



AUDIT COMMITTEE REPORT



Hasman Yusri Yusoff
Chairman

“WE TAKE OUR ROLE OF OVERSIGHT AND INDEPENDENT REVIEW SERIOUSLY AND PROFESSIONALLY”

COMPOSITION OF THE COMMITTEE

A total of seven (7) Audit Committee meetings were held during the financial year ended 31 December 2016. The attendance record of the Audit Committee Members is tabulated below:

AC Member	Number of AC Meetings	
	Attended/Held	%
Hasman Yusri Yusoff (Chairman) ¹	7/7	100
Dato' Chong Pah Aung ²	-	-
Jamaludin Zakaria	7/7	100
Rohaya Mohammad Yusof	7/7	100

Notes:

1. Appointed on 26 January 2016
2. Resigned on 31 January 2016

The Audit Committee (“AC”) comprises three (3) members which consist two (2) Independent Directors and one (1) Non-Independent Non-Executive Director i.e. Rohaya Mohammad Yusof. Hasman Yusri Yusoff, is an Independent and Non-Executive Director and also a member of the Malaysian Institute of Accountants (“MIA”). Hasman Yusri Yusoff was appointed Chairman of the Audit Committee on 26 January 2016. Subsequently Dato’ Chong Pah Aung, an Independent Director resigned as member of the AC on 31 January 2016.

The Company Secretary, who acts as secretary to the Audit Committee attended all meetings. Also in attendance by invitation, were the Group Managing Director, Executive Director, Chief Operating Officer, Chief Financial Officer, Chief Corporate Officer, Head of Internal Audit and General Manager, Corporate Governance.

The Audit Committee met with the External Auditors two times during the year, without the presence of Management.

Upon the conclusion of each meeting, the Audit Committee Chairman will report to the Board of Directors the activities that it has undertaken and the key recommendations for the Board’s consideration and decision.

A whole range of issues affecting the operations of the Group were thoroughly reviewed and deliberated at these meetings. Audit Committee members take their role seriously and professionally to assist the Board in providing oversight of the Management. Audit reports and other matters brought to the Audit Committee’s attention are deliberated and discussed and where necessary, the Heads of Divisions/Departments and their Management team will be invited to the meetings to provide explanations or assist in deliberations. In doing so, the Audit Committee gathers inputs from the Internal Audit Department that is independent of Management, and which reports directly to the Audit Committee. Inputs are also gathered from the External Auditor, as necessary.

AUTHORITY OF THE AUDIT COMMITTEE

To carry out its responsibilities, the Audit Committee is empowered by the Board of Directors to:

- Investigate any matter within its terms of reference;
- Have the resources required to perform its duties;
- Have full, free and unrestricted access to any information, records, properties and personnel of MRCB and its subsidiaries (“the Group”);
- Have direct communication channels with the external auditors and internal auditors;
- Be able to obtain independent professional or other advice; and
- Be able to have meetings with the external auditors and internal auditors together with other independent members of the Board (i.e. excluding the non-independent and executive members) at least twice a year or whenever deemed necessary. The Audit Committee should also be able to meet exclusively among itself whenever deemed necessary.



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DUTIES AND RESPONSIBILITIES

The Audit Committee assists the Board to fulfil its oversight responsibilities over the activities of the Group. The key duties and responsibilities of the Audit Committee as specified in its Terms of Reference are as follows:

- i) To consider the appointment of the external auditor, the audit fee and the reasons given for their resignation or dismissal;
- ii) To review the audit plan of the external auditor;
- iii) To discuss problems and reservations arising from interim and final audits, and any other matter the external auditor may wish to discuss (in the absence of Management, where necessary);
- iv) To review the audit report of the external auditor and its evaluation of the system of internal control;
- v) To review the quarterly and year-end financial statements of the Group and to make the appropriate recommendation to the Board for its approval;
- vi) To review the adequacy of scope, resources and authority of the Internal Audit function;
- vii) To review the Internal Audit plan and processes and the results of internal audit reviews and investigations conducted;
- viii) To review the appointment, determine the remuneration and assess the performance of the Head of Internal Audit;
- ix) To review and authorise an investigation into serious allegations on fraud, misconduct and criminal breach of trust and to review the findings of such investigations;
- x) To review related party transactions and conflict of interest situations that may arise within the Group including any transaction, procedure or conduct that raises questions on Management's integrity;
- xi) To oversee the Risk Management function of the Group;
- xii) To review arrangements established by the Management for compliance with any regulatory or other external reporting requirements, by-laws and regulation related to the Group's operations;
- xiii) To verify all Employees' Share Option Scheme allocations to ensure that they are done in compliance with the criteria disclosed by the Company to its employees; and
- xiv) To consider other topics as defined by the Board.

SUMMARY OF AUDIT COMMITTEE'S ACTIVITIES

During the year under review, the activities carried out by the Audit Committee included the deliberation and review of following as below:

- **Financial results**
 - i) Reviewed the quarterly and annual audited financial results of the Group and its accompanying announcements and made the relevant recommendation to the Board for consideration and, focusing particularly on matters related to changes in major accounting policies, significant and unusual events, compliance with accounting standards and disclosure requirements; and
 - ii) Reviewed the Group's achievement of its key performance indicators.
- **Internal Audit**
 - i) Reviewed and approved the Risk-Based Annual Internal Audit Plan and resource requirement proposed by the Head of Internal Audit;
 - ii) Reviewed the structure of the Internal Audit Department and the adequacy of its resources and budget;
 - iii) Reviewed the findings of internal audit reports presented by the Head of Internal Audit on the Group;
 - iv) Reviewed the effectiveness and adequacy of management's corrective actions in response to the internal audit reviews conducted;
 - v) Reviewed the findings of follow-up audits to determine the status of implementation of management's corrective actions;
 - vi) Deliberated on findings of investigations and other ad-hoc special reviews on specific areas of operations to ascertain the root causes to the issues and the effectiveness of corrective actions taken to address the identified weaknesses; and
 - vii) Reviewed the Audit Committee Report and its recommendation to the Board for inclusion in the Annual Report.



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- **External Audit**
 - i) Reviewed and approved the External Auditor's Audit Plan, approach and scope of review prior to commencement of their annual Audit;
 - ii) Deliberated on matters arising from the audit of the Group in a meeting with the External Auditor without the presence of any executive officer of the Group;
 - iii) Deliberated on the External Auditor's reports on audit and accounting issues that arose from its audits;
 - iv) Deliberated on updates of new developments on accounting standards issued by the Malaysian Accounting Standards Board; and
 - v) Assessed the performance of the External Auditor, including their independence, and provided the recommendation on their re-appointment and remuneration to the Board.
- **Risk Management**
 - i) Reviewed the enterprise risk management activities of the Group; and
 - ii) Reviewed and deliberated the Statement of Corporate Governance, Statement on Risk Management and Internal Control and its recommendation to the Board for inclusion in the Annual Report.
- **Related Party Transactions**

Reviewed the fairness, transparency of related party transactions with appropriate disclosures made as required under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and ascertain that the transactions are conducted at arm's length prior submission for the Board's consideration and, where appropriate shareholders' approval.
- **Employee's Share Option Scheme (ESOS) Allocation**

Reviewed that the ESOS allocation during the year under review was verified by the Internal Auditor and was done in accordance with the provisions of the scheme and the criteria for allocations to the employees by the ESOS Committee.
- **Others**

Reviewed and approved proposed establishments or revisions to the Limits of Authority of subsidiaries.

INTERNAL AUDIT

The Internal Audit function of the Group is carried out by MRCB's Internal Audit Department which is an independent Department and separated from the Corporate Governance Department. The Internal Audit Department operates independently of management and reports directly to the Audit Committee.

The objectives, mission, scope, organisation, authority and responsibilities of the Internal Audit function are spelt out in the Internal Audit Charter. During the year under review, the Internal Audit function operated and performed in accordance with the principles of its Charter.

The Internal Audit function's primary responsibility is to carry out reviews of operations to provide reasonable assurance that the system of internal control is operating effectively and efficiently. The areas to be reviewed are determined by a risk-based audit plan that is aligned with the strategies and activities of the Group.

During the year under review, the Internal Audit Department conducted reviews of key developments, property and construction projects and selected business units of the Group. Continuous follow-up reviews were also carried out to ascertain the status of management action plans that were provided in response to audit findings raised previously. The status of these management action plans were also reported to the Audit Committee for their information.

Staff of the Internal Audit Department also observed tender openings to ensure that appropriate internal control and processes as set out in the Group's Policies and Procedures are complied with.

In 2016, the Internal Audit Department incurred total costs of RM1,365,876 for its activities.

This Audit Committee Report is approved by the Board of Directors in accordance to the resolution dated 27 February 2017.