

Report of the Audit Committee

Report of the Audit Committee in terms of regulation 27.1 of the Public Finance Management Act No. 1 of 1999, as amended

The Audit Committee reports that it has adopted appropriate formal terms of reference as its Audit Committee charter, and has regulated its affairs in compliance with this charter, and has discharged all of its responsibilities contained therein.

In the conduct of its duties, the Audit Committee has, inter alia, reviewed the following:

- the effectiveness of the internal control systems;
- the risk areas of the entity's operations covered in the scope of internal and external audits;
- the adequacy, reliability and accuracy of financial information provided by management and other users of such information;
- accounting and auditing concerns identified as a result of internal and external audits;
- the entity's compliance with legal and regulatory provisions;
- the effectiveness of internal audit;
- the activities of internal audit, including its annual work programme, co-ordination with the external auditors, the reports of significant investigations and the responses of management to specific recommendations; and
- the independence and objectivity of the external auditors.

The Audit Committee is of the opinion, based on the information and explanations given by management and internal audit and discussions with the independent external auditors on the result of their audits, that the internal accounting controls are adequate to ensure that the financial records may be relied upon for preparing the financial statements, and accountability for assets and liabilities is maintained.

Nothing significant has come to the attention of the Audit Committee to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review. The Audit Committee is satisfied that the financial statements are based on appropriate accounting policies, supported by reasonable and prudent judgments and estimates.

Having considered the matters as set out in section 270A of the Companies Act, 1973, as amended, the Audit Committee is satisfied with the independence and objectivity of the external auditors.

The Audit Committee has evaluated the financial statements of Umgeni Water and the group for the year ended 30 June 2010 and, based on the information provided to the Audit Committee, considers that they comply, in all material respects, with the requirements of the Companies Act, 61 of 1973, as amended, the Public Finance Management Act, 1 of 1999, as amended, and International Financial Reporting Standards. The Audit Committee concurs that the adoption of the going concern premise in the preparation of the financial statements is appropriate. The Audit Committee has therefore recommended, at their meeting held on 30 August 2010, the adoption of the financial statements by the Board of Directors.



Professor I Vally
Audit Committee Chair
30 August 2010