

# REPORT OF THE AUDIT COMMITTEE OF THE BOARD



**THIS REPORT TO THE BOARD, ON HOW THE AUDIT AND FINANCE COMMITTEE HAS DISCHARGED ITS DUTIES, HAS BEEN PREPARED IN ACCORDANCE WITH GOOD GOVERNANCE PRINCIPLES.**

## **BACKGROUND**

The Audit Committee applies the corporate governance principles for audit committees and complies with all legal and regulatory requirements as necessary under South African legislation. The Board has approved the terms of reference for the Audit Committee and all responsibilities are set out in detail therein.

The Board recognises the important role of the Audit Committee as part of the risk management and corporate governance processes. In this regard the committee has oversight of:

- Financial reporting risks
- Internal financial risks
- Fraud and IT risks as they relate to financial reporting

Summary of conclusions reached by the Audit and Finance Committee for the year ended 31 March 2016:

Following a review and meeting the requirements of the terms of reference, the committee is satisfied that:

- The finance function is adequately skilled, resourced and experienced
- The internal financial controls are effective and no material weaknesses in financial control have been identified
- The external auditors are independent

In fulfilling its duties, the Audit Committee has:

- Reviewed and discussed the audited Annual Financial Statements with the external auditors, the Chief Executive Officer and the Chief Financial Officer
- Reviewed the adjustments resulting from external audit queries and accepted the unadjusted audit differences as they were not material
- Reviewed the quality of the financial reporting and disclosures
- Received and considered reports from the PPECB's independent internal auditors
- Reviewed the committee's terms of reference



The Audit and Finance Committee recommended the adoption of the Annual Report to the Board. In this regard the committee:

- Considered all facts and risks that may impact on the integrity of the Annual Report
- Reviewed and commented on the Financial Statements included in the Annual Report

The Board subsequently approved the Annual Report, including the Financial Statements.

## COMPOSITION

The Audit and Finance Committee comprised three independent non-executive directors who have the requisite skills and experience to fulfil the committee's duties.

## FREQUENCY AND ATTENDANCE OF MEETINGS

In addition to the committee members, the Chief Executive Officer, the Chief Financial Officer, the internal auditors and the external auditors attend all committee meetings by invitation. During the year under review, the committee met four times. Attendance of meetings held during the year under review is presented on page 15.

## INTERNAL AUDIT

The Internal Audit function is outsourced to an independent firm of auditors who provide the Board with assurance on the key areas of the PPECB's internal financial controls. The Internal Audit Plan and the Internal Audit Charter was reviewed and approved by the committee. Internal Audit provides assurance that the entity operates in a responsibly governed manner by performing the following functions:

- Objectively assuring effectiveness of risk management and the internal control framework
- Analysing and assessing business processes and associated controls
- Reporting audit findings and recommendations to management and the Audit Committee

The committee is of the opinion that the PPECB's system of internal financial controls is effective and provides reasonable assurance that the financial records may be relied on for the preparation of the Annual Financial Statements.

## ANNUAL FINANCIAL STATEMENTS

The Audit Committee has evaluated the Annual Financial Statements for the year ended 31 March 2016 and concluded that it complies, in all material aspects, with the requirements of the General Reporting Accounting Standards. The committee has reviewed the external auditor's Management Letter and management's response thereto as well as significant adjustments resulting from the audit, and recommended the approval of the Annual Financial Statements to the Board.

## CONCLUSION

The committee is satisfied that it has considered and discharged its responsibilities in accordance with its mandate and terms of reference during the year under review.



## MR A RABE

Chairperson of the Audit Committee

Date: 31 May 2016