



**AUDIT AND RISK MANAGEMENT  
COMMITTEE  
TERMS OF REFERENCE**

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

### **1. PURPOSE**

- 1.1 The primary objective of the Audit and Risk Management Committee ("ARMC") (as a committee of the Board) is to assist the Revenue Group Berhad ("RGB") Board in the effective discharge of its fiduciary responsibilities for corporate governance, timely and accurate financial reporting and development of sound internal controls.

### **2. COMPOSITION**

- 2.1 The Audit and Risk Management Committee shall be appointed by the Directors amongst their numbers, who fulfils the following requirements: -
- (a) comprised no fewer than 3 members;
  - (b) all members must be non-executive directors, with a majority of them being independent directors;
  - (c) all members should be financially literate and at least one member must be a member of the Malaysian Institute of Accountants ("MIA") or a member of an accounting association or body or having the relevant qualifications and experience as specified in the Listing Requirements of Bursa Malaysia Securities Berhad;
  - (d) Collectively, the Committee should have a wide range of skills.
- 2.2 The Audit and Risk Management Committee shall elect a Chairman from among its members and the elected Chairman shall be an Independent Director.
- 2.3 No alternate director shall be appointed as a member of the Committee.

## **TERMS OF REFERENCE OF THE AUDIT AND RISK MANAGEMENT COMMITTEE (CONT'D)**

### **3. TERM OF MEMBERSHIP**

- 3.1 The Board of Directors should implement a process through the Group Nomination Committee and Remunerations Committee for an annual assessment of the effectiveness of the Audit and Risk Management Committee as well as the contribution of each individual member, based on objective performance criteria, in line with established Key Performance Indicators ("KPIs").
- 3.2 The Audit and Risk Management Committee will report to the Board on the nature and extent of the functions performed by it and may make such recommendations to the Board on any audit and financial reporting matters as it may think fit.
- 3.3 A member of the Audit and Risk Management Committee who wishes to retire or resign should provide sufficient written notice to Board so that a replacement may be appointed before he or she leaves. In the event of any vacancy in the Committee resulting in the non-compliance of paragraph 15.09(1) of the Listing Requirements, the Board shall fill the vacancy within three months from the date of the vacancy.

### **4. ATTENDANCE AT MEETINGS**

- 4.1 The Group Chief Financial Officer, Group Financial Controller, Group Chief Internal Auditor and representatives of the External Auditors will normally attend meetings.
- 4.2 Other directors and employees may attend any particular Audit and Risk Management Committee meeting only upon the invitation of the Audit and Risk Management Committee specific to the relevant meeting.
- 4.3 The Company Secretary shall be the secretary of the Audit and Risk Management Committee.

### **5. NOTICE OF MEETINGS**

- 5.1 Meetings of the Committee shall be summoned by the Secretary at the request of any of its members.
- 5.2 The notice shall be sent by email or hard copies to all members.

## **TERMS OF REFERENCE OF THE AUDIT AND RISK MANAGEMENT COMMITTEE (CONT'D)**

### **6. FREQUENCY OF MEETINGS**

- 6.1 A minimum of four (4) meetings a year shall be planned, although additional meetings may be called at any time at the Chairman's discretion.
- 6.2 The Audit and Risk Management Committee would meet regularly, with due notice of issues to be discussed, and should record its conclusions in discharging its duties and responsibilities.
- 6.3 The Chairman of the Audit and Risk Management Committee would engage on a continuous basis with senior management, such as the Group Chief Executive Officer, Group Chief Financial Officer, Group Chief Internal Auditor and the External Auditors in order to be kept informed of matters affecting the company.
- 6.4 The Audit and Risk Management Committee may, as and when necessary, invite other members of the Board, the Internal Auditor and/or members of management to attend the meetings to provide further information or details on matters that are being discussed and deliberated.

### **7. QUORUM**

- 7.1 The quorum for a meeting shall be two (2) members.
- 7.2 The majority of members present shall be Independent Directors.

## **TERMS OF REFERENCE OF THE AUDIT AND RISK MANAGEMENT COMMITTEE (CONT'D)**

### **8. AUTHORITY**

- 8.1 The Audit and Risk Committee is authorized by the Board to investigate any activity within its Terms of Reference. It is authorized to seek any and unrestricted information it requires from any employee for the purpose of discharging its functions and responsibilities.
- 8.2 The Audit and Risk Management Committee may, with the approval of the Board, obtain legal or other advice from independent professionals and appoint external parties with relevant experience and expertise to assist the Committee if it considers this necessary.
- 8.3 Have unrestricted access to the Group Chief Executive Officer and the Group Chief Finance Officer.
- 8.4 Have direct communication channels and be able to convene meetings with the external auditors and internal auditors; without the presence of the non-independent members of the Committee, whenever deemed necessary;

### **9. SECRETARY OF THE AUDIT AND RISK MANAGEMENT COMMITTEE**

- 9.1 The Company Secretary shall be the secretary of the Audit and Risk Management Committee and will record, prepare and circulate the minutes of the meetings of the Committee and ensure that the minutes are properly kept and produced for inspection if required. The Committee shall report to the Board and its minutes tabled and noted by the Board.

## **TERMS OF REFERENCE OF THE AUDIT AND RISK MANAGEMENT COMMITTEE (CONT'D)**

### **10. DUTIES AND RESPONSIBILITIES**

10.1 To review the effectiveness of internal controls, risk management processes and governance within the Group, taking into account the requirements in the Malaysian Code of Corporate Governance, Listing Requirements of Bursa Malaysia Securities Bhd, Bank Negara Malaysia Guidelines and other relevant guidelines issued by regulators.

10.2 The duties and responsibilities of the Audit Committee shall be: -

10.2.1 To review the effectiveness of the Internal Audit function, in particular:

- (a) To ensure the internal audit function is well placed to undertake review or investigation on behalf of the Audit and Risk Management Committee, and be placed under the direct authority and supervision of the Audit and Risk Management Committee.
- (b) To review the adequacy of internal audit scope, internal audit plan, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work.
- (c) To review the results of the internal audit processes and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function and/or outsourced internal auditors and to ensure that appropriate actions have been taken to implement the audit recommendations.
- (d) to ensure the internal audit team and/or outsourced internal auditors has full, free and unrestricted access to all activities, records, property and personnel necessary to perform its duties;
- (e) To oversee the functions of Group Internal Audit Division and ensure compliance with relevant guidelines on internal audit issued by Bursa Malaysia Securities Berhad, Bank Negara Malaysia and other relevant guidelines issued by regulators.
- (f) To review any matters concerning the employment or appointment (and re-appointment) of the in-house and/or the outsourced internal auditors (as the case may be) and the reasons for resignation or termination of either party;
- (g) To request and review any special audit which the Committee deems necessary.

## **TERMS OF REFERENCE OF THE AUDIT AND RISK MANAGEMENT COMMITTEE (CONT'D)**

10.2.2 To review the effectiveness of the External Audit function:

- (a) To consider the appointment of the External Auditors, the audit fees and any questions of resignation or dismissal;
- (b) To review the nature and scope of the audit by the External Auditors before commencement;
- (c) To review the quarterly and year-end financial statements before submission to the Board, focusing particularly on: -
  - (i) any changes in accounting policies and practices;
  - (ii) significant audit adjustments from the external auditors;
  - (iii) the going concern assumption;
  - (iv) compliance with accounting standards and other legal requirements;
  - (v) significant matters highlighted including financial reporting issues, significant judgments made by the management, significant and unusual events or transactions, and how these matters are addressed.
- (d) To meet at least twice (2) a year with external auditors without the presence of executive board members and management to discuss any matters or issues arising from the interim and final audits, including the level of assistance and cooperation given by the Group employees, and any other matter the external auditor may wish to discuss;
- (e) To review the external auditors' management letter and management's response;
- (f) To review with the external auditor the Statement on Risk Management and Internal Control of the Group for inclusion in the Annual Report;
- (g) To review and assess each year the independence of the external auditor;
- (h) To review on an annual basis and make recommendations to the Board, the appointment or re-appointment of the external auditor;

## **TERMS OF REFERENCE OF THE AUDIT AND RISK MANAGEMENT COMMITTEE (CONT'D)**

10.2.3 To review any Related Party Transactions / Conflict of Interest Situation that may arise within the Company or Group.

- (a) To review all related party transactions that already or may arise and ensure such transactions are reported in the financial reports
- (b) To consider the potential conflict of interest situation and monitor the conflict mitigation.

10.2.4 Risk Management and Internal Control

- (a) The Board has delegated to the Audit and Risk Management Committee the task of undertaking a periodic review of the effectiveness, adequacy and integrity of RGB's risk management framework and internal control systems. The Board has also established a Risk Management Committee ("RMC"), headed by the Chairman, which shall report at least twice (2) a year to the Audit and Risk Management Committee.
  - (i) To assess that proper processes exists for determining, monitoring and reviewing the risk profile of the Groups and the proper communication this to the relevant business units;
  - (ii) To assess whether risk policies and procedures exist;
  - (iii) To assess managements' process for identifying, evaluating and addressing risks;
  - (iv) To assess managements' process for monitoring internal controls and risk management and to provide reasonable assurance that they continue to operate as intended and are modified as business conditions change;
  - (v) To assess managements' efforts to embed a risk management in all aspects of the Group's activities and promoting a risk awareness culture within RGB;
  - (vi) To assess the adequacy of infrastructure, resources and systems for effective risk management;
  - (vii) To review and assess on an on-going basis, the periodic reports of the RMC to the Committee, including discussing with the senior management on any significant issues that require, or are subject to, remedial action or recommendations and actions taken thereon;



## **TERMS OF REFERENCE OF THE AUDIT AND RISK MANAGEMENT COMMITTEE (CONT'D)**

- (viii) To receive formal feedback from the head of the internal audit function, the outsourced internal auditor (if any) and the external auditor on the adequacy of risk management and internal controls systems:
- (ix) To conduct an annual assessment, including seeking assurance from the Group Chief Executive Officer and Group Chief Finance Officer whether the risk management and internal control systems of the Group have been adequate and effective in all material aspects during the year under review and up to the date of approval of the statement for including in the annual report.

### **10.2.5 Audit Reports**

- (a) To prepare the annual Audit and Risk Management Committee report to the Board which includes the composition of the Audit and Risk Management Committee, its terms of reference, number of meetings held, a summary of its activities and the existence of internal audit services and summary of the activities for inclusion in the Annual Report and to review the Board's statements on compliance with the Malaysian Code of Corporate Governance for inclusion in the Annual Report.

### **10.2.6 Others**

- (a) To consider other related matters, as defined by the Board.

## **11 REVISION AND UPDATES**

- 11.1 The Audit and Risk Management Committee Terms of Reference will be reviewed and updated at least once (1) a year to ensure it remains consistent with the Committee's objectives and responsibilities.