit Committee members

In terms of the Companies Act, at the annual general meeting of the Company, shareholders are required to approve Audit Committee members. The members who were approved by shareholders at the May 2015 annual general meeting and who serve until the next annual general meeting are:

Name	Qualification(s)	Director	Appointed by the Board in
Nigel Payne (chairman)	CA(SA)	Independent non-executive	July 2005
Anton Botha	BCom; BProc; BCom(Hons)	Independent non-executive	July 2005
Nomavuso Mnxasana	CA(SA)	Independent non-executive	December 2012
Dr Suresh Kana	CA(SA)	Independent non-executive	July 2015

During the year under review, the Board:

- elected Nigel Payne to succeed Sam Nematswerani. As a result, Nigel relinquished chairmanship of the Risk Committee but remains a member of that Board committee;
- appointed Dr Suresh Kana as an independent non-executive director and member of the Audit Committee with effect from 1 July 2015;
- is satisfied that the Audit Committee, acting as a collective, is adequately skilled to perform its role having regard to the size and circumstances of the Company;
- is satisfied that individual members of the committee possess appropriate qualifications, skills and experience to discharge their responsibilities; and
- is satisfied that all members shown in the table above meet the provisions of the Companies Act and are independent, and therefore recommends their re-appointment at the annual general meeting to be held on 26 May 2016.

AUDIT COMMITTEE REPORT (CONTINUED)

In line with the Companies Act and the King Report, the Audit Committee presents its report for the financial year ended 31 December 2015. The committee has discharged all its responsibilities and carried out all the functions assigned to it. In particular, the committee did the following:

Responsibilities in terms of the Companies Act	How discharged
In respect of the finance function:	
Annually assessed and confirmed the appropriateness of the expertise and experience of the chief financial officer (CFO) and the appropriateness of the expertise, resources and experience of the senior members of management responsible for the finance function.	Applied at the meeting of the Audit Committee held on 10 February 2016, where the committee satisfied itself that the finance function was adequately and appropriately resourced.
Responsible for the appointment and dismissal of the CFO.	Not applicable for the year under review.
In respect of the external auditor and the external audit:	
Nominated for appointment as auditor of the Company a registered auditor who, in the opinion of the committee, is independent of the Company and determined their terms of engagement and fee [section 94(7)(a)and(b)].	At the 10 February 2016 meeting, the committee reviewed the independence of the external auditors and recommended KPMG Inc for appointment by shareholders at the AGM in 2016, with Joelene Pierce as the designated auditor. It also conducted an annual review of the terms of engagement and the fees to be paid.
Ensured that the appointment of the auditor complies with the applicable legislation [section 94(7)(c)].	Ensured that the appointment process complied with the statutory requirements. Refer to the 2015 and 2016 AGM notices http://www.jsereporting.co.za/ar2015/download_pdf/notice-agm-2015.pdf
Evaluated the independence, effectiveness and performance of the external auditors.	The Audit Committee reviewed the detailed audit report and findings in respect of the financial statement audit for the year ended 31 December 2015 as presented by KPMG Inc at the Committee meeting on 10 February 2016. The Audit Committee is satisfied that KPMG Inc remains independent of the Company. The external auditors continue to have unrestricted access to the Audit Committee and to its chairman.
Determined the nature and extent of non-audit services that the auditor may provide and pre-approved any agreement for the provision of these services by the auditor to the Company, or a related company. Approved the internal and external audit plan of the said services on the basis that the provision of the services does not affect the auditor's independence [section 94(7)(d)and(e)].	The JSE policy on audit and non-audit services was revised at the 13 August 2015 meeting of the JSE Board. This policy was applied for the 2015 year, and the Group Company Secretary tabled a report in respect of non-audit services for 2015 at the 10 February 2016 meeting of the Audit Committee. All non-audit services (as defined) provided by the external auditors in 2015 were in compliance with this approved policy.
In respect of the financial statements:	
Confirmed the going concern as the basis of preparation of the interim and annual financial statements.	Reviewed and recommended to the Board for approval. The Board has subsequently confirmed that the JSE is a going concern in the integrated annual report.
Reviewed the accounting policies and procedures adopted by the Group and the JSE and ensured that financial statements were prepared on the basis of appropriate accounting policies and International Financial Reporting Standards [section 94(7)(f)].	Applied. The CFO prepares financial statements in accordance with all applicable legislation and submits them to this committee for review. Recommended to the Board for approval.
Reviewed financial reports, which should encompass the annual financial statements, interim reports, preliminary or provisional results announcements, summarised integrated information, any other intended release of price-sensitive financial information and prospectuses, trading statements, circulars and similar documents.	Applied. At the first meeting of the year, the committee reviewed the full integrated annual report and recommended it to the Board for approval. The Board has subsequently approved the integrated annual report.
Reviewed the areas of focus in the financial statements.	The audit committee is of the view that there are no significant judgements involved in the preparation of the financial statements that could have a material impact on those financial statements. The audit committee also believes that the internal control system and governance structures that have been put in place have operated effectively throughout the year in order to ensure that there were no significant matters for the auditors to deal with during their audit of the financial statements or to report in their auditor's report.



Responsibilities in terms of the Companies Act	How discharged
In respect of internal control:	
Reviewed the effectiveness of management information, the annual audit, the internal audit function and other systems of internal control, ensuring that the internal audit function is independent and has the necessary resources, standing and authority to enable it to discharge its functions.	This role was performed in part by this committee and in part by the Risk Committee. Internal Audit forms part of the Governance, Risk and Compliance division. PricewaterhouseCoopers is contracted to assist the internal audit function in carrying out its duties and to ensure the required degree of independence. Internal Audit has a direct reporting line to both the Audit Committee and the Risk Committee.
Reported on the effectiveness of the internal financial controls and risk management.	This role was performed in part by this committee and in part by the Risk Committee.
Monitored the appropriateness of the Company's combined assurance model overseeing risk.	This role was performed in part by this committee and in part by the Risk Committee.
Ensured that the combined assurance from both internal and external assurance providers and management was sufficient to cover key risks facing the organisation.	This role was performed in part by this committee and in part by the Risk Committee.
Annually evaluated the nature and extent of the formal documented reviews of the design, implementation and effectiveness of the system of internal financial controls, which covered all significant areas of financial reporting.	Applied each year in consultation with the internal audit function and external auditor.
Other:	
Received and dealt with complaints and concerns from within and outside the Company relating to accounting practices and Internal Audit; the content or auditing of the financial statements; internal financial controls; or any other related matter [section 94(7)(g)].	No complaints were received.
Made submissions to the Board on any matter concerning the accounting policies, financial controls, records and reporting [section 94(7)(h)].	Applied.
The Audit Committee should be responsible for overseeing Internal Audit.	At its February meeting: <ul style="list-style-type: none"> Approved the internal audit plan for 2015. Reviewed and approved the internal audit charter. At its meeting on 10 February 2016, the Audit Committee reviewed the performance and effectiveness of the Internal Audit function for the 2015 year, and concurred with the assessment thereof by the CEO and by the Risk Committee.
The Audit Committee played an oversight role regarding a new delegation of authority framework proposed by management.	Reviewed and recommended to the Board for approval. The Board has subsequently approved the delegation of authority framework, effective 14 August 2015.
Annual review of terms of reference and workplan.	The committee was satisfied with the annual review of its terms of reference and submitted these to the Board for review and approval. Reviewed and submitted 2016 workplan to the Board for approval. The Board approved the 2016 workplan.
In the year ahead, the Audit Committee will:	<ul style="list-style-type: none"> consider implementing a forecast process to enhance the JSE budgeting process; execute the tender process for the external audit account; and execute an oversight role in respect of the Investment of Funds mandate.

AUDIT COMMITTEE REPORT (CONTINUED)

The committee has the right to obtain independent outside professional advice to assist with the execution of its duties, at the Company's cost. The committee has decision-making authority with regard to its statutory duties and is accountable in this regard to both the Board and the shareholders. On all responsibilities delegated to it by the Board, apart from the statutory duties, the committee makes recommendations for approval by the Board.

The JSE continues to prepare Group accounts that comply with International Financial Reporting Standards and these responsibilities are discharged within an acceptable timeframe.

The Audit Committee's composition, purpose and duties are set out in the committee's charter. The Board approved the latest terms of reference at its November meeting and requested that, during 2016, the Audit Committee's terms of reference be updated to include the oversight role of the Investment of Funds Committee. As a consequence the Audit Committee proposed to the Board that Andile Mazwai join the Audit Committee as a member in 2016.

The chairman of the Audit Committee attends annual general meetings and is available to answer any questions.



N Payne

Chairman: Audit Committee