

Audit and Risk Committee Report

Chairperson: Mr Ronald Moyo

We are pleased to present our report for the financial year ended 31 March 2009.

Audit and Risk Committee members and attendance

The Audit and Risk Committee (hereafter referred to as the Committee) consists of the members listed hereunder and should meet at least four times per annum as per its approved terms of reference.

The Committee scheduled four meetings and one special meeting during the financial year under review. The Committee confirms that it discharged its responsibilities in terms of the NHLS Audit and Risk Committee Charter. Meetings were held on the following dates:

| Member's name | Scheduled meetings | | | |
|------------------------------|--------------------|-------------|-------------|--------------|
| | 22 Oct 2008 | 29 Jan 2009 | 28 May 2009 | 23 July 2009 |
| Mr Ronald Moyo (Chairperson) | Yes | Yes | Yes | Yes |
| Mr Malcolm Brown | Apology | Yes | Yes | Yes |
| Mr John Coates | Yes | Yes | Yes | Yes |
| Mr Phumzile Zitumane | Yes | Apology | Yes | Yes |
| Mr André Venter | Apology | Yes | Yes | Yes |
| Ms Marianne Malherbe | * | Yes | Yes | Yes |
| Mr Goolam Manack | Yes | Yes | Apology | Yes |
| Nozuko Yokwana | * | Apology | Apology | Apology |

* Member not yet appointed to the Committee at the time.

Audit Committee responsibility

The Committee reports that it has complied with its responsibilities arising from sections 51(1) (a) (ii) and 76(4) of the PFMA and section 27.1 of the Treasury Regulations. The Committee also reports that it has adopted appropriate formal terms of reference as its Audit and Risk Committee Charter, has regulated its affairs in compliance with its charter and has discharged all its responsibilities as contained herein.

The effectiveness of internal control

We have reviewed various reports prepared by the internal and external auditors, on the adequacy and effectiveness of internal control systems. We have also reviewed the external auditor's reports on the annual financial statements together with their verbal assurances that there are no unresolved issues. In terms of these reports, there has been no significant or material non-compliance with prescribed policies, procedures and internal controls other than referred to in the audit report of the external auditors on the annual financial statements.

The Committee is satisfied that internal controls and systems have been put in place and that these controls have functioned effectively during the period under review. However, where the internal and external auditors have reported control weaknesses, the Committee has satisfied itself that management has taken appropriate steps to rectify these matters. Furthermore, the Committee is not aware of any material losses that occurred as a result of the weaknesses reported. The Committee is satisfied with the content and quality of the management and quarterly reports prepared and issued by the Accounting Officer during the year under review.

Evaluation of annual financial statements

The Committee has:

- Reviewed and discussed with the external auditors and the Accounting Officer the audited annual financial statements for the 2009 financial year period to be included in the Annual Report;
- Reviewed issues raised by the external auditors and management response during the Committee meeting held to approve the annual financial statements;
- Reviewed changes in accounting policies and practices; and
- Reviewed significant adjustments resulting from the audit

The Committee agrees that the adoption of the going concern premise is appropriate in preparing the annual financial statements for the 2009 period. The Committee has therefore recommended the adoption of the annual financial statements by the NHLS Board of Directors at their meeting held on 30 July 2009.



Chairperson of the Audit and Risk Committee
NHLS Board