Mesiniaga

TERMS OF REFERENCE FOR AUDIT AND RISK MANAGEMENT COMMITTEE (ARMC)

PURPOSE

The primary objective of the Audit and Risk Management Committee (ARMC) is to assist the Board of Directors in the effective discharge of its fiduciary responsibilities for corporate governance, financial reporting, risk management and internal control.

SIZE AND COMPOSITION

i. The ARMC shall be appointed by the Board of Directors of Mesiniaga from amongst their members.
ii. The Committee shall consist of not less than three (3) members, the majority of whom shall be Independent Non-Executive Directors.
iii. The Committee must comprise Directors who possess a wide range of necessary skills, knowledge and experience relevant to the responsibilities of the Committee. Each member should be financially literate, competent and able to understand the matters under the purview of the Committee including the financial reporting process.
iv. At least one member of the Committee: -
    a. must be a member of the Malaysian Institute of Accountants (MIA); or
    b. if he/she is not a member of the MIA, 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.

v. The Chairman of the Committee: -
    a. must not be the Chairman of the Board of Directors; and
    b. shall be an Independent Director.

vi. A former audit partner of the Company's external audit firm shall observe a cooling-off period of at least three (previously two) years before being eligible for consideration to be appointed as a member of the ARMC.

MEETINGS AND QUORUM

i. Meetings shall be held not less than four (4) times a year and as and when required during the financial year.
ii. The quorum for a meeting shall be at least two (2) Committee members.
iii. Attendance of other Directors and employees at any particular ARMC Meeting will be at the invitation of the ARMC.
iv. The presence of the External Auditor for a meeting will be requested if required.

SECRETARY

The Secretary of the Committee shall be the Head of Audit and Risk Department of the Company and as a reporting procedure, the minutes shall be circulated to all members of the Board.

AUTHORITY

The ARMC is authorised by the Board to: -

i. Investigate any activity within its terms of reference;
ii. Seek any information it requires from the employees of Mesiniaga Berhad for the purpose of discharging its functions and responsibilities;
iii. Obtain legal or other independent professional advice;
iv. Ensure the attendance of outsiders with relevant experience and expertise if it considers this necessary;

v. Have full and unrestricted access to any information and documents pertaining to Mesiniaga Berhad;
vi. Convene meetings with the Head of Internal Audit and Risk without the presence of the Senior Management staff whenever deemed necessary; and
vii. Meet with the External Auditor at least once (1) a year without the presence of the Senior Management Team and when necessary, without the Internal Audit staff to provide an avenue for the External auditor to express any concerns, including areas related to their ability to perform work without restraint or interference.

DUTIES AND RESPONSIBILITIES

A. Audit Functions

1) Financial Reporting

To review the quarterly and annual financial statements of Mesiniaga Berhad for recommendation to the Board of Directors for release to Bursa Securities accordingly, with particular focus on: -

i. Changes in or implementation of accounting policies and practices;
ii. Significant adjustment arising from the audit;
iii. Significant matters highlighted including financial reporting issues, significant judgements made by Management, significant and unusual events or transactions, and how these matters are addressed;
iv. Going concern assumption; and
v. Compliance with accounting standards and other legal requirements.

2) Internal Audit

i. To receive and review the internal audit reports together with Management's responses in ensuring that appropriate and prompt remedial actions are taken by Management to address and resolve the significant lapses in controls and procedures that are identified;

ii. To discuss and make enquiries on internal audit findings and the adequacy of the Management response to resolve those findings; and
iii. To note the significant disagreements between the Internal Audit and the rest of the Senior Management team, irrespective of whether these have been resolved, in order to identify any impact, the disagreements may have on the audit process or findings.

3) External Audit

i. To review the Audit Planning Memorandum by the External Auditor covering the nature and scope of audit planned for the financial year under review;
ii. To review the External Auditor's audit report and the significant audit findings underlying their report and the adequacy of the Management's response to resolve these findings;
iii. To evaluate the External Auditor's independence and objectivity, as well as their ability to serve the Group in terms of technical competencies and manpower resource sufficiency, including non-audit services to safeguard the quality and reliability of the audited financial statements;
iv. To assess the performance of the External Auditor and make recommendations to the Board of Directors on their appointment/re-appointment, remuneration, resignation and removal;
v. To review the reasonableness of the proposed audit fees charged against the size and complexity of the Group; and
vi. To review the provision of non-audit services by the External Auditor for recommendation to the Board of Directors for approval.

4) Internal Audit Department

i. To review and approve the Internal Audit Charter;
ii. To review and approve the risk-based audit plan, internal audit budget and resource plan;
iii. To review the updates on the Audit Plan in respect of the changes to the plan and timeline;

iv. To ensure the adequacy of the scope of audit and addressing resource and scope limitations;
v. To deliberate on internal audit reports and recommendations raised, and ensuring the implementation of the recommendations;
vi. To establish a mechanism to assess the performance and effectiveness of the Internal Audit function; and
vii. To communicate reports of investigations to the Board, where appropriate.

5) Related Party Transaction

To review the related party transactions and conflict of interest situations within the Group if such transaction is transacted.

B. Risk Management Functions

1) Business Risk

i. To lead the Group's strategic direction in the Management of the Group's business risks;
ii. To set reporting guidelines for management to report to the Committee on the effectiveness of the Group's management of its business risks; and
iii. To ensure adequate infrastructure, resources and systems are in place for effective risk and internal control management.

2) Risk Management Framework

i. To oversee the establishment, maintenance and implementation of a risk management framework which identifies, assesses, manages and monitors the Group's business risks; and
ii. To review the effectiveness of the risk management framework in identifying and managing risks and internal processes which include but not limited to ensuring the adequacy of risk management policy and infrastructure to facilitate the implementation of action plans for risk management.

3) Risk Management Policy

i. To oversee and recommend the risk management policies of the Group; and

ii. To review and recommend changes as needed to ensure that the Group has in place at all times risk management policies which address the strategic, operational, financial and compliance risk.

4) Risk Profiles

i. To review the Group and its subsidiaries' risk profiles and evaluate the effectiveness of the measures taken to mitigate the business risks; and

ii. To review and deliberate the quarterly risk profile report.

5) Others

i. To ensure that all governance instruments are reviewed and updated continuously to reflect changes in the operating environment;

ii. To review the Statement on Risk Management and Internal Control (SORMIC) of the Group for inclusion in the Annual Report; and

iii. To be updated on any ISO certification changes and development on Mesiniaga ISO 9001:2015 Certification.

REPORTING TO THE BOARD

The Committee shall report to the Board following each meeting. The report will cover on the matters as set out in the Committee's duties and responsibilities.

ACCESS TO INFORMATION

The Committee can seek information directly from the Group's employees or external party, including the Group's auditors and other professional advisers.

REVIEW

The Terms of Reference shall be reviewed on an annual basis to ensure that it reflects current best practice in corporate governance and risk management. Board approval is required for any changes in the Terms of Reference.