

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.



Frans Truter
Chairman of the Audit Committee

We are pleased to present our report for the financial year ended 30 June 2017.

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 combined assurance forums established for various operating structures. The combined assurance forums report to the MMI Audit Committee on a quarterly basis.

The Audit Committee consists of four independent non-executive directors, and meetings are attended by key management representatives from the combined assurance forums. In addition, the MMI group chief executive officer (CEO), deputy group CEO and the chief financial officer (CFO) attend all Audit Committee meetings. The external and internal auditors attend meetings by invitation, and they also meet independently with the members of the Audit Committee as and when required.

Additional details on the Audit Committee can be found on page 74 of this integrated report.

Terms of reference

The Audit Committee's terms of reference were approved by the MMI board previously. The Audit Committee has regulated its affairs in compliance with its terms of reference and has discharged its responsibilities accordingly.

The terms of reference, including roles and responsibilities, are aligned to the requirements of King III, the Companies Act and other regulatory requirements. A further review of the terms of reference is underway in order to align with the King IV recommended practices, as applicable.

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 (IRBA). Requisite assurance was sought and provided by the external auditor that the 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 25 to the annual financial statements on page 191.

The Audit Committee recommended, and the shareholders at the MMI annual general meeting in November 2016 approved, PricewaterhouseCoopers as the external audit firm and Mr Andrew Taylor as the designated auditor responsible for performing the function of auditor for the 2017 year.

The Audit Committee has assessed the competency, independence, non-audit services provided and professional

Report of the Audit Committee (continued)

standing of the audit firm and designated auditor and consider the appointment appropriate. The Committee has also satisfied itself that the audit firm and designated auditor are accredited on the JSE list of auditors and their advisers.

The rule on mandatory audit firm rotation published by IRBA during June 2017 states that the appointed auditors of a public interest entity (PIE) shall not serve for more than 10 consecutive years as the appointed auditor of such PIE. This requirement comes into effect for financial years commencing on or after 1 April 2023. MMI has taken note of this legal development and its bearing on its appointed auditors in the future.

Internal audit

To align with MMI's strategy and client-centric operating model, inter alia, MMI entered into a strategic internal audit co-sourcing agreement with KPMG as external service provider in the previous financial year.

MMI's chief audit executive (CAE), Ms Ashlene van der Colff, is now Acting CAE since her recent appointment as MMI Group head of operations. The role of the CAE within MMI is supported by a more confined group internal audit (GIA) team, and the CAE is responsible for managing and coordinating the KPMG relationship. The Audit Committee is satisfied that the co-sourced GIA model with KPMG has resulted in a high-performing, better quality and efficient GIA function for MMI. The co-sourced model has also improved the level of independent assurance and access to subject matter assurance expertise provided to the MMI board and its committees.

The Audit Committee is responsible for ensuring that 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 CAE, in discharging her duties, is accountable to the board and the Audit Committee of MMI Holdings, which consists of MMI Holdings Ltd and its subsidiaries. The Audit Committee decides on the CAE's appointment and removal, and is also responsible for assessing the performance of the CAE and the internal audit function. The process to fill the CAE position with a permanent appointment is in progress.

GIA operates according to the internal audit charter, which was approved by the board. In order to remain dynamic and responsive to business needs, the risk-based internal audit plan for 2017 and 2018 financial years was approved by the Audit Committee, and is monitored on a quarterly basis.

The group continues to embed the 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 segments and business units. 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 that the internal financial controls are not sufficiently adequate to support integrity in the presentation of the financial statements. This assessment was based on the results of the documented review noted above, information and explanations given by management and the GIA function, as well as discussions with the independent external auditors on the results of their audits.

Group finance director

Mary Vilakazi continues in her role as the MMI group finance director, in addition to her recent appointment as the MMI deputy group CEO. She is supported in her role as finance director by Risto Ketola, the newly appointed group CFO.

The Audit Committee has satisfied itself that Mary Vilakazi has the appropriate expertise and experience to act as group finance director and that her team has established appropriate financial reporting procedures.

Governance of risk

The board has assigned oversight of the company's risk management function to the Risk, Capital and Compliance (RCC) Committee. The chairman of the RCC Committee is a member of the Audit Committee and likewise, the chairman of the Audit Committee is a member of the RCC Committee, which arrangement ensures that information relevant to these committees are transposed 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 2017 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.

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 IV.


Going concern

The Audit Committee reviewed a documented assessment prepared by management, including key assumptions, of the going concern status of the company and has made a recommendation to the board in accordance with this assessment. The board's statement on the going concern status appears on page 105 of this integrated report.

Meetings and effectiveness review

Meetings held in F2017	6
Members	Meetings attended
Frans Truter (chairman)	6
Fatima Jakoet	6
Syd Muller	6
Louis von Zeuner	6

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 results of the assessment reiterate that the Audit Committee has discharged its duties and responsibilities in accordance with its terms of reference.



FRANS TRUTER

Chairman of the MMI Audit Committee

5 September 2017