

# Audit Committee Report

The report of the Audit Committee ("Committee") of LBS Bina Group Berhad ("LBGB" or "Company" or "Group") for the financial year ended 31 December 2014 ("FY 2014") is presented as follows:

## MEMBERS AND ATTENDANCE

During the FY 2014, the Committee held 5 meetings. Details of the membership and record of attendance of these meetings are as follows:

Committee Member	Number of meetings held during tenure in office	Attendance
<b>Lim Tong Lee*</b> Chairman, Independent Non-Executive Director	5	5
<b>Datuk Haji Baharum bin Haji Mohamed</b> Member, Senior Independent Non-Executive Director	5	5
<b>Datuk Lim Si Cheng</b> Member, Independent Non-Executive Director	5	5

\* Member of Malaysian Institute of Accountants

## Authority of Audit Committee

The Committee shall within its terms of reference, wherever necessary and reasonable for the performance of its duties:-

1. have the resources which are required to perform its duties;
2. have full access to any information as required to perform its duties;
3. have the authority to investigate any activity within its terms of reference;
4. have the authority to form sub-committee(s) if deemed necessary and fit;
5. have the authority to delegate any of its responsibilities to any person or committee(s) that is deemed fit; and
6. be able to obtain independent professional or other advice and invite outsiders with relevant experience to attend the meeting of the Committee.

## Key Functions, Roles and Responsibilities

The key functions, roles and responsibilities of the Committee shall be:

### **1. Internal Audit**

- To oversee the functions of Internal Audit Department and ensure compliance with relevant regulatory;

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- To review the adequacy of the scopes, functions, competencies and resources of the internal audit functions and that it has the necessary authority to carry out its work;
- To review the internal audit programme, consider the major findings of internal audits and Management's response, and ensure coordination between the internal and external auditors; and
- To appoint, set compensation, evaluate performance and decide on the transfer and dismissal of the Head of Internal Audit.

## **2. Internal Control**

- To review the effectiveness of internal control and risk management process.

## **3. External Audit**

- To consider the appointment of the external auditor, the audit fee and any questions of resignation or dismissal of the external auditor before making recommendation to the Board;
- To review the external auditors' audit scope and plan, including any changes to the planned scope of the audit plan;
- To review the external auditors' Management Letter and Management's response;
- To review, with the external auditor, the audit reports, the auditor's evaluation of the system of internal control, audit plan and the assistance given by the employees to the external auditor;
- To discuss problems and reservations arising from the interim and final audits, and matters the auditor may wish to discuss (in the absence of Management where necessary); and
- To review whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for re-appointment.

## **4. Financial Reporting**

- To review with the Management the quarterly and year-end financial statements of the Company prior to the approval by the Board, focusing particularly on:
  - ➔ Any changes in accounting policies and practices;
  - ➔ Significant adjustments arising from the audit;
  - ➔ Major judgement areas;
  - ➔ Significant and unusual events;
  - ➔ The going concern assumption; and
  - ➔ Compliance with accounting standards and other legal requirements.

## **5. Related Party Transactions**

- To review any related party transactions and conflict of interest situation that may arise in the Company including any transactions, procedures or course of conducts that raise questions of management integrity.

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## 6. Other Matters

- To direct and where appropriate supervise any special project or investigation considered necessary;
- To report to the Board summarising the work performed in fulfilling the Committee's primary responsibilities; and
- To consider other matters as defined by the Board.

## SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

The summary of the activities of the Audit Committee during the year under review, the Committee carried out the following activities in discharging of its functions and duties:-

### 1. Financial Statements:

- Reviewed the unaudited quarterly financial results of the Group for the FY 2014 and the audited financial statements of the Group for the financial year ended 31 December 2013 and recommended to the Board for approval and for announcement to Bursa Malaysia Securities Berhad.

### 2. External Audit:

- Reviewed the External Auditors' scope of work and annual audit plan of the Company and of the Group for the FY 2014 inclusive of audit approach and scope of work prior to the commencement of the annual audit.
- Reviewed the verification on allocation of option to employees under the Employee Share Option Scheme ("ESOS") of the Company.
- Reviewed the Company's Statement on Risk Management and Internal Control before recommending the same to the Board for inclusion in the Company's Annual Report 2013.
- Considered the re-appointment and remuneration of External Auditors.

### 3. Internal Audit:

- Reviewed the internal audit reports which highlighted the audit and recommendations and management response in line with the internal audit programme as well as appropriate remedial actions undertaken by the Group.
- Reviewed and approved the Internal Audit Plan and its scope of work proposed by the Internal Audit Department for the FY 2014.

### 4. Risk Management:

- Reviewed the Risk Register to ensure that all major risks are well managed and reported to the Board.
- Reviewed the Risk Assessment Reports on the investments of the Group for the year 2014.

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## 5. Related Party Transactions:

- Reviewed the terms of the proposed renewal of general mandate for recurrent related party transactions of a revenue or trading nature and the procedures for these proposed transactions.
- Reviewed and ensure the related party transactions entered into were at arm's length basis and on normal commercial terms and the adequacy, appropriateness and compliance procedures established to monitor the related party transactions.

## STATEMENT BY COMMITTEE ON THE COMPANY'S ESOS

The Committee, with the assistance of verification work performed by the External Auditors, is satisfied that the allocation of options pursuant to the Company's ESOS during FY 2014, has complied with the criteria set out in the ESOS Bye-Laws.

## INTERNAL AUDIT FUNCTION

LBGB has an in-house Internal Audit Department ("IAD") that carries out its appraisal function independently from the Management, with the Head of IAD reporting directly to the Committee. Besides reviewing the findings of internal control system of the Group, IAD also provides recommendations to improve such internal controls. The IAD adopts a risk-based auditing approach taking into account the standards set by recognized professional bodies, global best practices and industry standards.

During the financial year under review, the IAD has carried out its internal audit assignments in accordance with the Internal Audit Plan approved by the Committee. The Internal Auditors have conducted eight audits involving operational and compliance on the subsidiaries of LBGB. These IAD reports and relevant follow-up reports together with management responses were circulated to all members of the Committee for review and discussion before the Audit Committee Meeting on a quarterly basis. Upon the recommendation from the Committee, the said internal audit reports were tabled at the Board Meeting for approval.

The total cost incurred for the IAD for the FY 2014 was RM447,420.

