

We are pleased to present our report for the financial year ended 30 June 2015.

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 combined assurance forums established for various operating structures. The divisional combined assurance forums report to the MMI Audit Committee on a quarterly basis. The Audit Committee consists of four independent non-executive directors, and is attended by some management representatives of the divisional combined assurance forums.

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

## TERMS OF REFERENCE

The Audit Committee has terms of reference that 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 52 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 external 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 175.



The Audit Committee nominated, for election at the annual general meeting, PricewaterhouseCoopers as the external audit firm and Mr Andrew Taylor as the designated auditor responsible for performing the function of auditor for the 2015 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 advisers.

## 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 chief audit executive (CAE), in discharging of his/her duties, is accountable to the board and Audit Committee of MMI Holdings, which consists of MMI Holdings Ltd and its subsidiaries. The CAE reported administratively to the MMI Holdings finance director during the financial year under review, and also functionally to the Audit Committee chairperson. The Audit Committee decides on the CAE's appointment and removal, and takes joint responsibility for his/her performance evaluation.

The CAE resigned during 2014 and Janet Terblanche was appointed as the acting CAE, until such time as the process of appointing a new candidate, which is currently under way, is finalised. Following the group finance director's retirement at the end of the financial year, the chief audit executive now reports to the chief risk officer.

Internal audit operates according to the internal audit charter, which was approved by the board. Due to the changes currently in the business as a result of the implementation of a client-centric model, internal audit changed their approach to the audit plan in order to remain flexible through the change process. As a result, the risk-based internal audit plan for the 2016 financial year is approved by the Audit Committee on a quarterly basis. A comprehensive list of possible risk-based audits is kept by internal audit, which is assessed and presented for approval by the Audit Committee every quarter. The quarter one 2016 plan was approved on 15 May 2015.

The Audit Committee is also responsible for assessing 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

Preston Speckmann retired as group finance director on 30 June 2015, and Mary Vilakazi was appointed as group finance director with effect from 1 July 2015.

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

## GOVERNANCE OF RISK

The board has assigned oversight of the company's risk management function to the Risk, Capital and Compliance Committee. The chairman of the Risk, Capital and Compliance Committee is a member of the Audit Committee and likewise, the chairman of the Audit Committee is a member of the Risk, Capital and Compliance 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 2015 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.

## 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 73 of the integrated report.



## MEETINGS AND EFFECTIVENESS REVIEW

Audit	
<b>Meetings held in 2015</b>	<b>7</b>
Members	
Meetings attended	
Frans Truter	7
Fatima Jakoet	6
Syd Muller	7
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 Audit Committee confirms that it discharged its duties and responsibilities in accordance with the terms of reference.

**FRANS TRUTER**

*Chairman of the Audit Committee*

8 September 2015