

REPORT OF THE GROUP BOARD AUDIT COMMITTEE

1. MEMBERS

For the year of 2019, the members of the Group Board Audit Committee (“the Committee”) were as follows:-

- (a) Datuk George Ratilal (Chairman)
- (b) Dato’ Lee Kok Kwan
- (c) Wan Hanisah Binti Wan Ibrahim

Majority of the Committee members comprised of Independent Non-Executive Directors as per Cagamas Holdings Berhad’s Board Charter. The Directors do not participate in the day-to-day running of the Group’s business and are independent of management. The Directors do not hold shares in their personal capacity and are not influenced by any significant shareholder of the Group. Neither a group of Directors nor any individual Director who dominates the Committee’s discussions or decision-making. The Directors provide independent views for the Committee’s deliberations.

2. ATTENDANCE AT MEETINGS

The Committee held five meetings during the financial year ended 31 December 2019 with the President/Chief Executive Officer and the Senior Vice President of Internal Audit in attendance. Other senior officers attended the meetings by invitation. The record of attendance of meetings by the members is as follows:

Name of Committee Member	No. of Meetings Attended
Datuk George Ratilal	5/5
Dato’ Lee Kok Kwan	4/5
Wan Hanisah Binti Wan Ibrahim	5/5

The Group’s External Auditors, Messrs. PricewaterhouseCoopers PLT had attended two meetings during the year to report on the audit for financial year ended 31 December 2018 and to present their audit plan and scope of work for the Group for the year 2019.

3. COMPOSITION AND TERMS OF REFERENCE

Authority

- (a) The Committee shall have unlimited access to all information and documents relevant to its activities, to the Internal and External Auditors, and to management of the Companies within the Group.
- (b) The Committee is authorised by the Board to obtain external legal or other independent professional advice and to secure the attendance of external parties with relevant experience and expertise to attend meetings whenever it deems necessary.
- (c) The Committee is authorised by the Board to investigate any activity within its purview and members of the Committee shall direct all employees to co-operate as they may deem necessary.

Size and Composition

- (a) The Committee shall be appointed by the Board from amongst the Non-Executive Directors and shall comprise a minimum of three members, a majority of whom shall be Independent Directors.
- (b) If for any reason the number of members is reduced to below three, the Board must fill the vacancies within three months.
- (c) The members of the Committee shall elect a Chairman from amongst their members who shall be an Independent Director.
- (d) At least one member of the Committee:-
 - (i) must be a member of the Malaysian Institute of Accountants (MIA); or
 - (ii) if he is not a member of the MIA, he must have at least three years’ working experience and:-
 - he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967; or
 - he must be a member of one of the association of accountants specified in Part II of the First Schedule of the Accountant Act, 1967; or

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- (iii) he must have a degree/masters/doctorate in accounting or finance and at least 3 years post qualification experience in accounting or finance; or
 - (iv) he must have at least 7 years experience being a President/Chief Financial Officer of a corporation or having function of being primarily responsible for the management of the financial affairs of a corporation.
- (e) No member of the Committee shall have a relationship, which in the opinion of the Board will interfere with the exercise of independent judgment in carrying out the functions of the Committee.

Meetings

- (a) Meetings will be held once a quarter or at a frequency to be decided by the Chairman or the Committee. Invitation shall be extended to the President/Chief Executive Officer to attend the meetings. The Committee may invite any person to be in attendance to assist in its deliberations.

Quorum

- (a) A quorum shall consist of two members.

Secretary

- (a) The Secretary to the Committee shall be the Senior Vice President, Internal Audit.

Duties and Responsibilities

Financial Reporting

- (a) Review the consolidated annual financial statements of the Group for submission to the Board of Directors for approval, to ensure compliance with the disclosure requirements and the adjustments suggested by the External Auditors. These include:-
- Review of the auditors' report and qualifications (if any) which must be properly discussed and acted upon to address the auditors' concerns in future audits;

- Changes and adjustments in the presentation of financial statements;
- Major changes in accounting policies and principles;
- Compliance with accounting standards and other legal requirements;
- Material fluctuations in statement of balances;
- Significant variants in audit scope; and
- Significant commitment or contingent liabilities.

- (b) Review the half yearly Condensed Interim Financial Statement for Cagamas Berhad and its subsidiaries (the Group) for submission to the Board of Directors for approval, to ensure compliance with disclosure requirements.

Internal Audit

- (a) Review the scope and results of Internal Audit procedures including:-
- Compliance with internal auditing standards, the Group's internal controls, policies and other legal requirements;
 - Adequacy of policies and procedures and internal controls established;
 - Co-ordination between the Internal and External Auditors;
 - Exercise independence and professionalism in carrying out internal auditing work;
 - Reporting results of the audit performed;
 - Recommending changes in accounting policies to the Board; and
 - Recommending and ensuring the implementation of appropriate remedial and corrective actions regularly.
- (b) Responsible for establishment of the Internal Audit functions which include:-
- Approval of the Internal Audit Charter;
 - Approval of the Internal Audit Plan;
 - Evaluate the performance and decide on the remuneration package of the Senior Vice President, Internal Audit in line with the Company's remuneration policy;

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- Reviewing the adequacy of the scope, functions and resources of the Internal Audit Department or any restrictions encountered in the course of the audit work;
 - Approval of the appointment or termination of the Senior Vice President, Internal Audit;
 - Notification of resignation of Internal Audit staff and to provide opportunity for such staff to submit reasons for resigning;
 - Ensuring that the Internal Audit functions have appropriate standing within the Group;
 - Alignment of goals and objectives of the Internal Audit functions with the Group's overall goals; and
 - Place Internal Audit under the direct authority and supervision of the Committee.
- (c) Review the Internal Audit reports before submission to the Board of Directors of the respective Companies within the Cagamas Group and recommend to the Board of Cagamas Holdings Berhad for information or endorsement.
- (d) Ensure that appropriate and prompt remedial actions are taken by management on major control or procedures deficiencies identified.
- (e) Discuss matters arising from the previous year's audit, review with the External Auditors on the scope of their current year's audit plan, their evaluation of the accounts and internal controls systems, including their findings and recommended actions.
- (f) Review changes in statutory requirements and any significant audit problems that can be foreseen as a result of previous year's experience or because of new developments.
- (g) Evaluate and review the role of External Auditors from time to time.
- (h) Approve the provision of non-audit services by the External Auditors and evaluate whether there are any potential conflicts arising from such non-audit services.
- (i) Ensure that proper checks and balances are in place so that the provision of non-audit services does not interfere with the independent judgment of the External Auditors.
- (j) Meet with the External Auditors at least once a year without the presence of management to discuss any key concerns and to obtain feedback.

External Audit

- (a) Assess the objectivity, performance and independence of the External Auditors.
- (b) Discuss and review the external audit plan, the findings on the system of internal controls (including management's actions and the relevant audit reports).
- (c) Review the External Auditors engagement letter and management's response.
- (d) Recommend to the Board the appointment of External Auditors, the audit fee and any question of resignation or dismissal of the External Auditors.

Related Party Transaction

- (a) Review any significant related party transaction or conflict of interest situation that may arise within the Group.
- (b) Review any significant transactions, which are not a normal part of the Group's business.

Other Responsibility

- (a) To review the management's proposal for payment of dividend prior to submission to the Board for approval.
- (b) Perform any other functions as may be delegated by the Board from time to time.

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4. SUMMARY OF ACTIVITIES

During the financial year, the Committee carried out its duties in accordance with its terms of reference. A summary of the main activities undertaken by the Committee is as follows:-

Internal Audit

- (a) Reviewed and approved the Internal Audit Plan for Financial Year 2020 to ensure adequate scope and coverage of the audit activities of the Group and the resources requirements of the internal audit to carry out its functions;
- (b) Reviewed the internal audit reports, audit recommendations and management's responses to the audit findings and recommendations;
- (c) Reviewed the status report on management's efforts to rectify the outstanding audit issues to ensure that appropriate actions have been taken as per the audit recommendations; and
- (d) Provided independent evaluation on the performance of the Senior Vice President of Internal Audit.

External Audit

- (a) Reviewed audit plan and scope of work of the External Auditors for the year 2019;
- (b) Recommended the re-appointment of the External Auditors and their audit fees to the Board of Directors; and
- (c) Reviewed the results of the audit by the External Auditors and discussed the findings and other concerns of the External Auditors.

Financial Reporting

- (a) Reviewed the annual audited financial statements of the Group to ensure that the financial reporting and disclosure requirements are in compliance with accounting standards.

5. INTERNAL AUDIT FUNCTION

The Group has an established Internal Audit Department, which reports directly to the Committee and assists the Board in discharging its responsibilities to ensure that the Group maintains a sound and effective system of internal controls. The Internal Audit Department is independent of the activities or operations of other units. This enables the Internal Audit Department to provide the Committee with independent and objective reports on the state of internal controls, risk management and comments on the governance process within the Group.

The Internal Audit Department undertakes the internal audit functions of the Group in accordance with the approved Audit Charter and the Annual Audit Plan approved by the Committee. The Audit Plan is derived from the results of the systematic risk assessment process, whereby the risks are identified, prioritised and linked to the key processes and auditable areas. The risk assessment process also enables the Internal Audit Department to prioritise its resources and the areas to be audited.

The audits conducted during the financial year 2019 focused on the independent review of the risk management, operating effectiveness of internal controls, and regulatory requirements across the Group. The audit reports were submitted to the Committee for its deliberation. This enabled the Committee to execute its overseeing function by forming an opinion on the adequacy of measures undertaken by management.

The International Standard for the Professional Practices of Internal Auditing (Standards) issued by the Institute of Internal Auditors (IIA) is used where relevant as authoritative guides for internal auditing procedures.
