

Audit and Risk Management Committee Report

COMPOSITION

Dato' Tan Guan Cheong (appointed on 19 June 2019)
(Chairman/Independent Non-Executive Director)

Tan Sri Datuk Asmat Bin Kamaludin
(appointed on 19 June 2019)
(Member/Independent Non-Executive Director)

Dato' Yoogalingam A/L Vyramuttu
(appointed on 19 June 2019)
(Member/Independent Non-Executive Director)

Y.M. Tunku Afwida Binti Tunku A.Malek
(resigned on 19 June 2019)
(Chairman/Independent Non-Executive Director)

Datuk Muhamad Noor Bin Hamid (resigned on 19 June 2019)
(Member/Independent Non-Executive Director)

Ar. Datuk Tan Pei Ing (resigned on 17 May 2019)
(Member/Non-Independent Non-Executive Director)

TERMS OF REFERENCE

The terms of reference of the Audit and Risk Management Committee can be found under the 'Governance' section on the Company's website at www.ytlcement.my.

NUMBER OF MEETINGS HELD AND DETAILS OF ATTENDANCE

During the financial period, a total of 6 Audit and Risk Management Committee Meetings were held and the details of attendance are as follows:-

	Attendance
Dato' Tan Guan Cheong	4
Tan Sri Datuk Asmat Bin Kamaludin	4
Dato' Yoogalingam A/L Vyramuttu	4
Y.M. Tunku Afwida Binti Tunku A.Malek	2
Datuk Muhamad Noor Bin Hamid	2
Ar. Datuk Tan Pei Ing	1

SUMMARY OF WORKS CARRIED OUT DURING THE FINANCIAL PERIOD

The Audit and Risk Management Committee ("ARMC") carried out the following works during the financial period in the discharge of its functions and duties:-

1. Overseeing Financial Reporting

(a) Reviewed the following quarterly financial results and annual audited financial statements ("Financial Reports") prior to its recommendation to the Board of Directors for approval:

- Quarterly financial results for the fourth quarter of financial year ended 31 December 2018 (including financial results' announcement) at the ARMC meeting held on 27 February 2019;
- Annual audited financial statements for the financial year ended 31 December 2018 via a circular resolution dated 16 April 2019;
- Quarterly financial results for the 15-month financial period from 1 January 2019 to 31 March 2020* at the ARMC meetings held on 27 May 2019, 22 August 2019, 25 November 2019, 19 February 2020 and 15 June 2020;

* The Company had on 18 November 2019 changed its financial year end from 31 December to 30 June to coincide with its holding company commencing 30 June 2020.

(b) At the ARMC meetings, the General Manager Finance presented the Financial Reports wherein the following matters were reviewed and confirmed, with clarifications and/or additional information provided wherever required by the then Interim Chief Executive Officer & Chief Financial Officer/Executive Director primarily in charge of the financial management of the Company:

- Appropriate accounting policies had been adopted and applied consistently, and other statutory and regulatory requirements had been complied with;
- The Company has adequate resources to continue in operation for the foreseeable future and that there are no material uncertainties that could lead to significant doubt as to the Group's ability to continue as a going concern;

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- Significant judgements made by management in respect of matters such as impairment assessment on goodwill, provision for inventory obsolescence and going concern and the underlying assumptions and/or estimates used were reasonable and appropriate in accordance with the requirements of the Malaysian Financial Reporting Standards (“MFRS”);
- Adequate processes and controls were in place for effective and efficient financial reporting and disclosures under the MFRS and Bursa Malaysia Securities Berhad (“Bursa Securities”) Main Market Listing Requirements (“Main LR”);
- The Financial Reports were fairly presented in conformity with the relevant accounting standards in all material aspects.

2. External Audit

- (a) Reviewed with the external auditors, Deloitte PLT:-
- their progress report of the audit for the financial year ended 31 December 2018 setting out their findings and deliberations on the significant risks and areas of audit focus highlighted and adequacy of disclosures in the financial statements;
 - the audit plan for the 18-month financial period ended 30 June 2020 outlining, amongst others, their scope of work, materiality threshold, significant risks and areas of audit focus, internal control plan, and development in laws and regulations affecting financial reporting, responsibilities of the ARMC members and roles of auditors.
- (b) Reviewed the audit fees for the financial year ended 31 December 2018 and financial period ended 30 June 2020 proposed by Deloitte PLT together with management and recommended the fees agreed with Deloitte PLT to the Board of Directors for approval.
- (c) Had discussions with Deloitte PLT without the presence of management, to apprise on matters in regard to the audit and financial statements.
- (d) Reviewed the profiles of the audit engagement team from Deloitte PLT which enables the ARMC to assess their qualifications, expertise, resources, and independence, as well as the effectiveness of the audit process. Deloitte PLT also provided written confirmation of their independence in all of the reports presented to the ARMC.

The ARMC also reviewed on a regular basis, the nature and extent of the non-audit services provided by Deloitte PLT and was satisfied with the suitability, performance, independence and objectivity of Deloitte PLT.

3. Internal Audit/Internal Control

- (a) Reviewed with the internal auditors the internal audit reports (including follow-up review reports), the audit findings and recommendations, management’s responses and/or actions taken thereto and ensured that material findings were satisfactorily addressed by management.
- (b) Reviewed and adopted the internal audit risk analysis report for 2020. Internal audit would leverage on the Group’s risk analysis to focus on the business processes and relevant areas that address the key risks identified.
- (c) Reviewed and adopted the following internal audit plans to ensure sufficient scope and coverage of activities of the Company and the Group:-
- internal audit plan for the 6-month period from 1 January 2020 to 30 June 2020, being the extension of the internal audit plan for year 2019 to coincide with the new financial year of 30 June;
 - risk-based internal audit plan for financial year ending 30 June 2021.
- (d) Reviewed internal audit resourcing, with focus on ensuring that the function has sufficient resources together with the right calibre of personnel to perform effectively and that the head of internal audit has adequate authority to discharge its functions objectively and independently.
- (e) Reviewed the internal audit charter which outlines the roles and responsibilities, authority, organisation and relationships with stakeholders, independence and objectivity, reporting and monitoring of the internal audit department, to ensure consistency and to be aligned with that of YTL Group’s internal audit charter prior to its recommendation to the Board of Directors for approval.

4. Recurrent Related Party Transactions of a Revenue or Trading Nature (“RRPT”)

- (a) Reviewed, on a quarterly basis, the RRPT entered into by the Company and/or its subsidiaries with related parties to ensure that the Group’s internal policies and procedures governing RRPT are adhered to, the terms of the shareholder mandate are not contravened, and disclosure requirements of the Main LR are observed.

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- (b) Received updates on the directorships and shareholdings held by the Directors of the Company and persons connected with them via the general notices given under and in accordance with Section 221 of the Companies Act, 2016. These disclosures enabled an assessment of the potential or actual conflicts of interest which may arise in relation to related party transactions or RRPT.
- (c) Reviewed the circulars to shareholders dated 30 April 2019, 30 August 2019 and 27 December 2019 in relation to the renewal of shareholder mandate for RRPT and/or new shareholder mandate for additional/new RRPT, prior to its recommendation to the Board of Directors for approval.

5. Related Party Transactions (“RPT”)

Reviewed the following RPT entered into by the Company and/or its subsidiaries with related parties to ensure that the transactions were in the best interest of the Company, were fair, reasonable and on normal commercial terms; and was not detrimental to the interest of the Company and the minority shareholders of the Company, prior to its recommendation to the Board of Directors for approval:-

- charges on the use of terminal for cement and slag by Holcim (Singapore) Ltd to Lafarge Cement Singapore Pte Ltd (now known as LCS Pte Ltd);
- sale of clinker by Lafarge Cement Sdn Bhd to LH Trading Pte Ltd;
- divestment of the asphalt plant owned by Lafarge Aggregates (Kota Tinggi) Sdn Bhd to Kenneison Northern Quarry Sdn Bhd.

6. Policy on Auditor Independence

Reviewed the Policy on Auditor Independence including the ‘External Auditor Evaluation Form’ to assess the suitability, objectivity and independence of the external auditors as recommended under the Malaysian Code on Corporate Governance (“MCCG”), prior to its recommendation to the Board of Directors for adoption.

7. Annual Report

Reviewed the Report of the Audit Committee and the Statement on Internal Control and Risk Management before recommending these to the Board of Directors for approval for inclusion in 2018 Annual Report.

INTERNAL AUDIT FUNCTION

The objective of the Internal Audit (“IA”) is to help management evaluate the effectiveness and efficiency of the internal control systems. The IA is part of the Company and the Group’s governance system, and according to the MCCG, the IA is in charge of supervising internal control activities. IA’s goal is to focus mainly on risk-based audits related to operations and compliance that are aligned with the risks of the Company and the Group to ensure that the relevant controls addressing those risks are reviewed.

During the period, the IA Department evaluated the adequacy and effectiveness of key controls in responding to risks within the organisation’s governance, operations and information systems regarding:-

- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations;
- Safeguarding of assets; and
- Compliance with relevant laws, regulations and contractual obligations.

The works of the internal audit function during the period under review include:-

1. Developed the annual internal audit plan and proposed the plan to the ARMC.
2. Conducted scheduled and special internal audit engagements, focusing primarily on the effectiveness of internal controls and recommending improvements where necessary.
3. Conducted follow-up reviews to assess if appropriate action has been taken to address issues highlighted in previous audit reports.
4. Presented significant audit findings and areas for improvements raised by the IA to the ARMC for consideration on the recommended corrective measures together with the management’s response.
5. Conducted RRPT reviews to assess accuracy and completeness of reporting for presentation to the ARMC, and ensure compliance with the Main LR.
6. Conducted discussions with management in identifying significant concerns and risk areas perceived by management for inclusion in the internal audit plan.

Costs amounting to RM1,904,219 were incurred in relation to the internal audit function for the financial period ended 30 June 2020.