

Audit Committee report



Gabriel Smith
Chairman of the Audit Committee

Composition of the Audit Committee

The Audit Committee consists of the Non-Executive Chairman, Mr G Smith, and Non-Executive Directors Mr P Bacchus and Ms E Headon. In 2017, following Ms S Bianchi's retirement from the Committee, the Committee determined that Mr G Smith is the Committee's financial expert. As outlined in the Directors' biographical details, set out on pages 52 and 53, members bring considerable financial and accounting experience to the work of the Committee with Mr P Bacchus being a Chartered Accountant.

Summary of role of the Audit Committee

The main responsibilities of the Committee include:

- monitoring the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance and reviewing significant financial reporting judgements contained in them;
- monitoring the effectiveness of the Group's internal control and risk management systems;
- making recommendations for the Board to put to the shareholders for their approval in General Meetings regarding the appointment, remuneration and terms of engagement of the external auditors;
- reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements and, in particular, the appropriateness of the provision of non-audit services;
- reviewing the plans, work and performance of the internal audit function and management's actions on findings to gain assurance as to the effectiveness of the internal controls in the Group;
- monitoring and reporting to the Board on the statutory audit of the financial statements; and

- reporting to the Board, identifying any matters in respect of which it considers that action or improvement is needed, and making recommendations as to the steps to be taken.

Meetings

The Committee met five times during the year ended 31 December 2017. Details of the Directors' and Secretary's attendance at Audit Committee meetings are set out on page 54. Audit Committee meetings generally coincide with the release of the Group's preliminary results, Annual General Meeting (AGM) and half yearly results.

Significant issues related to the financial statements

The Committee reviewed the 2017 Annual Report in March 2018. The significant issues identified were the recoverability of property, plant and equipment and revenue recognition. The Committee reviewed the realisation of property, plant and equipment, taking account of the cash flow forecast and assumptions as detailed in Note 13, Property, plant and equipment. Based on this review, at the statement of financial position date, the recoverable amount of property, plant and equipment exceeded its carrying amount and as a result no impairment provision is required. The Committee reviewed the recognition of revenue taking into account the accounting policy on revenue as detailed in Note 1 Statement of accounting policies and Note 2 Revenue. As a result of this review the Committee are satisfied that the amount and disclosures related to revenue recognised are adequate.

The Committee has received a report from the external auditors on their audit of the financial statements. This report includes the auditors' review of the areas of audit risk and focus in relation to the financial statements.

The Committee reviewed the 2017 Half Yearly Financial Report issued by the Company in August 2017. The significant issue identified was the recoverability of property, plant and equipment. The auditors included an Emphasis of matter paragraph in their review report drawing the reader's attention to this issue.

The Committee received a report from the external auditors on their review of the Half Yearly Financial Report. This report included the auditors' key areas of review.

External audit

The Company's external auditors are Deloitte. They have been the external auditors for over twenty-five years and during this time there has been no tender. The current engagement partner, Kevin Sheehan, is to rotate from this engagement in 2019. KPMG provide the external audit and taxation services to the subsidiary undertakings Kenmare Moma Mining (Mauritius) Limited and Kenmare Moma Processing (Mauritius) Limited and their respective branches.

The Committee plans to put the external audit contract to tender on or before 2019. There are no contractual obligations that restrict the choice of external auditors.

The Committee closely monitors the level of audit and non-audit services that the audit firms provide to the Group. The Committee has adopted a policy on the provision of non-audit services by the external auditors on the basis they may provide such services where the engagement will not compromise their audit objectivity and independence, they have the understanding of the Group necessary to provide the service and they are considered to be the most appropriate to carry out the work. All non-audit services provided by audit firms must be approved by the Committee.

The Committee agreed the fees and audit plan of the external auditors for their audit of the 2017 Annual Report and Accounts and their review of the 2017 Half Yearly Financial Report. The Committee reviewed the safeguards designed to avoid the possibility that the auditors' objectivity and independence could be compromised. The Committee is satisfied that the appropriate policy is in place in respect of services provided by external auditors.

The Company Secretary, the external audit lead partner and, from time to time, the Finance Director attend meetings at the invitation of the Committee. At least once each year, the Committee and the external auditors discuss, without management present, matters relating to its remit and any issues arising from the audit. The external auditors have unrestricted access to the Chairman of the Audit Committee.

Risk management

The Group has identified and documented critical risks to the business, including key operational risks and related controls in its risk register. The Mine operational risks to the business are reviewed quarterly and updated and the Group's risk register amended. The Group's operational risks are reviewed annually and the corporate and business risks on the Group's risk register are updated. The critical/high risks identified as a result of this process are reviewed by the Audit Committee. These risks are included in the principal risks and uncertainties facing the Group as set out on pages 36 to 41. As part of the internal audit function, controls identified in the risk register are tested to ensure they are operating effectively.

The Company has a whistleblowing policy in place and a third-party service provider is engaged to provide a confidential 24/7 whistleblowing service allowing all employees to contact it and report any wrongdoing in the workplace. Five reports were received in 2017 and these were dealt with by the Company Secretary and the internal auditor. The service does not replace the internal processes within the organisation, but seeks to provide an alternative for those employees who for any reason do not wish to use the internal processes.

The Audit Committee Chairman can receive in confidence complaints in writing on accounting, risk issues, internal controls, auditing issues and related matters for reporting to the Audit Committee.

During the year the Audit Committee reviewed a summary of the key Group insurance policies. The Group's insurance does not cover every potential risk associated with its operations. Adequate cover at reasonable rates is not always obtainable. In addition, the Group's insurance may not fully cover its liability or the consequences of business interruption due to risks such as weather events, equipment failure or labour dispute. Taking into account the above factors, the Audit Committee was satisfied there is adequate cover in place to mitigate the Group's exposure to insurable risks.

Internal audit

In April and November 2017, internal audits took place at the Mine. The key findings from these reviews were reported to the Audit Committee during 2017. The recommendations from these reviews have been or are being implemented by management.

Financial reporting

The Directors are responsible for preparing the Annual Report and the financial statements. The Directors have delegated to management the planning and implementation of the system of internal control over financial reporting. Internal control over financial reporting is a process designed by management to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of the Group's published financial statements for external reporting purposes in accordance with IFRS. The Group's internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures are being made only in accordance with the authorisation of management.

The Audit Committee monitors the integrity of the financial statements of the Group and any formal announcement relating to the Group's financial performance, reviewing significant financial reporting judgements contained in them. The Audit Committee reviewed the 2017 Annual Report and the 2017 Half Yearly Financial Report and also the Committee received a report from the external auditors for the audit of the 2017 Annual Report and their review of the 2017 Half Yearly Financial Report. The Board reviews and approves the financial statements of the Company and the consolidated financial statements of the Group.

Gabriel Smith

Chairman of the Audit Committee

28 March 2018