



GROUP INTERNAL AUDIT CHARTER

The Cahya Mata Sarawak Berhad (CMS) Group Internal Audit (Group IA) Charter is endorsed by the Group Audit Committee (GAC) and approved by the Board of Directors (Board). Group IA will revise and update the IA Charter periodically to reflect current best practices.

1. PREAMBLE

It is the policy of the Board of CMS to maintain and support an internal audit function for the provision of independent and objective assurance and consulting activities that is guided by a philosophy of adding value to improve the operations of the CMS group of companies.

This IA Charter defines the purpose, authority and responsibilities of the Group Internal Audit Department (GIAD).

2. PURPOSE

The internal auditors are to carry out independent and objective internal audit activities that will help CMS realise its vision and achieve its business objectives. They help CMS accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

3. SCOPE OF WORK

The internal auditors assist the Board, GAC of the Board and Management in the effective discharge of their responsibilities in assessing risks, recommending cost-effective controls to mitigate these risks, recommending improvement measures to enhance operational efficiency, effectiveness and economy and assuring proper governance process. The key internal audit activities are summarized as follows:-

3.1 Assurance Activities

Assess the adequacy and effectiveness of management processes and controls to ensure the following:-

- Reliability and integrity of financial and operating information;
- Compliance with CMS's policies and procedures, applicable laws and governmental regulations;
- Accounting for and safeguarding of assets and interests of CMS from potential losses of any kind;
- Economic, efficient and effective use of resources; and
- Accomplishment of established goals and objectives for programs or operations.

3.2 Risk Management & Governance Process

Evaluate and monitor the effectiveness of the organization's risk management processes. To assess and make appropriate recommendations for improving governance processes covering promotion of ethical values within the organization, performance management and accountability, and communicating risk and control information to appropriate areas of the organization.

3.3 Investigating Fraud or Other Illegal Activities

Assist in the investigation of material suspected fraudulent or other illegal activities and inform Management and the GAC of the results.

3.4 Consulting Activities

Provide advice or consultation to Management from an audit or risk management perspective on new or changing services, processes, systems or operations, or conducting other special tasks or projects at the request of Management (subject to approval of GAC Chairman) or the GAC.

3.5 Recommendations

Make practical and constructive recommendations that can be successfully implemented and endorsed by Management involved to mitigate and eliminate any risk and/or to correct any gap or deficiency in the system of internal control.

4. RESPONSIBILITY

The internal auditors have responsibility to:-

- 4.1 Develop a Group Annual Audit Plan and submit the plan to the GAC for review and approval as well as periodic updates. The Group Annual Audit Plan incorporates the scope of work detailed in Paragraph 3 above and also prioritization of the audit universe using a risk-based methodology, including input of senior management and the Board.
- 4.2 Implement the Group Annual Audit Plan, as approved, including as appropriate any ad hoc special tasks or projects requested by Management (subject to approval by GAC Chairman) and/or the GAC.
- 4.3 Issue periodic reports to the GAC summarizing the results of audit activities, as well as monitor the implementation of corrective actions by Management.
- 4.4 Inform the GAC of progress against the Group Annual Audit Plan and related performance measures.
- 4.5 Maintain sufficient knowledge, skills, experience, other competencies and professional certification to meet the requirements of this IA Charter.

- 4.6 Work independently, using a systematic, thorough and disciplined approach and in a collaborative manner to ensure the views of Management involved, are taken into consideration.
- 4.7 Assist in evaluating the quality of performance of external auditors and degree of coordination with internal audit.
- 4.8 To perform other related duties as agreed or requested by the GAC and the Board, as appropriate.

5. AUTHORITY

Authority is hereby given to the internal auditors to conduct audits of CMS's operations as they consider necessary, decide the nature and scope of such audits and design and apply appropriate audit approaches and procedures to ensure adequate and effective audit coverage and reporting.

The internal auditors will be granted unrestricted right of access to all CMS's records, personnel and assets relevant to the subject matter under audit but with strict accountability for safekeeping and confidentiality in the exercise of those rights.

In performing their duties, the internal auditors have no direct responsibility for, nor authority over, any of the operations audited. Internal audits of any operation do not relieve other persons in CMS of the responsibilities delegated to them in respect of that operation. Group IA will also have free and unrestricted access to the GAC.

6. INDEPENDENCE AND REPORTING LINE

The Group Internal Auditor (GIA) reports functionally to the GAC and administratively to the Group Managing Director (GMD) and Group Chief Corporate Officer (GCCO). This line of reporting ensures the independence of the internal audit function. This independence and also the objectivity of the internal auditors are necessary for adequate and effective audit coverage and for the internal auditors to exercise judgement, express opinions and present recommendations with impartiality.

The GIA confirms to the Board at least annually, the organizational independence of the internal audit function.

Internal Audit staff will refrain from assessing specific operations for which they were previously responsible, where objectivity is presumed to be impaired if an internal auditor provides assurance services for an activity for which the internal auditor had responsibility within the previous year.

7. PERIODIC REVIEW OF CHARTER

GIA to review the IA charter at least once a year and revisions are to be presented to the GAC and Board for approval.

8. QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

GIA must develop and maintain a quality assurance and improvement program to cover both internal and external assessments. The program will include an evaluation of the internal audit activity's conformance with the Definition of Internal Auditing and the Standards and an evaluation of whether auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement. Internal assessments involve on-going monitoring of the performance of the internal audit activity, periodic self-assessment and Management feedback on the quality of internal audit services rendered. External assessments are to be conducted at least once every 5 years by an external qualified, independent assessor or assessment team from outside the organization. The frequency and scope to be reviewed has to be agreed upon by the GAC, as well as the qualifications and independence of the external assessor or assessment team including any potential conflict of interest. The results of the quality assurance and improvement program have to be reported to senior management and the GAC/Board.

9. STANDARDS

The internal auditors will meet or exceed the *International Standards for the Professional Practice of Internal Auditing (Standards)* of The Institute of Internal Auditors (IIA). While differences may affect the practice of internal auditing in each environment, conformance with The IIA's *Standards* is essential in meeting the responsibilities of internal auditors and the internal audit activity. The *Standards*, together with the Code of Ethics, encompass all mandatory elements of the International Professional Practices Framework.

Revised IA Charter approved by the Board on 29 November 2017.

TOR approvals:
BOD 27 November 2006
Revised 205th BOD 26 February 2014
Revised 218th BOD 16 May 2016
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