

# Audit committee report

The Deneb audit committee is a formal committee of the board and functions within its documented terms of reference. This report is presented to shareholders and constitutes the report of the audit committee in respect of the past financial year as required by section 94 of the Companies Act, No. 71 of 2008, as amended (“the Companies Act”).

## PRIMARY ROLE AND RESPONSIBILITY OF THE COMMITTEE

The audit committee fulfils an independent oversight role regarding the company’s financial statements and the reporting process, including the system of internal financial control, with accountability to both the board and to shareholders. The committee’s responsibilities include the statutory duties prescribed by the Companies Act, recommendations by King IV™ and additional responsibilities assigned by the board.

## COMPOSITION AND MEETINGS OF THE AUDIT COMMITTEE

The committee comprises three independent non-executive directors: Mr M H Ahmed (chairperson), Ms K F Mahloma and Ms N B Jappie. The committee members are appointed by the shareholders at the annual general meeting of the company. By invitation, the chief executive officer, the financial director, the external auditors and the head of internal audit have attended the committee meetings. Deneb appointed GRIPP Advisory Proprietary Limited (“GRIPP”) to perform internal audit services to the company. GRIPP has dedicated a representative to perform the functions associated with the role of Chief Internal Audit Officer.

Each committee meeting includes a confidential discussion between members, internal auditors and the external auditors, without members of executive management being present.

The committee meets twice annually, with special meetings called as required. The committee held two meetings during the financial year under review and attendance was as follows:

	26 May 2020	12 November 2020
M H Ahmed	√	√
N B Jappie	√	√
K F Mahloma	√	√

√ In attendance

## AUDIT COMMITTEE FEES

Fees paid to the committee members are disclosed in note 28.

## EVALUATION OF THE AUDIT COMMITTEE

The effectiveness of the committee is assessed as part of the annual board and committee self-evaluation processes and the chairperson of the committee attends all statutory shareholder meetings to answer any questions on the committee’s activities.

## FUNCTIONS AND RESPONSIBILITIES OF THE AUDIT COMMITTEE

The audit committee has discharged the functions in terms of its charter and ascribed to it in terms of the Companies Act as follows:

### Reporting function

- Reviewed the interim results announcement, annual financial statements and integrated annual report, culminating in a recommendation to the board to adopt them.
- Reviewed and approved the appropriateness of the accounting policies and practices.
- Ensured compliance with International Financial Reporting Standards, including consistent application to all periods as presented in the consolidated financial statements.
- Evaluated and determined the effectiveness of the company’s internal control systems.
- Reviewed legal matters that could have a significant impact on the company’s financial statements.
- Reviewed the requirements of King IV™ and instances where the King IV™ requirements have not been applied, have been explained in the Corporate Governance Report.
- Considered the JSE’s most recent report on the proactive monitoring of financial statements, and where necessary, those of previous periods. The committee has taken appropriate action to respond to the findings as highlighted in the JSE’s report when preparing the annual financial statements for the year ended 31 March 2021.
- In accordance with paragraph 3.84(g)(ii) of the JSE Listings Requirements, the committee further confirms that the company has established appropriate financial reporting procedures and that those procedures are operating effectively.

# Audit committee report (continued)

## External audit function

- Reviewed the external audit reports on the consolidated financial statements.
- Nominated the external auditor for appointment by the shareholders.
- Monitored and reported on the independence of the external auditor.
- Approved the budgeted audit fees, audit plan and engagement terms of the external auditor.
- Determined the nature and extent of allowable non-audit services and approved the contract terms for the provision of non-audit services by the external auditor.
- Determined that the audit firm and designated auditor is accredited as such on the JSE list of auditors and advisers.
- Reviewed the key audit matter identified by the external auditor and is satisfied that it has been adequately addressed. The following key audit matter has been detailed in the audit opinion: Valuation of investment properties and owner-occupied properties.

## Finance function

- Considered the expertise and resources of the finance function, as well as the experience of the senior members of management responsible for the finance function.
- Considered the expertise and experience of the financial director.

## Internal audit function

- Oversaw the functioning of the internal audit department and performance assessment of the head of internal audit, including the representative of the outsourced internal audit function.
- Approved the annual internal audit plan and monitored the progress thereof.

## INDEPENDENT EXTERNAL AUDIT

The audit committee reviewed a representation by the external auditor and, after conducting its own review, confirmed the expertise and objectivity of PwC as the external auditor and noted Mr A Hugo as the designated auditor for the year under review. The external auditor has unrestricted access to the company's records and management and furnishes a written report to the committee on significant findings arising from the annual audit. As required by section 3.84(g)(iii) of the JSE Listings Requirements, the committee is satisfied that the external auditor is independent of Deneb as set out in Section 94(8) of the Companies Act and suitable for reappointment at the annual general meeting by considering, inter alia, the information stated in paragraph 22.15(h) of the JSE Limited Listings Requirements.

## INTERNAL AUDIT AND INTERNAL CONTROL

The outsourced internal audit function is an independent and objective assurance and consulting function that adds

value and improves the operations of the company. It assists to accomplish objectives by evaluating and improving the adequacy and effectiveness of risk management, internal control and governance processes. The internal audit function reports functionally to the chairperson of the audit committee, but administratively to the financial director.

A risk-based approach has been applied to develop the annual internal audit plan. The internal audit plan:

- is formally approved by the audit committee;
- is formulated by considering key risk factors as identified through ongoing risk assessments, but also incorporating any additional matters identified by management and the audit committee;
- considers the evaluation of governance processes, operational and financial processes and associated controls in accordance with the combined assurance model;
- assesses the internal financial controls; and
- is reviewed to consider new risk areas as the business evolves.

Any material or significant control weaknesses are brought to the attention of management and the audit committee.

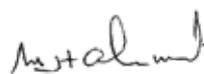
## EXPERTISE AND FINANCIAL EXPERIENCE OF THE FINANCIAL DIRECTOR AND FINANCE FUNCTION

The audit committee is satisfied that in terms of paragraph 3.84(g)(i) of the JSE Listings Requirements the expertise and experience of the financial director is appropriate to meet the responsibilities of the position. This is based on the qualifications, continuing professional education and the committee's assessment of the financial knowledge and levels of experience of the financial director.

The committee reviewed the resources of the finance function, the experience of the senior members of management responsible for the financial function and has concluded that the function is performing adequately in terms of the requirements of the audit committee.

## APPROVAL OF THE AUDIT COMMITTEE REPORT

The committee confirms that it has functioned in accordance with its terms of reference for the financial year under review and complied with all statutory and regulatory responsibilities.



**Mohamed Ahmed**  
Chairperson

26 July 2021