

# REPORT OF THE AUDIT COMMITTEE

We are pleased to present our report for the financial year ended 30 June 2014.

The Audit Committee is an independent statutory committee appointed by the shareholders. Further duties are delegated to the Audit Committee by the board of directors of the company. This report includes both sets of duties and responsibilities.

## COMPOSITION AND PROCEEDINGS

The MMI Audit Committee was fully functional during the financial year, and continued to discharge its responsibility with the support of the divisional audit and risk panels. The divisional audit and risk panels report to the MMI Audit Committee on a quarterly basis. The Audit Committee includes representatives of the divisional audit and risk panels and is composed of independent non-executive directors.

In addition, the chief executive officer and the group finance director attend Audit Committee meetings. The external and internal auditors attend Audit Committee meetings by invitation. The external and internal auditors meet independently with the Audit Committee when required.

## TERMS OF REFERENCE

The Audit Committee has terms of reference, which were approved by the board. The Audit Committee has regulated its affairs in compliance with the terms of reference and has discharged its responsibilities accordingly.

The terms of reference, including roles and responsibilities, were aligned with the requirements of King III, the Companies Act and other regulatory requirements. In instances where King III principles and requirements have not been applied, these have been explained in the corporate governance statement, included on page 45 of the integrated report.



## EXTERNAL AUDIT

The Audit Committee is satisfied with the independence and objectivity of the external auditor in accordance with section 94(8) of the Companies Act, which includes consideration of the auditor's previous appointments, the extent of other work undertaken, and compliance with criteria relating to independence or conflict of interest as prescribed by the Independent Regulatory Board for Auditors. Requisite assurance was sought and provided by the auditor that internal audit governance processes within the audit firm support and demonstrate its claim of independence.

The Audit Committee has approved a policy for the provision of non-audit services. Fees paid to the external auditors are disclosed in note 34 to the annual financial statements on page 178.



The Audit Committee nominated, for election at the annual general meeting, PricewaterhouseCoopers as the external audit firm and Ms Alsue du Preez as the designated auditor responsible for performing the function of auditor for the 2014 year. The Audit Committee has satisfied itself that the audit firm and designated auditor are accredited as such on the JSE list of auditors and their advisors.

## INTERNAL AUDIT

The Audit Committee is responsible for ensuring the internal audit function is independent and has the necessary resources, standing and authority within the organisation to enable it to fulfil its duties. The head of internal audit has a functional reporting line to the Audit Committee chairman, and an operational reporting line to the group finance director. The MMI chief audit executive resigned during the period under review, and the finance director, Preston Speckmann, is currently managing this portfolio until a new candidate is appointed.

Internal audit operates according to the internal audit charter, which was approved by the board. The risk-based internal audit plan for the 2015 financial year was approved by the committee on 26 May 2014.

The Audit Committee is also responsible for the assessment of the performance of the chief audit executive and the internal audit function.

The group implemented a combined assurance methodology, and the results were reported to the Audit Committee.

## INTERNAL FINANCIAL CONTROLS (IFC)

A high-level review of the design, implementation and effectiveness of the combined group's IFC was performed in all material divisions. The IFC review provides comfort on the financial reporting controls, which are relied on for the preparation and presentation of the annual financial statements.

Nothing has come to the attention of the Audit Committee to indicate a material breakdown in the IFC during the financial year. This assessment was based on the results of the documented review noted above, information and explanations given by management and the group internal audit function, as well as discussions with the independent external auditors on the results of their audits.

## GROUP FINANCE DIRECTOR

The Audit Committee has satisfied itself that the group finance director has appropriate expertise and experience.

## GOVERNANCE OF RISK

The board has assigned oversight of the company's risk management function to the Risk and Compliance Committee. The chairperson of the Risk and Compliance Committee is also a member of the Audit Committee to ensure that information relevant to these committees is transferred effectively. The Audit Committee oversees financial reporting risks, IFC, and fraud and information technology risks as these relate to financial reporting.

## INTEGRATED REPORT

The Audit Committee has reviewed the integrated report of the group for the year ended 30 June 2014 and submits that management presented an appropriate view of the group's position and performance. The Audit Committee considers that the group accounting policies and annual financial statements comply, in all material respects, with International Financial Reporting Standards (IFRS).

## SUSTAINABILITY

MMI is fully committed to good sustainability principles. The group strives to be financially sound, socially responsible and environmentally friendly, with good corporate governance as the overarching principle. In this regard, MMI supports the recommendations as set out in King III. For further information, please refer to the MMI website [www.mmiholdings.com](http://www.mmiholdings.com).

## GOING CONCERN

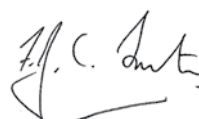
The Audit Committee reviewed a documented assessment prepared by management, including key assumptions, of the going concern status of the company and made a recommendation to the board in accordance with this assessment. The board's statement on the going concern status appears on page 75 of the integrated report.

## MEETINGS AND EFFECTIVENESS REVIEW

Number of meetings held	5
<b>Members' attendance</b>	
Fatima Jakoet	5
Syd Muller	5
Frans Truter*	5
Mary Vilakazi**	2
Louis von Zeuner***	2

\* Chairman  
 \*\* Resigned 27 November 2013  
 \*\*\* Appointed 1 January 2014

During the year under review, the effectiveness of the Audit Committee was assessed by the Audit Committee members, and the results were shared with the board. The Audit Committee confirms that it discharged its duties and responsibilities in accordance with the terms of reference for the year under review.



**FRANS TRUTER**  
**CHAIRMAN OF THE AUDIT COMMITTEE**

9 September 2014