

Audit Committee report



Gabriel Smith
Chairman of the Audit Committee

MEMBERSHIP AND MEETINGS

The Audit Committee consists of myself as Chairman, and Non-Executive Directors Mr. P. Bacchus and Ms. E. Headon. I am the Committee's financial expert. As outlined in the Directors' biographical details, set out on pages 58 and 59, members bring considerable financial, accounting and mining industry experience to the work of the Committee, with Mr. P. Bacchus being a Chartered Accountant.

		Independent	Date of appointment to Committee	Meetings attended
Mr. G. Smith	Chairman	Yes	12/03/13	
Mr. P. Bacchus	Member	Yes	25/05/17	
Ms. E. Headon	Member	Yes	21/04/11	

Meetings attended

Chairman's Overview

On behalf of the Committee, I am pleased to introduce the Audit Committee Report for the year ended 31 December 2018. The purpose of this report is to provide shareholders with an insight into the workings of, and principal matters considered by, the Committee in 2018, and provide details in relation to the roles and responsibilities of the Committee, its operation and the policies applied by it.

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 four times during the year ended 31 December 2018. Details of the Directors' and Secretary's attendance at Audit Committee meetings are set out on page 62. Audit Committee meetings generally coincide with the release of the Group's preliminary results, AGM and half yearly results. The table on pages 65 and 66 outlines the key areas that the Committee focused on in 2018 and to date in 2019.

External audit

The Committee closely monitors the level of audit and non-audit services that 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 that they may provide such services only 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 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. 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 38 to 43. 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. No reports were received in 2018. 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 March 2018, the Committee approved the internal audit plan for 2018. In May and November 2018, internal audits took place at the Mine. The key findings from these reviews were reported to the Audit Committee during 2018 and 2019. The recommendations from these reviews have been or are being implemented by management.

Areas of focus in 2018 and to date in 2019

Area of focus	Audit Committee action
Financial reporting and external review	<p>We reviewed the 2018 Annual Report in March 2019 and the 2018 Half Yearly Financial Report issued in August 2018 and made recommendations for the approval of the financial statements to the Board. The Committee receives 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.</p> <p>In December 2018, we met with Deloitte Ireland LLP to agree the 2018 external audit plan. The table on page 66 outlines the key areas identified as being potentially significant and how we addressed these during the year.</p>
Impairment testing	<p>Through discussion with management, we reviewed management's impairment testing methodology and processes. We found the methodology to be robust and the results of the testing process appropriate. There were no impairments identified in 2018.</p>
New accounting standards	<p>In conjunction with management, the Committee considered implementation of new accounting standards in relation to Revenue from Contracts with Customers (IFRS 15), Financial Instruments (IFRS 9) and Leases (IFRS 16). The Committee reviewed the disclosures in the 2018 Annual Report and the 2018 Half Yearly Financial Report around the policies and implications of adoption of the new standards. The Committee was satisfied that the disclosures are appropriate. Please see pages 106 to 108 for further information on the implementation of these new standards.</p>
Group risk management	<p>The Committee continued to monitor and review the Group's risk management framework to the assessment of the Group's risks and the management of these risks as set out on pages 38 to 43. As part of the internal audit function, controls identified in the risk register are tested to ensure they are operating effectively.</p>

Audit Committee report continued

Areas of focus in 2018 and to date in 2019 continued

Area of focus	Audit Committee action
Group audit tender	<p>During 2018 and this year the Committee conducted an external audit tender process. The Company's external auditor is Deloitte Ireland LLP. They have been the external auditor since 1987 and during this time there has been no tender.</p> <p>In line with the EU rules on rotation, Deloitte were not invited to tender for the audit. Suitable candidates to participate in the process were identified and a detailed request for proposal was issued. Initial information meetings on the Group and audit process were held with the respective candidates and senior finance staff. Audit tender documents were submitted to the Audit Committee and tender presentations were conducted. As a result of this process, the Audit Committee recommended to the Board the appointment of KPMG as Group auditor and the Board endorsed the Audit Committee's recommendation. The appointment of KPMG as external auditor will be put to shareholders at the 2019 AGM.</p>
External audit	<p>The Committee agreed the fees and audit plan of the external auditors for their audit of the 2018 Annual Report and Accounts and their review of the 2018 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.</p>

Areas identified for focus during the 2018 External Audit Planning Process

Area of focus	Audit Committee action
Revenue recognition	<p>The Group sells its mineral products on the Incoterms FOB, CFR and CIF and has identified the performance criteria and recognition of revenue in relation to products, freight and insurance. Following discussions with management, the Audit Committee was satisfied that the revenue recognition methodology used by management is appropriate.</p>
Impairment of property, plant and equipment	<p>The Directors have developed an impairment assessment model which they use to determine if the net present value of future cash flows within the cash-generating unit (CGU) will be sufficient to recover the Group's carrying value of property, plant and equipment assets. Key assumptions used in the model include the useful life of mine, future sales prices, costs of production and sustaining capital expenditure and the discount rate.</p> <p>Following discussions with management, the Audit Committee was satisfied that no impairment charge is required to be recognised and that the assumptions as disclosed in Note 13 are appropriate.</p>

Audit Committee effectiveness and priorities for 2019

As outlined in the Corporate Governance Report, during 2018 there was an external evaluation of the Committee's performance and effectiveness. I am pleased to confirm that the Committee continues to operate effectively.

I would like to thank my fellow Committee members for their commitment and input to the work of the Committee during 2018.

We would like to thank Deloitte Ireland LLP for their excellent work over the years as Group auditor. We look forward to working with KPMG, subject to appointment at the AGM, as the new Group auditor in 2019. The Committee will continue to focus on internal control, external audit planning and risk management.

Gabriel Smith

Chairman of the Audit Committee

29 March 2019