

Audit and Risk Committee Report

Role of the audit and risk committee

The primary role of the committee is:

- to ensure the integrity of financial reporting and the internal and external audit processes;
- to ensure that a sound risk management process and effective systems of internal control are maintained; and
- to monitor developments in corporate governance to ensure the company continues to apply high and appropriate standards.

The Kumba board approved the terms of reference for the committee and these are available on the company's website.

Composition of the committee

The membership of the committee comprises independent non-executive directors and they are:

- DD Mokgatle (Acting Chairman)
- AJ Morgan
- ND Moyo

Zarina Bassa was appointed as a member and chairman of the committee on 14 December 2008.

Full biographical detail for the directors can be found on page 43 of this annual financial review. The chief executive officer, chief financial officer, and representatives of the internal and external auditors attend all meetings as invitees.

Internal audit

Internal audit services for the company in 2008 were performed by Anglo Business Assurance Services (ABAS). ABAS were commissioned to review the enterprise wide integrated risk management processes of the company and to provide assurance to the committee on the effectiveness of the processes.

The internal audit plan was approved by the committee and covered a broad cross section of activities identified by both management and the committee with material findings, recommendations and management comment summarised for the committee. The committee reviews the effectiveness of the internal audit function annually.

External audit

Deloitte & Touche acted as the external auditors to the company throughout the year. The lead partner Brian Smith was appointed as a designated auditor for the company for 2008 by the shareholders at the company's annual general meeting held on 28 May 2008. The external auditors may not be engaged in any material non-audit work without the prior approval of the committee. The committee is responsible for the annual work plan and fee budget for the auditors. The committee has reviewed the independence of Deloitte as external auditors before recommending to the board that their re-election should be proposed to the shareholders.

Committee's activities in 2008

The committee met four times in the year under review. The committee meetings are held before the board meetings and the committee chairman reports its material findings and recommendations to the board at its meeting. The committee attended to the following matters in 2008:

- Reviewed the company's 2007 annual and 2008 interim financial statements and other formal announcements relating to the company's financial performance and made recommendations to the board for approval.
- Reviewed and recommended to the board the 2007 final dividend and the 2008 interim dividend.
- Reviewed the independence of the external auditors.
- Agreed in consultation with management the provisional audit fee for the 2008 financial year.
- Reviewed the letters of representation from management to the external auditors.
- Reviewed the external audit reports and management comments.
- Held two meetings with the external auditors in the absence of management and no major areas of concern were raised.
- Reviewed and approved the annual internal audit plan, ensuring that material risk areas were included and that the coverage of business processes was acceptable.
- Reviewed the internal audit report focusing on the effectiveness of internal controls and risk management processes.

- Reviewed reports on incidents on non-compliance with the company's ethics policy. This included receiving and reviewing reports on material fraud incidents and whistle-blowing reports.
- Recommended the adoption of certain accounting standards upon recommendation by management.

2008 annual financial statements

The committee has recommended the financial statements for approval to the board. The board has subsequently approved the financial statements which will be tabled at the annual general meeting.



DD Mokgatle
Acting Chairman of the audit and risk committee