

Group Audit Committee report

Prepared by the chairman of the Group Audit Committee, Nigel Payne

GROUP AUDIT COMMITTEE	
COMPOSITION	INVITED TO ATTEND
<i>Independent non-executive directors:</i>	Chairman of the Board
Nigel Payne (Committee chairman)	CEO
Anton Botha (Lead independent director)	CFO
Dr Suresh Kana	Director: GRC
Andile Mazwai	Internal Audit
Nomavuso Mnxasana	External Auditors
	Financial Services Board



Summary of the Group Audit Committee's statutory and governance mandate:

Finance function	External auditor and external audit	Financial statements/ Integrated report	Internal financial control/ Internal audit	Complaints
Appropriateness and expertise of CFO	Nominate independent auditor for appointment by shareholders	Review all financial reports	Responsible for appointment, performance and assessment of the internal audit function	Regarding accounting practices and internal audit
Appropriateness and expertise of senior members of the finance team	Determine terms of engagement and fees	Prepare report on how duties are discharged	Approve internal audit annual plan	Regarding content or audit of financial statements
Annual review of the finance function	Approve nature and extent of non-audit services	Make submissions to Board regarding accounting policies, records and reporting	Make submissions to Board regarding internal financial control	Regarding internal financial controls
Review and approval of annual budgets and forecasts		Have regard for factors and risks affecting integrity of integrated report	Undertake formal annual assessment of internal audit performance	Any related matters
	Companies Act Sections 90-92; 94	Companies Act Section 94	Companies Act Section 94	Companies Act Section 94
King Principles	King Principles	King Principles	King Principles	King Principles
Oversight role underpinned by combined assurance model				

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Composition and meeting procedures	Primary roles and responsibilities
<ul style="list-style-type: none"> During the year under review, three Group Audit Committee meetings were held, in accordance with the requirements of the committee's terms of reference. The Group Audit Committee is composed of its chairman, who is an independent non-executive director, and four other independent non-executive directors. The Chairman of the Board, CEO, CFO, director of GRC, Company Secretariat, and representatives of the external auditors and Internal Audit, as well as the Financial Services Board, attend meetings by invitation only. The Chairman of the Board is not a member of the Group Audit Committee. The committee is suitably skilled to perform the role required. The collective skills of the committee include an understanding of financial and sustainable reporting, internal financial controls, the internal audit function, the external audit process, corporate law, risk management, IT governance as it relates to integrated reporting, and the governance processes of the Company. However, it is not expected that each member should possess all the required qualifications, skills and experience. The members of the Group Audit Committee satisfy the requirements of section 94(4) of the Companies Act. 	<ul style="list-style-type: none"> The committee acts in accordance with its statutory duties, the delegated authority of the Board as recorded in its terms of reference, and within the guidelines of the King Code of Governance. The committee must prepare a report describing how it carried out its functions as specified in section 94(7) of the Companies Act, and this report serves that purpose. The committee has power to investigate any activity within the scope of its terms of reference. The committee has an independent role with accountability to both the Board and shareholders. The committee, in the fulfilment of its duties, may call upon the chairmen of other Board committees, any of the executive directors, officers or the Group Company Secretary to provide it with information. The committee has reasonable access to the Company's records, facilities and any other resources necessary to discharge its duties and responsibilities. The committee does not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management.

Appointment of Audit Committee/Audit Committee members

In terms of the Companies Act, at the annual general meeting of the Company, shareholders are required to approve Audit Committee members. The members who were approved by shareholders at the 11th annual general meeting of the Company and who serve until the next annual general meeting in 2017 are:

Name	Qualification(s)	Director	Appointed as director in	Group Audit Committee meeting attendance in 2016
Nigel Payne (chairman)	CA(SA)	Independent non-executive	July 2005	100% (3/3 meetings)
Anton Botha	BCom; BProc; BCom (Hons)	Independent non-executive	July 2005	100% (3/3 meetings)
Dr Suresh Kana	CA(SA)	Independent non-executive	July 2015	100% (3/3 meetings)
Andile Mazwai	BCom (Hons)	Independent non-executive	July 2005	100% (3/3 meetings)
Nomavuso Mnxasana	CA(SA)	Independent non-executive	December 2012	100% (3/3 meetings)

The Board appointed Andile Mazwai, an independent non-executive director, as a member of the Group Audit Committee with effect from 1 January 2016. The appointment of Andile Mazwai was approved by shareholders at the annual general meeting held in May 2016.

The Board is satisfied that:

- the Group Audit Committee, acting as a collective, is adequately skilled to perform its role having regard to the size and circumstances of the Company;
- individual members of the Group Audit Committee possess appropriate financial and related qualifications, skills and financial expertise to discharge their responsibilities; and
- individual members of the Group Audit Committee are not involved in day-to-day management of the Company.

Subsequent to year-end, Andile Mazwai stepped down from the Group Audit Committee in order to devote time to his responsibilities on other Committees of the JSE Board. The Board is satisfied that the remaining members of the Group Audit Committee, as shown in table above, meet the provisions of the Companies Act and are independent, and is therefore recommending their appointment to the Group Audit Committee for the ensuing year.

The re-election of these four independent non-executive directors to the Group Audit Committee will take place by way of separate resolutions to be considered by shareholders at the AGM to be held on 18 May 2017. The text of these ordinary resolutions is set out in the AGM Notice distributed separately to shareholders.



In line with the Companies Act and the King Report, the Group Audit Committee presents its report for the financial year ended 31 December 2016.

The committee has discharged all its responsibilities and carried out all the functions assigned to it, and these activities are set out in the remainder of this report:

Responsibilities in terms of the Companies Act/Terms of reference	How discharged
<p>In respect of the finance function:</p> <p>Annually assessed and confirmed the appropriateness of the expertise and experience of the chief financial officer (CFO) and the appropriateness of the expertise, resources and experience of the senior members of management responsible for the finance function.</p>	<p>The Company employs a full-time CFO who is also an executive director of the JSE. The CFO holds a CA (SA) qualification and has extensive senior-executive experience in finance across various industries. The performance, effectiveness and resourcing of the Company's finance function was assessed as part of the annual Board effectiveness review for the year ended December 2016, which review was undertaken by an independent service provider. The Group Audit Committee considered the results of this effectiveness review as it pertained to the committee and to the Company's finance function, and is satisfied as to the quality and effectiveness of the finance function and the level of resourcing within the finance division.</p>
<p>Responsible for the appointment and dismissal of the CFO.</p>	<p>Not applicable for the year under review.</p>
<p>In respect of the external auditor and the external audit:</p> <p>Nominated for appointment as auditor of the Company a registered auditor who, in the opinion of the committee, is independent of the Company and determined their terms of engagement and fee [section 94(7)(a) and (b)].</p>	<p>At the February 2016 meeting, the committee reviewed and confirmed the independence of the external auditors and recommended KPMG Inc for appointment by shareholders at the 2016 AGM, with Joelene Pierce as the designated auditor. This resolution was adopted by shareholders with a 99.8% majority vote at the AGM held on 26 May 2016.</p>
	<p>At the February 2016 meeting the committee also reviewed and confirmed the terms of engagement for the external auditors and the nature and extent of non-audit services to be provided by KPMG Inc. The fee proposed by KPMG Inc for the independent audit in 2016 was negotiated by executive management, and reviewed and finalised by the Group Audit Committee. This audit fee, for the independent audit of JSE Group entities for the year ended 31 December 2016, amounted to R3.9 million (2015: R4.3 million) and has been fully disclosed in the audited annual financial statements.</p> <p>During the course of 2016 the Group Audit Committee adopted a formal policy on audit firm rotation. In terms of this policy, the Company's external audit account was put to tender during the year.</p> <p>KPMG Inc has served for an extended period as the independent auditors of the Company, and has executed these responsibilities with diligence and distinction. Given the tenure of KPMG Inc as independent auditors, the firm was not considered for re-appointment for the 2017 financial year.</p> <p>In accordance with the Company's audit firm rotation policy, the Group Audit Committee is proposing that shareholders consider and approve the appointment of EY South Africa as the new independent auditors for the Company for the ensuing year, at the AGM to be held on 18 May 2017.</p>
<p>Ensured that the appointment of the auditor complies with the applicable legislation [section 94(7)(c)].</p>	<p>Ensured that the appointment process complied with the statutory requirements. Refer to the 2016 and 2017 AGM notices at http://www.jsereporting.co.za/ar2016/download_pdf/notice-agm-2016.pdf.</p>

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Responsibilities in terms of the Companies Act/Terms of reference	How discharged
Evaluated the independence, effectiveness and performance of the external auditors.	The Group Audit Committee reviewed the detailed audit report and findings in respect of the financial statement audit for the year ended 31 December 2016 as presented by KPMG Inc at the committee meeting on 14 February 2017.
	The Group Audit Committee is satisfied that KPMG Inc remains independent of the Company. No matters of concern regarding the performance of the external auditors were noted by the committee. The external auditors continue to have unrestricted access to the Group Audit Committee and to its chairman.
	The Group Audit Committee confirmed that the independent auditors have executed their audit responsibilities in accordance with the International Standards on Auditing.
Determined the nature and extent of non-audit services that the auditor may provide and pre-approved any agreement for the provision of these services by the auditor to the Company, or a related company. Approved the internal and external audit plan of the said services on the basis that the provision of the services does not affect the auditor's independence [section 94(7)(d)and(e)].	The Company's policy on audit and non-audit services was revised at the 13 August 2015 meeting of the JSE Board. This policy was applied for the 2015 and subsequent years, and the Group Company Secretary tabled a report in respect of non-audit services for 2016 at the meeting of the Group Audit Committee held on 14 February 2017. All non-audit services (as defined) provided by the external auditors in 2016 were in compliance with this approved policy. The total value of these non-audit services amounted to R0.25 million, or 6% of the independent audit fee, which is within the 30% guideline set out in the Company's policy on non-audit services.
In respect of the financial statements: Confirmed the going concern principle as the basis of preparation of the interim and annual financial statements.	The Group Audit Committee reviewed the report of the CFO regarding the going concern status of the JSE Group for the year ended December 2016, and concluded that the JSE Group is a going concern and that the financial statements have been prepared correctly, in accordance with the going concern concept. The JSE Board has reviewed and accepted the recommendation of the Group Audit Committee that the Company is operating as a going concern, and has reported that status in the 2016 integrated annual report.
Reviewed the accounting policies and procedures adopted by the Group and the JSE and ensured that financial statements were prepared on the basis of appropriate accounting policies and International Financial Reporting Standards [section 94(7)(f)].	Applied.
	The CFO prepares financial statements in accordance with all applicable legislation and submits them to the Group Audit Committee for review. Recommended to the Board for approval.
Reviewed financial reports, which should encompass the annual financial statements, interim reports, preliminary or provisional results announcements, summarised integrated information, any other intended release of price-sensitive financial information and prospectuses, trading statements, circulars and similar documents.	Applied.
	At the first meeting of the year, the committee reviewed the full integrated annual report and recommended it to the Board for approval. The Board has subsequently approved the integrated annual report for publication to shareholders
Reviewed the areas of focus in the financial statements.	The Group Audit Committee is of the view that there are no significant judgements involved in the preparation of the financial statements that could have a material impact on those financial statements. The committee also believes that the internal control system and governance structures that have been put in place have operated effectively throughout the year in order to ensure that there were no significant matters for the independent auditors to deal with during their audit of the financial statements or to report in their auditor's report.

Responsibilities in terms of the Companies Act/Terms of reference	How discharged
Consider the report on pro-active monitoring of financial statements and ensure appropriate actions are taken, to the extent required.	At its meeting held on 28 July 2016 the Group Audit Committee reviewed the report on the pro-active monitoring of the Company's interim financial statements for the six months ended June 2014 and the annual financial statements for the year ended December 2015, as presented by the University of Johannesburg (Department of Accountancy).
	The committee noted that the pro-active monitoring report did not reflect any material matters of concern affecting the financial statements. The committee re-affirmed the commitment of the Company to continue adhering to the highest standards of financial disclosure.
	The pro-active monitoring report for 2016 (dated 15 February 2017) will be considered at the July 2017 meeting of the Group Audit Committee.
In respect of internal control: Reviewed the effectiveness of management information, the annual audit, the internal audit function and other systems of internal control, ensuring that the internal audit function is independent and has the necessary resources, standing and authority to enable it to discharge its functions.	This role was performed in part by this committee and in part by the Group Risk Management Committee. Internal Audit forms part of the Governance, Risk and Compliance division. PricewaterhouseCoopers and Deloitte are contracted to assist the internal audit function in carrying out its duties and to ensure the required degree of independence. Internal Audit has a direct reporting line to both the Group Audit Committee and the Group Risk Management Committee.
Reported on the effectiveness of the internal financial controls and risk management.	This role was performed in part by this committee and in part by the Group Risk Management Committee.
Monitored the appropriateness of the Company's combined assurance model overseeing risk.	This role was performed in part by this committee and in part by the Group Risk Management Committee.
Ensured that the combined assurance from both internal and external assurance providers and management was sufficient to cover key risks facing the organisation.	This role was performed in part by this committee and in part by the Group Risk Management Committee.
Annually evaluated the nature and extent of the formal documented reviews of the design, implementation and effectiveness of the system of internal financial controls, which covered all significant areas of financial reporting.	Applied each year in consultation with the internal audit function and the external auditor.
Other: Received and dealt with complaints and concerns from within and outside the Company relating to accounting practices and Internal Audit; the content or auditing of the financial statements; internal financial controls; or any other related matter [section 94(7)(g)].	No complaints were received.
Made submissions to the Board on any matter concerning the accounting policies, financial controls, records and reporting [section 94(7)(h)].	Applied.
The Group Audit Committee should be responsible for overseeing Internal Audit.	At its February 2016 meeting: <ul style="list-style-type: none"> • Approved the internal audit plan for 2016. • Reviewed and approved the internal audit charter. At its meeting on 14 February 2017: <ul style="list-style-type: none"> • Reviewed the performance and effectiveness of the Internal Audit function for the 2016 year, and concurred with the assessment thereof by the CEO.

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Responsibilities in terms of the Companies Act/Terms of reference	How discharged
Annual review of terms of reference and workplan.	<p>The committee was satisfied with the annual review of its terms of reference and submitted these to the Board for review and approval.</p> <p>Reviewed and submitted the 2016 workplan to the Board for approval. The Board approved the 2016 workplan.</p>
In the year ahead, the Group Audit Committee will:	<ul style="list-style-type: none"> • review management; enhancements to the financial forecast process; • oversee the on-boarding of the new independent auditors of the Company, once the appointment of EY South Africa is approved by shareholders; and • execute an oversight role in respect of the investment of funds mandate.

The Group Audit Committee has the right to obtain independent outside professional advice to assist with the execution of its duties, at the Company's expense. The committee has decision-making authority with regard to its statutory duties and is accountable in this regard to both the Board and the shareholders. On all responsibilities delegated to it by the Board, apart from the statutory duties, the committee makes recommendations for approval by the Board.

The JSE continues to prepare Group accounts that comply with International Financial Reporting Standards and the statutory requirements of the Companies Act 2008, and these responsibilities are discharged within an acceptable timeframe.

The Group Audit Committee's composition, purpose and duties are set out in the committee's charter. The Board approved the latest terms of reference at its November meeting.

The chairman of the Group Audit Committee attends annual general meetings and is available to answer any questions in relation to matters pertaining to the Group Audit Committee.



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Chairman: Group Audit Committee