



**MILUX CORPORATION BERHAD**

(Company No. 313619-W)

(Incorporated in Malaysia)

**INTERNAL AUDIT CHARTER**

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### **Part A - INTRODUCTION**

Internal Auditing is an independent objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of Milux Corporation Berhad ("Milux" or "the Company"). It assists Milux in accomplishing Milux's vision and mission by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the Company's risk management, control, and governance processes.

### **Part B - ROLE**

The internal audit function is established by the Audit and Risk Committee ("ARC") of Milux. The internal audit activity's responsibilities are defined by the ARC as part of their oversight role. PKF Advisory Sdn. Bhd. ("PKF" or "IA") has been appointed as an independent professional service provider to carry out the internal audit function, PKF report directly to the ARC, thereby providing the Board of Milux (through ARC) an independent objective assurance on the effectiveness of the Group's risk management on internal controls, processes established by the Group and good corporate governance.

### **Part C - PROFESSIONALISM**

The ARC noted PKF will govern itself by adherence to The Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (Standards). This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.

The Institute of Internal Auditors' Practice Advisories, Practice Guides, and Position Papers will also be adhered by PKF to guide operations.

### **Part D - AUTHORITY**

PKF, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all of Milux's records, physical properties, and personnel pertinent to carrying out any engagement. All employees of Milux are requested to assist PKF in fulfilling its roles and responsibilities. PKF will also have free and unrestricted access to the ARC.

The IA shall be independent of the activities they audit.

The IA is given the mandate to review, analyse, investigate, evaluate, comment and report on any aspect of the Group's operations.

It shall have full, free and unrestricted access to all Companies, Departments, Company's operating policies, plans, strategies, records, properties and personnel relevant to the performance of the audit scope of work documented in the Internal Audit Plan approved by the ARC.

The IA shall have the authority to obtain the necessary assistance of personnel in the various Departments where the audit is being carried out.

The Head of Department of the Group are responsible for providing IA with relevant and timely access to all records, personnel and physical properties and for making sure that appropriate actions are taken to address audit recommendations.

#### **Part E - ORGANISATION**

The Head of Internal Audit is the Engagement Partner of PKF and will report functionally to the ARC.

The ARC will approve the internal audit charter and the risk-based internal audit plan. The ARC will also approve all decisions regarding the performance evaluation, appointment, or removal of the PKF Engagement Partner as well as PKF's fees. The PKF will communicate and interact directly with the ARC, including in executive sessions and between ARC meetings as appropriate.

#### **Part F - INDEPENDENCE AND OBJECTIVITY**

The internal audit activity will remain free from interference by any element in the Company, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

PKF will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair internal auditor's judgement.

Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgements.

Objectivity need not be adversely affected by the recommendation of controls to be applied in developing systems and procedures under its review nor lending its technical assistance to the management in systematic analysis of operations or activities.

PKF will confirm to the ARC, at least annually, the organisational independence of the internal audit activity.

**Part G - RESPONSIBILITY**

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the Company's governance, risk management, and internal process as well as the quality of performance in carrying out assigned responsibilities to achieve Milux's stated goals and objectives. This includes:

- Evaluating the reliability and integrity of information and the means used to identify measure, classify, and report such information.
- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on Milux Group.
- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Evaluating the effectiveness and efficiency with which resources are employed.
- Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
- Monitoring and evaluating governance processes.
- Monitoring and evaluating the effectiveness of Milux's risk management processes.
- Evaluating the quality of performance of internal auditors and the degree of coordination with the external auditors.
- Performing consulting and advisory services related to governance, risk management and control as appropriate for Milux.
- Reporting periodically on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan.
- Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the ARC.
- Evaluating specific operations at the request of the ARC or management, as appropriate.

#### **Part H - INTERNAL AUDIT PLAN**

At least annually, the PKF Engagement Partner will submit to senior management and the ARC an internal audit plan for review and approval. The internal audit plan will consist of a work schedule as well as budget and resource requirements for the next calendar year. The PKF Engagement Partner will communicate the impact of resource limitations and significant interim changes to senior management and the ARC.

The internal audit plan will be developed based on a prioritisation of the audit universe using a risk-based methodology, including input of senior management and the ARC. Any significant deviation from the approved internal audit plan will be communicated to senior management and the ARC through periodic activity reports.

#### **Part I - REPORTING AND MONITORING**

A written report will be prepared and issued by PKF following the conclusion of each internal audit engagement and will be distributed as appropriate. Internal audit results will also be communicated to the ARC.

The internal audit report may include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations. Management's response, whether included within the original audit report or provided thereafter (i.e. within thirty days) by Management of the audited area should include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented.

The internal audit activity will be responsible for appropriate follow-up on engagement findings and recommendations. All significant findings will remain in an open issues file until cleared.

#### **Part J - PERIODIC ASSESSMENT**

PKF will periodically report to senior management and the ARC on the internal audit activity's purpose, authority, and responsibility, as well as performance relative to its plan. Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the ARC.

In addition, PKF will communicate to senior management and the ARC on the internal audit activity's quality assurance and improvement programme, including results of ongoing internal assessments and external assessments conducted at least every five years.

**Part K - OVERSIGHT FUNCTIONS OF THE ARC IN RELATION TO INTERNAL AUDIT FUNCTIONS**

The oversight functions of the ARC are as follows:-

- Review the adequacy of the scope, functions and resources of the Internal Audit function, and that it has the necessary authority to carry out its work;
- Review the Internal Audit programme and results of the Internal Audit process and where necessary, ensure that appropriate action is taken on the recommendations of the Internal Audit function;
- Approve any appointments or termination of senior auditors of the Internal Audit function;
- Inform itself of resignations of internal auditors and provide the resigning Internal Auditor an opportunity to submit his reasons for resigning.

**Part L - REVIEW OF INTERNAL AUDIT CHARTER**

This Internal Audit Charter will be reviewed biennially or as and when it is required to ensure the information remains current and updated.

**History of the Internal Audit Charter**

<b>Date</b>	<b>Description</b>
24 November 2015	Establishment of Internal Audit Charter
27 March 2018	Reviewed and Updated of Internal Audit Charter