



# Audit & risk management committee

> **Martin Shaw**

The audit & risk management committee (committee) assists the Board to fulfil its corporate governance supervision responsibilities relating to accurate financial reporting and adequate systems, controls and risk management processes. The committee evaluates the findings of external audits, the actions taken and the appropriateness and adequacy of systems of internal financial and operational control; it reviews accounting policies and financial information issued to stakeholders and it recommends the appointment of external auditors and their remuneration.

The Board is provided with regular reports on committee activities. The external auditors have unrestricted access to the chairperson of the committee. The independence of the external auditors is regularly reviewed and all non-audit related services are reported in terms of an agreed policy.

The committee met three times during the year under review.

## Membership

The committee must consist of at least three non-executive directors and must be chaired by an independent director. During the year under review MJ Shaw served as chairman of the committee with AA Routledge as a member. AJ Morgan resigned on 26 July 2004 and was replaced by IN Mkhize on 1 January 2005.

All committee members are independent non-executive directors and are financially literate. The chairman, group chief executive, group financial director, group executive responsible for risk management and external auditors, attend meetings by invitation.

## Terms of reference

The committee's responsibilities include:

- monitoring the group accounting policies and making recommendations to the Board to ensure compliance with generally accepted accounting practice
- discussing and agreeing the scope, nature and priority of the audit

- reviewing the external audit reports for the interim review and full-year audit
- reviewing the group annual financial statements and the group results and making recommendations to the Board for publication in the interim and preliminary report and the annual report
- reviewing and recommending to the Board for approval, the Group's statement on the maintenance of a sound system of risk management and internal control

The committee's terms of reference are reviewed annually at the April board meeting.

## Audit and administration

Financial and administrative management within Murray & Roberts was strengthened during the period under review, with the appointment of a number of senior financial executives into both corporate and operational roles.

The full-year independent audit has been efficiently managed by new audit partner Andrew Mackie following the untimely death in April 2005 of his predecessor Mike Goldsworthy.

## International Financial Reporting Standards (IFRS)

An internal project team was established to deal with conversion to IFRS which involved an impact assessment study, training for senior financial management, preparation of

IFRS conversion reporting packs and other tools, roll-out of conversion issues and adjustments, with full compliance in place from 1 July 2005 onwards.

## Risk management

A project to review and install an entire system of risk management and internal audit within the Group is ongoing with an anticipated completion date of June 2006. Once completed, the project will result in a fully integrated approach to risk management and internal audit throughout the Group.

A risk framework has been designed to manage, rather than eliminate, the risk inherent in achieving agreed business objectives. This framework was approved by the Board in February 2005 with the group risk management executives (group risk) responsible for coordinating roll-out of the framework. Risk coordinators have been appointed with accountability for implementation in each of the operating companies.

A key element of the risk framework is an opportunity management system, which was developed during the year and is aimed at enabling improved decision-making in the pursuit of project opportunities. This has necessitated formalisation of a risk appetite for the Group, which includes such project characteristics as country, legal code, partners, clients and other commercial factors against which opportunities are evaluated. An operational risk committee has been constituted to act as custodian of the group risk appetite, respond to the risk register and interrogate risks associated with key decisions.

Group risk is responsible for recruitment of operational risk managers, professional training programmes, adoption of an international risk management standard and procurement of a generic system for disciplined, consistent risk management and internal control.

A risk report is tabled at each committee meeting and a register of major risks facing the Group is reviewed by the committee twice a year.

There is regular communication between the group chief executive and group risk. In addition, the Group employs a firm of forensic

consultants and investigators and an independent whistle-blowing service that report monthly to the group chief executive.

Group risk participated in various activities during the year including acquisition due diligence reviews, major bid development, project audits and strategic and project risk assessments.

Murray & Roberts is a founding member of the Engineering and Construction Risk Institute, formed under the auspices of the World Economic Forum. The Institute aims to promote best practice in risk management throughout the engineering and construction industry.

**Martin Shaw**

Chairman