

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors (“the Board”) of EITA Resources Berhad (“the Company”) is pleased to present the Statement on Risk Management and Internal Control of the Company and its subsidiaries (“the Group”) which outlines the nature and scope of risk management and the internal control systems of the Group for the financial year ended 30 September 2021 (“FY2021”) pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, Malaysian Code on Corporate Governance and “*Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers*”.

BOARD RESPONSIBILITY

The Board acknowledges its overall responsibility for the Group’s risk management and internal control system to safeguard shareholders’ investment and the Group’s assets as well as reviewing its effectiveness, adequacy and integrity on a regular basis.

The system of internal control covers governance, risk management, financial, organisational, operational and compliance controls. However, due to the limitations that are inherent in any system of internal control, the Group’s system of internal control is designed to manage, rather than eliminate the risk of failure to achieve the corporate objectives. Accordingly, it only provides reasonable but not absolute assurance against material misstatement or loss.

The Board, through the Audit Committee (“AC”), implement the risk management and internal control practices within the Group. Management is required to apply good judgement in assessing the risks faced by the Group, assessing the Group’s ability to reduce the incidence and impact of risks.

RISK MANAGEMENT

The Board recognises that risk management is an integral part of the Group’s business operations and has put in place the Risk Management Framework within the Group as an ongoing process for identifying, evaluating, monitoring and managing the significant risk affecting the achievement of its business objectives.

The risk identification process involves reviewing and identifying the possible risk exposure arising from changes in both external business environment and internal operating conditions. The risk measurement guidelines consist of financial and non-financial qualitative measures of risk consequences based on the risk likelihood rating and risk impact rating. The risk control actions are prioritised and implemented as per the risk control actions assigned to the respective risk owners.

Risk profile consists of principal business risks which are identified and documented in the Registry of Risks. The Registry of Risks identified the risk factors, statement of risk, risk owner, impact, likelihood and risk control actions. The Risk Management Committee is represented by an Executive Committee which consists of the Group Managing Director and two (2) Executive Directors and one (1) Alternate Director. The Registry of Risks which comprises corporate level and subsidiaries is tabled to the AC for review and approval every quarter. The AC reports to the Board on any significant changes in the business and external environment which may affect key risks.

The Board is of the view that there is an ongoing process for identifying, evaluating, monitoring and managing the significant risks affecting the achievement of its business objectives in their daily activities throughout the financial year and up to the date of approval of the Annual Report.

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INTERNAL AUDIT FUNCTION

The internal audit function is outsourced to external service providers (“Internal Auditors”) to provide independent assurance and serves to assist the Group to provide adequate and effective internal control system and reports directly to the AC on quarterly basis. The Internal Auditors is free from any relationships or conflict of interest, which could impair their objectivity and independence of the internal audit function and do not have any direct operational responsibility or authority over any of the audited activities. The AC is of the opinion that the internal audit function is effective and able to function independently.

The Internal Auditors use the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control - Integrated Framework as a basis in conducting internal audit functions. The Internal Auditors submit a proposed risk-based internal audit plan to the AC for reviewing and approval. Based on their internal audit reviews, observations were presented by the Internal Auditors, together with Management’s response and proposed action plans, to the AC for reviewing during the quarterly AC Meetings. In addition, the Internal Auditors have followed up on the implementation of recommendations from previous cycles of internal audit and updated the AC on the status of Management-agreed action plan. For the FY2021, the total costs incurred for the outsourced internal audit function was RM51,200.

For the FY2021, the following subsidiaries of the Group were audited by the Internal Auditors:-

Audit Period	Reporting Month	Name of Entity Audited	Audited Areas
1 st Quarter (October 2020 – December 2020)	February 2021	EITA Resources Berhad	<ul style="list-style-type: none"> Human Resources Corporate Governance
2 nd Quarter (January 2021 – March 2021)	May 2021	EITA-Schneider (MFG) Sdn. Bhd.	<ul style="list-style-type: none"> Business Development/Sustainability Management (Overseas Sales) Procurement and Supplies Quality Assurance Production/Assemble Inventory Management
3 rd Quarter (April 2021 – June 2021)	August 2021	EITA Electric Sdn. Bhd.	<ul style="list-style-type: none"> Inventory Management Sales and Marketing Procurement and Supplies Quality Assurance Sales Collection
4 th Quarter (July 2021 – September 2021)	November 2021	EITA Power System Sdn. Bhd.	<ul style="list-style-type: none"> Procurement and Supplies Quality Assurance Sales and Marketing Inventory Management

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INTERNAL AUDIT FUNCTION (CONT'D)

During the financial year under review, the Internal Auditors have presented their follow-up status reports on previously reported audit findings in respect of the following subsidiaries of the Group:-

Name of Entities audited by the Internal Auditors	Date of Follow up Status Report
TransSystem Continental Sdn. Bhd.	22 February 2021
EITA Elevator (Malaysia) Sdn. Bhd.	22 February 2021
EITA Elevator (Malaysia) Sdn. Bhd.	20 May 2021
TransSystem Continental Sdn. Bhd.	20 May 2021
EITA Resources Berhad	20 May 2021
EITA-Schneider (MFG) Sdn. Bhd.	24 August 2021
TransSystem Continental Sdn. Bhd.	24 August 2021
EITA Resources Berhad	24 August 2021
EITA Electric Sdn. Bhd.	25 November 2021
TransSystem Continental Sdn. Bhd.	25 November 2021
EITA Resources Berhad	25 November 2021

KEY ELEMENTS OF INTERNAL CONTROL

The following sets out the key elements of the Group's internal control, which have been in place throughout the FY2021, and up to 14 January 2022, being the date of this Statement:-

- **Organisational Structure**

The Group has a defined organisational structure that is aligned to its business and operation requirements. Defined lines of accountability, delegation of responsibility and level of authorisation for all aspects of the business have been laid down and communicated throughout the Group.

- **Limits of Authority**

Authority charts have been established within the Group to provide a functional framework of authority in approving sales order, purchases, expenses and capital expenditure.

- **Standard Operating Policies and Procedures ("SOPs")**

Numerous SOPs have been established to serve as a general management guide for daily operations. These policies and procedures are reviewed as and when necessary to reflect changing risks or to resolve any operational deficiencies. It is also to promote efficiency and accountability for the Group.

- **Board and Management Meetings**

Regular Board and Management meetings are held where information is provided to the Board and Management covering financial performances and operations.

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KEY ELEMENTS OF INTERNAL CONTROL (CONT'D)

▪ Training and Development Programmes

Training and development programmes are established to ensure that staff are constantly kept up-to-date with the constant technological changing environment in order to be competent in the industry in line with achieving the Group's business objectives.

▪ Management Accounts and Reports

The Group's performance is monitored through regular reviews on management accounts and reports prepared and reported to AC.

ASSURANCE FROM MANAGEMENT

The Board has received assurance from the Group Managing Director and Chief Financial Officer that the Group's risk management and internal control system were operating adequately and effectively in all material aspects, based on the risk management and internal control system of the Group, for FY2021, and up to 14 January 2022, being the date of this Statement.

CONCLUSION

For the financial year under review and up to 14 January 2022, being the date of this Statement, the Board is of the opinion that there is an ongoing process of identifying, evaluating, and managing significant risks faced by the Group. The Board continues to take appropriate action plans to strengthen the risk management and internal control systems to meet the Group's objectives.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG") 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 30 September 2021, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

- (a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or
- (b) is factually inaccurate.

AAPG 3 does not require the external auditors to consider whether the Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.