

# AUDIT AND RISK COMMITTEE: CHAIRMAN'S REPORT



**John Wetton**

Chairman: audit and risk committee

In accordance with the Companies Act 71 of 2008 (the Act), I have pleasure in submitting this report for the financial year ended 30 June 2016. 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 (the committee).

## COMPOSITION OF THE COMMITTEE

In terms of the Act, the following members, who were serving on the committee as at 30 June 2016, will be recommended for re-appointment as audit and risk committee members for FY17 to shareholders at Harmony'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 Board of Directors. Their detailed curriculum vitae are available at <https://www.harmony.co.za/about-us/board>.

## PURPOSE, ROLE AND ACTIVITIES

The purpose and role of the committee is 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 <https://www.harmony.co.za/sustainability/governance#policies>.

The committee undertakes its duties with accountability to both the board and stakeholders of Harmony. In FY16, the committee:

- Reviewed the company's 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 (PwC), as the registered independent auditor for the ensuing year. A new PwC audit partner (Hendrik Odendaal) was appointed from FY16 following the compulsory rotation of Faan Lombard, who had served as Harmony's audit partner for the previous five years
- Satisfied itself, and confirmed through enquiry, that the external audit firm, PwC, 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

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- 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
  - Oversaw and governed the governance of information technology on behalf of the board and considered whether information technology risks were adequately addressed and whether appropriate controls were in place to address those risks
  - Considered and confirmed the company as a going concern and
  - Oversaw the process of assurance of the integrated report
  - Considered the distribution of a dividend taking into consideration the requirements of section 4 of the Companies Act, No 71 of 2008

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 and 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 FY16.

Post year end, upon recommendation from the committee, the board approved:

- The Annual Financial Statements and Summarised Consolidated Financial Statements for the year ended 30 June 2016
- The Integrated Annual Report for the year ended 30 June 2016, in accordance with King III and the JSE Listings Requirements
- The annual report filed on Form 20-F for the year ended 30 June 2016 for subsequent submission to the United States Securities and Exchange Commission
- The notice of the annual general meeting to be held on 25 November 2016

For more on the committee and its activities during FY16 see *Corporate Governance*.

**John Wetton**

**Chairman: audit and risk committee**

26 October 2016