

# AUDIT AND RISK COMMITTEE CHAIRMAN'S REPORT



**John Wetton**  
Chairman, audit and risk committee

I have pleasure in submitting this report for the financial year ended 30 June 2015, in accordance with the Companies Act 71 of 2008 (the Act). This committee complies with the requirements of the Act pertaining to the composition and functions of an audit committee. In addition, as explained in the committee's terms of reference, Harmony's audit committee is also tasked with overseeing risk management in the company and is therefore known as the audit and risk committee.

## COMPOSITION OF THE COMMITTEE

In terms of the Act, the following members, who were serving on the committee as at 30 June 2015, will be recommended for re-appointment as audit and risk committee members for FY16 to shareholders at the company's annual general meeting:

Name	Status	Date appointed
John Wetton (chairman)	Independent non-executive director	1 July 2011, appointed chairman 30 November 2011
Fikile De Buck	Lead independent non-executive director	30 March 2006
Dr Simo Lushaba	Independent non-executive director	24 January 2003
Modise Motloba	Independent non-executive director	30 July 2004
Karabo Nondumo	Independent non-executive director	3 May 2013

The individuals proposed satisfy the requirements set out in section 94 of the Act for members of an audit committee, and their appointment will ensure that the committee continues to have adequate and relevant knowledge as well as the experience required for the committee to perform its functions proficiently. For details of the qualifications, expertise and experience of the members of the audit and risk committee refer to their curricula vitae in the Board and Management section on page 28 of the Integrated Annual Report 2015.

## PURPOSE, ROLE AND ACTIVITIES

The purpose and role of the audit and risk committee are in accordance with the requirements of the Act, the JSE Listings Requirements, King III and additional requirements imposed on the committee by the board. Further details can be found in the committee's terms of reference available on Harmony's website at [www.harmony.co.za/sustainability/governance#policies](http://www.harmony.co.za/sustainability/governance#policies).

The committee undertakes its duties with accountability to both the board and the company's stakeholders. The committee met five times during the past financial year, during which and in accordance with its terms of reference and work plan, the committee:

- Reviewed the company's quarterly and annual financial results
- Evaluated and considered Harmony's risks, as well as measures taken to mitigate those risks. In addition, the committee also considered and refined the company's risk appetite and tolerance levels
- Monitored the internal control environment in Harmony and found it to be effective
- Discussed the appropriateness of accounting principles, critical accounting policies, management judgements, estimates and impairments, all of which were found to

be appropriate

- Considered the appointment of the external auditor, PricewaterhouseCoopers Inc, as the registered independent auditor for the ensuing year. A new PwC audit partner would be appointed from FY16 as a result of the compulsory rotation of Faan Lombard, who had served as Harmony's audit partner for the past five years. The committee thanks Faan for his service during this period
- Satisfied itself, and confirmed through enquiry, that the external audit firm, PricewaterhouseCoopers Inc, was independent from the company
- Evaluated the independence and effectiveness of the internal audit function
- Evaluated and coordinated the internal audit, external audit and sustainability assurance processes
- Received and considered reports from the external and internal auditors
- Reviewed and approved internal and external audit plans, terms of engagement and fees, as well as the nature and extent of non-audit services rendered by the external auditors
- Considered the appropriateness and expertise of the financial director, Frank Abbott, as well as that of the finance function – both were found to be adequate and appropriate
- Considered whether information technology risks are adequately addressed and whether appropriate controls are in place to address these risks. The committee oversees and monitors the governance of information technology on behalf of the board, a task it views as a critical aspect of risk management
- Considered and confirmed the company as a going concern
- Oversaw the process of assurance of the integrated report

The audit and risk committee is confident that it complied with the legal, regulatory and other responsibilities assigned to it by the board, under its terms of reference in accordance with the Act, the JSE Listings Requirements and King III.

The internal audit function reports directly to the audit and risk committee, except on administrative matters about which it reports to the executive: risk management and services improvement. The internal and external auditors attend the committee's quarterly meetings and have unrestricted access to the chairman of the committee. The audit and risk committee met privately with the internal and external auditors during FY15.

Post year-end, on recommendation from the audit and risk committee, the board approved:

- The Annual Financial Statements and Summarised Consolidated Financial Statements for the year ended 30 June 2015. The audit and risk committee reviewed these statements to ensure they presented a true, balanced and plausible assessment of the financial position and performance of Harmony
- The Integrated Annual Report for the year ended 30 June 2015, in accordance with King III and the JSE Listings Requirements
- The annual report filed on Form 20-F for the year ended 30 June 2015 for subsequent submission to the United States Securities and Exchange Commission
- The notice of the annual general meeting to be held on 20 November 2015

For more on the committee and its activities during the year under review see page 175 of the Integrated Annual Report 2015.

### **John Wetton**

**Audit and risk committee chairman**

23 October 2015