

## **TERMS OF REFERENCE FOR THE AUDIT AND RISK MANAGEMENT COMMITTEE**

### **SIZE AND COMPOSITION**

The Committee shall be appointed by the Board of Directors of Mesiniaga from amongst their members and shall consist of not less than three members, the majority of whom shall be Independent Directors.

At least one member of the Committee:

- a. must be a member of the Malaysian Institute of Accountants; or
- b. if he/she is not a member of the Malaysian Institute of Accountants, he/she must have at least three years' working experience and:
  - i. he/she must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
  - ii. he/she must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
- c. Fulfils such requirements as prescribed by Bursa Securities.

The Chairperson of the Committee shall be an Independent Director.

### **FREQUENCY OF MEETINGS**

Meetings shall be held not less than four times a year and as and when required during the financial year. The quorum for a meeting shall be at least two committee members.

### **SECRETARY**

The Secretary of the Audit and Risk Management Committee shall be the Head of Audit and Risk Department of the Company. Minutes of meetings shall be recorded, circulated and adopted by the committee.

### **PURPOSE OF THE COMMITTEE**

The Audit and Risk Management Committee ("ARMC") assists the Board in evaluating the adequacy of risk management and internal control framework as well as in fulfilling its statutory and fiduciary responsibilities. ARMC would review the financial statements and financial reporting process, the system of internal controls, management of enterprise risk, the audit process and the process of monitoring compliance with law and regulations including Bursa Malaysia and Securities Commission requirements and the Company's Code of Conduct.

## **SUMMARY OF ACTIVITIES**

During the financial year ended 31 December 2018, the ARMC carried out the following activities:

### **1) Financial Reporting**

- a) Reviewed the unaudited quarterly financial reports and year-end financial statements of Mesiniaga for financial year ended 31 December 2018 before they were presented to the Board for approval for release to Bursa Securities and Securities Commission Malaysia accordingly; and
- b) Discussed with the management and external auditors in its review of the unaudited quarterly financial reports and year-end financial statements on the:-
  - changes in or implementation of accounting policies and practices;
  - significant adjustment arising from the audit;
  - significant matters highlighted including financial reporting issues, significant judgements made by Management, significant and unusual events or transactions, and how these matters are addressed;
  - going concern assumption; and
  - compliance with accounting standards and other legal requirements.

### **2) Audit Reports**

- a) Received and reviewed the internal and external audit reports together with Management's responses in ensuring that appropriate and prompt remedial actions are taken by Management on major deficiencies in controls or procedures that have been identified including the status of previous audit recommendations; and
- b) Discussed and made enquiries on internal audit findings and Management's relevant responses to resolve those findings.

### **3) External Audit**

- a) Reviewed the Audit Planning Memorandum by the external auditors covering the nature and scope of audit planned for the financial year under review;
- b) Reviewed the external auditors' audit report and the significant audit findings contained in their report;
- c) Reviewed the Annual Financial Statement of the Company and of the Group prior to submission to the Board for approval;
- d) Discussed with the external auditors without the presence of the Management, 23 August 2018 and 22 November 2018, to provide an avenue to the external auditors to express any concerns, including areas related to their ability to perform work without restraint or interference;
- e) Evaluated the external auditors' independency and objectivity, as well as their ability to serve the Group in terms of technical competencies and manpower resource sufficiency;
- f) Reviewed the reasonableness of the proposed audit fees charged against the size and complexity of the Group; and

- g) Assessed the performance and effectiveness of the external auditors of the Company for the ensuing year at the Annual General Meeting.

#### **4) Internal Audit**

The Audit and Risk Committee's responsibilities in respect of the Internal Audit Function include:

- a) Reviewed and approved the Internal Audit Charter;
- b) Reviewed and approved the risk-based audit plan, internal audit budget and resource plan;
- c) Reviewed the updates on the Audit Plan in respect of the changes to the plan and timeline;
- d) Ensured the adequacy of the scope of audit and addressing resource and scope limitations;
- e) Deliberated on internal audit reports and recommendations raised, and ensuring the implementation of the recommendations; and
- f) Communicated reports of investigations to the Board, where appropriate.

#### **5) Risk Management and Internal Control**

- a) Reviewed the Statement on Risk Management and Internal Control (SORMIC) of the Group for inclusion in the Annual report for the year ended 31 December 2018;
- b) Ensured a proper risk management framework was in place;
- c) Deliberated on quarterly risk profile report during ARMC; and
- d) Acknowledged any ISO certification changes and development.

#### **6) Related Party Transaction**

- a) Reviewed the related party transactions and conflict of interest situations within the company or group.