

DEFINITION

The mission of the Internal Audit Department is to provide independent, objective assurance and consulting services to add value and improve the MKH Berhad's business operations. It helps MKH Berhad to accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of internal control, risk management and governance processes.

SCOPE OF WORK

The scope of work of the Internal Audit Department is to determine whether MKH Berhad's internal controls, risk management and governance processes, as designed and represented by Management, are adequate and functioning in a manner to ensure:

- Risks are appropriately identified and managed;
- Employees' actions are in compliance with policies, standards, procedures and applicable laws and regulations;
- Programs, plans and objectives are achieved;
- Resources are acquired economically, used efficiently and adequately protected;
- Significant financial, managerial and operating information is accurate, reliable and timely;
- Quality and continuous improvement are fostered in MKH Berhad's control process; and
- Significant legislative or regulatory issues impacting MKH Berhad are recognized and addressed properly.

Opportunities for improving management control, profitability and MKH Berhad's image may be identified during audits. They will be communicated to the appropriate level of management.

ACCOUNTABILITY

The Senior Manager, Internal Audit, in discharging his duties, shall be accountable to Senior Management and the Audit Committee to:

- Report significant issues related to the processes for controlling the activities of MKH Berhad and its affiliates, including potential improvements to those processes and provide information concerning such issues through audit report;
- Provide information periodically on the status and results of the annual audit plan and the sufficiency of department resources; and
- Coordinate with and provide oversight of other functions such as Risk Management & Standard Operating Procedures.

INDEPENDENCE

To provide for the independence of the Internal Audit Department, its personnel report to Senior Manager, Internal Audit, who reports administratively to the Executive Chairman and functionally to the Audit Committee in a manner outlined in the above section on Accountability.

RESPONSIBILITY

The Senior Manager, Internal Audit and staff of the Internal Audit Department have responsibility to:

- Develop a flexible annual audit plan using appropriate risk-based methodology, including any risks or control concerns identified by management, and submit that plan to the Audit Committee for review and approval;
- Implement the annual audit plan, as approved, including, and as appropriate, any special tasks or projects requested by Management and Audit Committee;
- Maintain a professional audit staff with sufficient knowledge, skills and working experience to meet the requirements of this charter;
- Perform consulting services, beyond internal auditing's assurance services, to assist management in meeting its objectives. Examples may include facilitation, process design, training and advisory services;
- Evaluate and assess significant merging/consolidating functions and new or changing services, processes, operations and control processes coincident with their development, implementation and/or expansion;
- Issue periodic reports to the Audit Committee and Management summarizing results of audit activities;
- Keep the Audit Committee informed of emerging trends and successful practises in internal auditing;
- Assist in the investigation of significant suspected fraudulent activities within MKH Berhad and notify the Management and the Audit Committee of the results; and
- Consider the scope of work of external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to MKH Berhad at a reasonable overall cost.

AUTHORITY

The Senior Manager, Internal Audit and staff of the Internal Audit Department are authorized to:

- Have unrestricted access to all MKH departments, records, property and personnel;
- Have full and free access to the Audit Committee;
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives; and
- Obtain the necessary assistance of personnel in units of MKH Berhad where they perform audits, as well as other specialized services from within or outside MKH Berhad.

The Senior Manager, Internal Audit and staff of the Internal Audit Department are **NOT** authorized to:

- Perform any operational duties for MKH Berhad or its affiliates;
- Initiate or approve accounting transactions external to the Internal Audit Department; and
- Direct the activities of any organization employee not employed by the Internal Audit Department, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.

STANDARDS OF AUDIT PRACTISE

The Internal Audit Department will meet or exceed the *International Standards for the Professional Practise of Internal Auditing* of The Institute of Internal Auditors.