

Report of the Audit & Risk Committee



Members of the Audit & Risk Committee

Gordon Hamilton, Chairman

Pat Bartlett

Tony Lowrie

Octavia Matloa

The Audit & Risk Committee continued its important work throughout FY 2018 of:

- ▶ continually assessing the Group's internal audit function and looking to enhance and improve processes and functions where appropriate;
- ▶ ensuring the Group's interim and annual results and financial statement reporting were adequately considered with focus on maintaining robust judgements and estimates;
- ▶ ongoing consideration of control and systems to ensure they remain relevant and appropriate to the business and the associated risks thereto; and
- ▶ maintaining regular and detailed interaction with the external auditors, both within the Committee meetings and otherwise (by the Committee Chairman), ensuring the highest levels of audit quality and feedback are maintained.



Maximising return on capital and ensuring that all assets are in a position to contribute positive cashflow to the business was an ongoing process throughout FY 2018.

Gordon Hamilton

Chairman of the Audit & Risk Committee


Nomination Committee Terms of Reference
petradiamonds.com/about-us/corporate-governance/board-committees

Dear shareholder,

The Audit & Risk Committee ("the Committee") plays a vital role at Petra by ensuring that the Group has effective and appropriate risk management and internal control systems, backed up by comprehensive financial, governance, internal audit and reporting functions. As Chairman of the Committee, I am pleased to have this opportunity to summarise some of the key developments during the Year, as well as our ongoing responsibilities and objectives.

Careful consideration of leverage, banking covenants and the Rights Issue

Historically, Petra has financed its asset acquisitions predominantly through a number of equity raises and has since executed the capital investment programmes utilising operating cashflow, banking facilities and the proceeds from two bond issues. Whilst the Company has successfully delivered on the majority of the milestones associated with its development plans across the portfolio, its cashflow generation over the last two years has been impacted by a combination of the operational delays in FY 2017 combined with a number of business challenges experienced in the first half of FY 2018. In conjunction with a stronger Rand, which reached a low of R11.55:USD1 in February 2018, the Company's gross debt reached levels higher than anticipated and impacted the Company's ability to deleverage in line with expectations.

The Committee was kept apprised of these developments during the Year with regards to potential covenant breaches, liquidity and cashflow forecasts. The Committee regularly discussed these issues with the Board and the potential de-leveraging mechanisms available to the Group ensuring at all times that appropriate consideration was being given and that external reporting in Trading Updates, interims and full year results announcements and other regulatory announcements was always appropriate, balanced and complete.

Following careful deliberation and with input from the Audit Committee, the Board determined that the Rights Issue provided the optimal way of reducing leverage to a more sustainable level, allowing management to focus on ongoing operational delivery and optimisation, and assisting in mitigating short-term issues relating to currency volatility and the other ongoing business challenges as outlined above.

Review of the Group's portfolio of assets

Maximising return on capital and ensuring that all assets are in a position to contribute positive cashflow to the business was an ongoing process throughout FY 2018. The Committee regularly reviewed all the operations with specific emphasis on Koffiefontein and the KEM JV, including on-site visits, due to the fact that both assets had a high level of sensitivity to a strengthening Rand on the US Dollar operating costs, coupled with execution risk related to their remaining expansion targets, as well as lower than forecast pricing for the KEM JV as a result of a higher proportion of smaller, low value goods. The Committee was kept abreast regularly of developments at both operations and provided key consideration on impairment reviews as well as holding regular discussions with the external auditors so as to ensure appropriate external reporting was at all times provided.

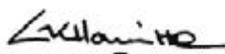
Commissioning of expansion projects

Whilst the Group has established accounting policies associated with the commissioning of assets associated with the expansion projects, the practical implementation of these policies remained a key focus for the Committee during the Year with several key assets being commissioned. Assessment of depreciation charged, borrowing costs capitalised and appropriate cost allocation between capital and expenditure based on project status were all considered in detail.

Risk review

The Committee continued to consider and enhance its risk reporting matrices ensuring that both operational and corporate level risk reviews were carried out during the Year.

The outcome of the review did not significantly change the Group's recorded material risks as disclosed on pages 43 and 44.



Gordon Hamilton
Chairman of the Audit & Risk Committee
12 October 2018

Committee experience and skill-set

The members of the Audit & Risk Committee are considered to possess the appropriate skills and experience to monitor and ensure the integrity of the Group's financial reporting, internal audit, internal financial control and risk management systems and to support Petra's governance.

Mr Hamilton, the Chairman of the Committee, fulfils the requirements of the Code with regards to recent and relevant financial experience, having spent more than 30 years as a partner at Deloitte LLP primarily responsible for multinational and FTSE 350-listed company audits in mining and for several South African companies. He is currently chairman of several other audit committees.

In terms of the Committee members and in line with FRC Guidance, Dr Bartlett, as an experienced diamond geologist, possesses a wealth of sector-specific experience relevant to the nature of Petra's business, Mr Lowrie brings many years of business experience across international banking and financial sectors, and Ms Matloa is a qualified Chartered Accountant who brings highly relevant business, financial and audit experience as she is currently a member of the audit committee for other organisations in South Africa.

When relevant, new members to the Audit & Risk Committee will receive the required induction to ensure they are properly equipped to discharge their duties; this includes the standard Board induction process (as set out on page 66), as well as information specific to the Committee such as its Terms of Reference, Internal Audit Charter, previous internal and external auditor reports

and Committee meeting minutes. The Committee members receive appropriate ongoing training and development as well as regular updates from the Group's external auditors on relevant financial reporting, governance and regulatory developments.

The Committee may, if considered necessary, take independent advice at the expense of the Company. Other than BDO LLP, as the external auditors, no other external consultants assisted the Committee during FY 2018.

Committee meetings

Five meetings were held in FY 2018 and the Committee invited the Group Chairman, the Executive Directors, members of Senior Management (including the Chief Operating Officer) and the Group Internal Audit Manager to attend these meetings as appropriate. In addition, the Chairman of the Committee met separately with the BDO LLP Audit Partner on several occasions to discuss significant audit and accounting matters, together with relevant financial reporting and governance developments. The full Committee also met with the Audit Partner without the Executive Directors present during the Year.

The Committee recognises the importance of allocating significant time to fulfil its duties effectively. In advance of each Committee meeting, a formal agenda and information pack is circulated allowing each member time to review the information and prepare for the Committee meetings. During the formal meetings, the members then engage in robust and open debate and assessment of relevant matters.

Mr Hamilton, as Chairman of the Committee, allocates a significant amount of time to this role. In addition to chairing formal meetings of the Committee and attending sessions with the external auditors, Mr Hamilton travelled regularly to Johannesburg during FY 2018 where he was able to meet with the Finance Director and the Finance team, as well as the Group Internal Audit Manager, in order to discuss and monitor the financial controls and audit activities of the Group on a timely basis.

In addition, site visits were arranged for Committee members during the Year to the Group's various operations, enabling the Chairman and the Committee to uphold a comprehensive understanding of corporate and finance developments and activities, any associated risks, as well as the controls in place at Petra. A site visit was undertaken by Mr Hamilton and Dr Bartlett to the Finsch, Cullinan and Koffiefontein mines during August 2017 and again in August 2018 and Mr Hamilton also accompanied the investor/analyst site visit to Cullinan in February 2018. A site visit by the full Committee to all of the South African operations took place in October 2017.



Report of the Audit & Risk Committee continued

Committee role and activities

The principal functions of the Audit & Risk Committee are listed below, along with the corresponding activity and performance in FY 2018.

ROLE	ACTIVITIES IN FY 2018	OUTCOMES
<p>To monitor the integrity of the interim and preliminary full year results announcements, as well as the Annual Report and Accounts published by the Company, reviewing significant financial reporting judgements contained therein.</p>	<p>The Committee formally considered the Group's interim results, preliminary full year results and Annual Report and Accounts and considers that they present a fair, balanced and understandable assessment of the Group's performance and prospects. The Committee, on behalf of the Board, has a specific process of review that enables it to make this assessment, which included a detailed appraisal by each member. The Committee then met with the Executive Directors to discuss any questions and comments.</p> <p>In particular, the Committee assessed the balance of information reported against their understanding of the Group, as well as the tone and language used in the reporting, ensuring that it should be comprehensible to readers of various backgrounds.</p> <p>Outside of formal Committee meetings, accounting matters were also discussed by the Chairman of the Committee and the Finance Director. Key auditing, financial reporting and governance matters, which typically focused on areas of significant judgement, estimation or accounting policy selection, were discussed with the Audit Partner ahead of Committee meetings and then during the Committee meetings.</p>	<p>In accordance with the Code, the Directors consider that the Annual Report and Accounts taken as a whole is fair, balanced and understandable and provides information necessary for shareholders to assess the Company's performance, business model and strategy.</p>
<p>To review and challenge, where necessary, accounting policies and practices, decisions requiring a major element of judgement, the clarity of disclosures, compliance with accounting standards, and compliance with regulatory and legal requirements.</p>	<p>As part of its work to approve the Group's Financial Statements, the Committee reviewed the key financial reporting judgements and accounting policies therein. These judgements were assessed through discussions with the Group's auditors and presentations by Management in which the Committee, where appropriate, challenged the basis for such judgements and estimates.</p> <p>Details of the significant matters considered by the Committee in respect of the FY 2018 Annual Report are set out on pages 76 and 77.</p>	<p>The Committee considers that the accounting policies used, reporting disclosures, compliance with accounting standards and other requirements are appropriate to the Group in all regards, taking account of the specialised nature of its business.</p>
<p>To ensure that Petra's risk management systems, internal financial controls and other internal controls are effective.</p>	<p>The Committee assesses the Company's risk management systems, internal controls and internal financial controls on an ongoing basis. As part of this, the Committee invites the Group Chairman, the Executive Directors and the Group Internal Audit Manager to attend the meetings as appropriate.</p> <p>During these meetings, the Committee was provided with updates on the Group's activities and the members considered the risk and control implications on an ongoing basis. Additionally, the Board as a whole received presentations and reports by Management on operational and financial performance each quarter that allowed for assessment of risk and internal controls.</p> <p>The Committee meetings during FY 2018 included presentations by BDO LLP regarding the results of the FY 2017 audit, the interim review for H1 FY 2018 and the FY 2018 Audit Committee Planning Report, with a presentation by BDO LLP of the results of the FY 2018 audit subsequent to the Year end. These presentations included the auditors' observations and recommendations in respect of internal controls that the Committee incorporated into its overall assessment of the effectiveness of risk management and controls.</p>	<p>The Committee considers that Petra's internal controls, including its financial internal controls, continue to be robust and defensible.</p> <p>The Committee will continue to review and assess the development of risk management and internal control systems, assisted by the work of the Internal Audit team.</p>
<p>To ensure the Internal Audit function is adequately resourced and effective and is supported by the Committee in its role.</p>	<p>The Internal Audit Charter was reviewed, updated and approved by the Committee in FY 2018. The Committee continued to assess the effectiveness of the Internal Audit team during the Year and to review and develop the Internal Audit Plan as required.</p>	<p>The Group Internal Audit Manager, and supporting team, will continue to work with the Committee to ensure the integrity and effectiveness of the Group's internal control procedures and risk management systems.</p>

ROLE	ACTIVITIES IN FY 2018	OUTCOMES
<p>To consider the appointment, re-appointment or removal of the external auditors, to recommend the remuneration and terms of engagement of the external auditors and to assess the external auditors' independence and objectivity.</p> <p>To review the engagement of the external auditors to ensure the provision of non-audit services by the external audit firm does not impair their independence or objectivity.</p>	<p>Following a formal competitive tendering process, the Committee proposed the re-appointment of BDO LLP to act as auditors for FY 2018, having considered the independence, objectivity, tenure and effectiveness of BDO LLP and the audit process.</p> <p>In advance of the FY 2018 audit, the Committee reviewed and approved the external auditors' audit planning presentation and assessed the appropriateness of the audit strategy, scoping, materiality and audit risks.</p> <p>The Committee approved the audit fees as part of the audit planning process. The Committee also reviewed audit-related fees in relation to the interim review and comfort letters in relation to the Rights Issue, having considered the FRC's Ethical Standard. The services represented audit-related services, which are not considered to create independence threats under the FRC's Ethical Standard.</p> <p>Details of the Committee's assessment of the auditors' independence and its assessment of their effectiveness are provided on page 78.</p>	<p>The Committee has taken appropriate steps to assess the independence of its auditors, recognising the importance of audit independence to the audit process.</p> <p>The Committee has reviewed and gained a thorough understanding of the external auditors' strategy and has satisfied itself that it is robust and that the auditors remain independent.</p>
<p>To give due consideration to relevant laws and regulations, the provisions of the Code and the requirements of the UK Listing Rules.</p>	<p>The Committee received adequate timely information, briefings and training on all relevant regulatory updates and developments. The Committee as a whole and, on occasion, the Chairman of the Committee met separately with the BDO LLP Audit Partner to discuss significant audit, accounting and governance developments during the Year.</p>	<p>The Committee is satisfied that Petra continues to act in accordance with the Code and all relevant laws, regulations and the UK Listing Rules.</p>
<p>To review the adequacy of the Company's whistleblowing system, its fraud detection procedures and the systems and controls in place for bribery prevention.</p>	<p>The Committee continues to consider the adequacy of the various policies and systems in place across the Group that cover the whistleblowing system, its fraud detection procedures and the systems and controls in place for bribery prevention.</p> <p>The Group's whistleblowing procedure was reviewed and updated during the Year.</p>	<p>During FY 2018, there were 36 reported incidents received for investigation involving allegations of fraud and recruitment scams. Of the 36 reports received, 25 reports were finalised and 11 reports remain under investigation. The value attributable to these investigations is not of a material nature. Further to the outcome of these investigations, the Company will consider whether changes to its system of internal controls are required to limit such events taking place in the future.</p>

Committee Terms of Reference

The Committee's Terms of Reference were reviewed by the Committee, and are subsequently being enhanced with reference to the addition of relevant risk management sections post Year end. The revised Terms of Reference will subsequently be considered and approved by the Board. Once approved by the Board, they can be accessed at: www.petradiamonds.com/about-us/corporate-governance/board-committees.

Report of the Audit & Risk Committee continued

Significant issues considered by the Committee in FY 2018

The following are the significant issues considered by the Committee in respect of the Group's Financial Statements, based upon its interaction with both Management and the external auditors during the Year and subsequently. These issues align with those disclosed in the Independent Auditors' Report on pages 107 to 113.

SIGNIFICANT MATTERS CONSIDERED

OUR RESPONSE TO THESE MATTERS

Going concern, leverage and debt facility covenants

Going concern and covenant compliance remained a key risk and area of focus for the Committee throughout FY 2018 given the operational delays and business challenges, including the impact of a much stronger Rand versus the US Dollar in H2 FY 2018, the covenant breach of the two EBITDA covenant tests for the 31 December 2017 measurement period, which were subsequently waived, and the forecast of a covenant breach for the reporting period ending 30 June 2018 (which was waived as part of the Rights Issue), in addition to the inherent risks surrounding diamond pricing.

During June 2018 the Company obtained shareholder approval for a Rights Issue as part of a deleveraging process across the Group aimed at strengthening the balance sheet and increasing financial flexibility.

The Company completed the Rights Issue in June 2018, raising circa \$170 million of funds. Post the Year end, the proceeds of the Rights Issue were used to repay the revolving credit and working capital facilities due to the Group's Lender group post Year end, although these facilities were not cancelled and remain available. In addition, the covenant testing for the period ended 30 June 2018 was waived by the Lender group pre Year end.

Management forecasts as at the date of this report indicate that the Group will retain sufficient liquidity from existing cash resources and operating cashflows and will also maintain adequate headroom against its financial covenants going forward – as detailed in note 11.

The assumptions in the Group's financial forecasts and appropriateness of the going concern assumption and related disclosures therefore represented an area of significant focus for the Committee.

The Committee members critically reviewed the forecast cashflow and banking covenant models against forecast Group liquidity requirements and covenants in relation to the banking facilities, particularly considering diamond pricing, exchange rate, project commissioning and production assumptions. The forecasts demonstrated that the Group retained sufficient liquidity and that there was headroom on the banking covenants. Further details are provided in note 11.

Management presented a sensitivity analysis on liquidity and covenant ratios with due consideration given to potential risk areas (diamond pricing, production, project commissioning and exchange rates), as well as the Group's capacity to defer capital expenditure.

Based on this, alongside the Group's existing cash resources and facilities, the Board remains satisfied that the liquidity headroom remains adequate under the Group's current base case and reasonable sensitivities with the facilities remaining undrawn throughout the forecast period.

Having considered the models, risks and sensitivity analysis, the Committee was satisfied that Management's judgements and forecasts were appropriate.

The Committee assessed the disclosures in the Annual Report and Financial Statements in respect of going concern and covenant compliance and concluded that they were appropriate. Refer to note 11 on pages 119 and 120 for further details.

Carrying value of mining assets – Koffiefontein and KEM JV

The carrying values of the Koffiefontein and KEM JV mining assets were a key focus area for the Committee in FY 2018.

At Koffiefontein, impairment indicators were identified and an impairment charge of US\$66.0 million was recognised at the end of H1 FY 2018 and to date. Additional emphasis was placed on the mine's ability to meet its Life of Mine plan given historical underperformance against budget. The turnaround, as evidenced specifically during Q4 FY 2018, was assessed post Year end with no indication of further impairment and the recoverable value of the mining assets was considered to be appropriate.

At KEM JV, impairment indicators were identified and an impairment charge of US\$52.0 million was recognised at the end of H1 FY 2018. Subsequently, a binding Heads of Agreement ("HoA") was reached post Year end with regards to the disposal of the Company's interest in the KEM JV to the Company's joint venture partner Ekapa Mining for a consideration of circa ZAR300 million (circa US\$18.6 million), receivable in instalments from January 2019 to December 2020. As a result of this, a further US\$40.7 million impairment charge was recognised in relation to KEM JV in the Year.

The impairment tests include significant estimates and judgements and therefore represented a key focus for the Committee, as covered in note 8 on pages 124 to 126.

The Committee critically reviewed the key assumptions and parameters (diamond price forecasts versus historical pricing, foreign exchange rates against current and forward rates, and the basis for production and cost forecasts) in the LOM plan for Koffiefontein that supported the impairment tests performed by Management.

In addition, the Committee reviewed the sensitivity analysis performed by Management on key parameters and the effect on the recoverable value under various scenarios.

At Koffiefontein, the key area considered was the delay in the commissioning and ramp-up of the SLC, which delayed the mining of the new orebody, and the limited period of improved production. Extensive consultation with Management was held, focusing on the mine's ability to meet its production plans. In addition, the Committee reviewed diamond pricing estimates and actual production data to assess the assumptions used in the impairment assessments.

The Committee satisfied itself that Management's judgements were appropriate and the recoverable value was appropriate. The Committee further considered the disclosures made in note 8 on pages 124 to 126.

In relation to KEM JV, the Committee considered the timing of the sale negotiation and reviewed the HoA and draft sale agreement in the context of reclassifying the transaction as non-current assets held for sale and discontinued operations under IFRS 5. Further consideration was given to the fair value of the disposal proceeds, the application of the 10% discount rate thereto and the assets and liabilities to be disposed of and the levels of impairment such that the fair value of the consideration receivable was consistent with the net asset value of the mine as at 30 June 2018.

The Committee satisfied itself that Management's disclosure of the transaction as a discontinued operation was appropriate and that appropriate impairments had been applied.

The Committee further considered the disclosures made in note 35 on pages 164 to 166.

SIGNIFICANT MATTERS CONSIDERED

OUR RESPONSE TO THESE MATTERS

Tanzanian operating environment and recovery of assets at Williamson

At Williamson, ongoing risks arising from legislative changes, political uncertainties, recovery of the input VAT and the ability to sell the parcel of diamonds held and due for export placed additional emphasis on the carrying value of Williamson's assets (mining assets, historical VAT receivable and the diamond parcel blocked for export). The key judgement was around the recoverability of the input VAT under the new legislation effective 20 July 2018 which management considers to be fully recoverable.

The Committee reviewed legislative changes, reviewed associated commentary from legal bodies and discussed with Management and the Company's legal counsel the potential impact of the legislative changes on the Williamson Life of Mine plan and impairment test. This included specific consideration of the impact on costs and the selection of an appropriate discount rate at 30 June 2018.

The Committee's assessment of the recoverability of the diamond parcel required significant judgement. In making such a judgement, the Committee considered the ongoing discussions with the Government of Tanzania ("GoT"), confirmation received from the GoT post Year end that it still holds the diamond parcel of 71,654.45 carats, the internal process used for the sale and export of diamonds confirming such process is in full compliance with legislation in Tanzania and the Kimberley Process and legal advice received from independent in-country attorneys which supports the Group's position.

The Committee's assessment of the recoverability of the US\$12.7 million VAT receivable under the historical VAT legislation required significant judgement over the timing of future payments, progress and finalisation of VAT audits and ongoing discussions with the relevant authorities in Tanzania and the wider operating environment.

The assessment of the recovery of US\$7.6 million of the VAT receivables under the current VAT legislation required significant judgement over the definition of raw minerals under the new VAT legislation, ongoing discussions with the relevant authorities in Tanzania, the timing of future payments, legal advice and the wider operating environment. Consideration was given to the current legislation and whether input VAT can continue be recovered in relation to the export of rough diamonds; however, it was noted that the current legislation is unclear.

Subsequent to its detailed review of the recoverability of the VAT and inventory balances and the timing associated with the recoverability, the Audit Committee was satisfied that the carrying values are recoverable and Management's assessment is appropriate.

The Committee assessed the disclosures in the Annual Report and Financial Statements in respect of the recoverability of the diamond parcel and the recoverability of the VAT and concluded that they were appropriate.

Each of these areas also represented significant audit risk areas for BDO LLP and, accordingly, the Committee was provided with detailed written and oral presentations by the engagement team on each of these matters. On the basis of their work, BDO LLP reported to the Committee no inconsistencies or misstatements that were material in the context of the Financial Statements as a whole.

Report of the Audit & Risk Committee continued

External auditors

During the Year, the Committee fully considered the effectiveness, objectivity, skills, capacity and independence of BDO LLP considering all current ethical guidelines, and was satisfied that all these criteria were met. The auditors' fees were approved as part of this process.

The effectiveness of the external auditors was deliberated, giving consideration to recent FRC guidance on assessing audit quality. The Committee places considerable importance on the following attributes: African mining sector experience (given the specialised nature of the industry), service levels, audit quality, sound auditor judgement, the willingness and ability to challenge Management and provision of value for money.

In forming its assessment of the effectiveness of the audit, prior to the audit the Committee considered the FRC's Audit Quality Review report on BDO LLP and received formal presentations regarding the proposed audit strategy and the Chairman met separately with the Audit Partner to discuss the audit strategy in detail. These forums enabled the Committee to assess the extent to which the audit strategy was considered to be appropriate for the Group's activities and addressed the risks the business faces, including factors such as: independence, materiality, the auditors' risk assessment versus the Committee's own risk assessment, the extent of the Group auditors' participation in the subsidiary component audits and the planned audit procedures to mitigate risks.

Following the audit, BDO LLP presented their findings to the Committee and met separately with the Committee Chairman to discuss key audit judgements and estimates. This provided an opportunity to assess the audit work performed, understand how Management's assessments had been challenged and assess the quality of conclusions drawn.

The Committee also made enquiries of Senior Management to obtain their feedback on the audit process and considered this feedback in its assessment.

Each of the key attributes for audit effectiveness was considered to be appropriately met by the Group's auditors.

Auditors' remuneration US\$ million	FY 2018	FY 2017
Audit services ¹	0.9	0.9
Audit-related assurance services ²	0.4	0.4
Total	1.3	1.3

1. Audit services are in respect of audit fees for the Group.

2. Audit-related services are in respect of the interim review (US\$0.1 million) plus services in respect of the issuance of comfort letters in respect of the Rights Issue (FY 2017: services in respect of the issuance of comfort letters in respect of the issue of the US\$650 million loan notes), which were capitalised under share premium (US\$0.4 million (FY 2017: (US\$0.3 million capitalised under non-current loans and borrowings)).

Audit-related services/non-audit services

The Committee requires that any non-audit services to be performed by BDO LLP are formally approved by the Committee. Audit-related services do not require pre-approval and encompass actions necessary to perform an audit, including areas such as providing comfort letters to management and/or underwriters; and performing regulatory audits. BDO LLP provided audit-related services in the Year as part of the Rights Issue set out above.

The provision of any non-audit service requires Committee pre-approval and is subject to careful consideration, focused on the extent to which provision of such non-audit service may impact the independence or perceived independence of the auditors. The auditors are required to provide details of their assessment of the independence considerations, as well as measures available to guard against independence threats and to safeguard the audit independence. No non-audit services were provided by BDO LLP during the Year or during the prior Year.

Internal controls (including the system of internal financial controls) and risk management

The Board, with assistance from the Committee, is responsible for the Group's system of internal control and for reviewing its effectiveness. Such a system can only provide reasonable and not absolute assurance against material misstatement or loss, as it is designed to manage rather than eliminate those risks that may affect the Company in achieving its business objectives. The Code requires that the effectiveness of the system of internal control be reviewed by the Directors, at least annually, including financial, operational and risk management.

The Group's Internal Audit function

The Group's Internal Audit function is staffed by the Group's Internal Audit Manager, supported by two Senior Internal Audit Managers. The Internal Audit function reports directly to the Committee.

The FY 2019 Internal Audit Plan was approved by the Committee, and the new three-year Internal Audit Plan strategy (i.e. FY 2019 to FY 2021) was presented to the Committee for approval during September 2018. Management has appointed a Group Corporate Governance Manager during FY 2018 to assist the mines in the expediting of remedial actions to key reported Internal Audit findings, which the Internal Audit department quarterly assesses as part of the formal follow-up process reported to the Committee.

System of internal control

The Committee regularly reviews the adequacy and effectiveness of the Group's internal control procedures and risk management systems through regular reports from the Group's Internal Audit, Finance, Operations and Corporate teams, and through consideration of the external auditors' Audit Committee reports and face to face discussion between the Audit Partner and the Audit & Risk Committee Chairman and Committee members.

For FY 2018, the Group Internal Audit Manager and the Committee remained satisfied that no material weaknesses in internal control systems were identified. Whilst being satisfied that controls and risk management remain appropriate for the Group's activities, the Committee continues to undertake a thorough review and to challenge internal controls, risk management procedures, Internal Audit resourcing and strategy to ensure that its practices develop and remain appropriate. When internal control reviews identified necessary or beneficial improvements, appropriate steps have been taken to ensure the control environment is effective. This includes systems to track Management's responses to the areas for improvement and subsequent Internal Audit visits to test the implementation.