

REPORT OF THE AUDIT COMMITTEE



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

Audit Committee Members and Attendance

The Audit Committee, consisting of the members listed below, met 4 times during the year under review to undertake its responsibilities.

Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from section 51(1)(a)(ii) of the Public Finance Management Act and Treasury Regulations 3.1.13 and 27(1). The Audit Committee also reports that it has prepared appropriate terms of reference, which have been adopted by the Board of Trustees. The Audit Committee has regulated its affairs in compliance with these terms and has discharged all responsibilities contained therein.

Effectiveness of Internal Control

The report and conclusion from the internal audit findings for the year presented an overall finding that the key controls implemented by Management to address the general controls environment in the areas covered in the internal audit plan were adequate. This finding provided reasonable assurance that the risk areas included in the internal audit coverage plan were being properly managed and controlled through the system of internal control, which is designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are effectively managed.

This observation provides comfort that Management implemented improved controls in the areas reported in the Audit Committee report on the year ended 31 March 2008. The External Auditors have reported that there has been a clear improvement in the overall control environment from last year, with the necessary attention from Management, highlighted last year, being implemented during this year under review.

In our opinion, based on discussions with Management and the Internal and External Auditors, the audit findings reported in the current year have been adequately responded to by Management. Where undertakings have been made to address control weaknesses, these will be followed up on a quarterly basis by the Audit Committee through a recently implemented tracking register.

The attendance of the Audit Committee members were as follows:

Member	21/5/2008	22/7/2008	11/11/2008	26/02/2009
Mr A C Coombe (Independent Chairman)	✓	✓	✓	✓
Mr R G Nicholls (Independent member)	✓	✓	✓	✓
Mr J Theledi (Non-Executive trustee)*	Apology	✓	✓	-
Ms P Buthelezi (CEO - <i>ex officio</i>)	✓	✓	✓	✓
Mr L McPatie*	-	-	-	-

* Term ended on 2 December 2008

• Appointed on 3 December 2008

A separate Finance and Risk Management Committee monitors and oversees the assessment and mitigation of risk on a prioritised basis throughout the Trust. The Internal Auditors used this risk control framework to prepare their audit coverage plans and to undertake audit work in the higher prioritised risk areas identified.

Quality of Management Reports

During the financial year under review quarterly management reports have been further enhanced by including performance information related to core business activities. The Audit Committee is satisfied with the content and quality of quarterly management reports prepared and issued by Management and the Board of Trustees.

The Board of Trustees has now implemented a finance oversight function through the Risk Management Committee to review the budgetary process, the quarterly management accounts and other key financial matters.

Evaluation of Annual Financial Statements

The Audit Committee has:

- reviewed and discussed with the External Auditors and Management the audited Annual Financial Statements to be included in the Annual Report;
- reviewed the external auditors management letter and Management's responses thereto;
- reviewed the appropriateness of accounting policies and practices; and
- reviewed significant adjustments resulting from the audit.

The Audit Committee has discussed, concurs with and accepts the conclusions of the External Auditors on the Annual Financial Statements, read together with the report of the External Auditors and has recommended these to the Board of Trustees for acceptance.

Mr Anthony Coombe
Chairman of the Audit Committee

"The NEF has provided me with a first-hand opportunity to work with and develop new entrepreneurs and SMME businesses. The opportunity allows for a reciprocal learning process for the entrepreneur and for me, via the joint pursuit of economic and social self-sustainability."

Mr Andrew Buchanan – Post-Investment Unit