

Effective Date	23 February 2018
Revision No.	1
Revision Date	23 February 2018



MEDA INC  
**MEDA INC BERHAD**  
(Company No. 507785-P)

## **INTERNAL AUDIT CHARTER**

# **MEDA INC. BERHAD**

## **INTERNAL AUDIT CHARTER**

### **1. INTRODUCTION**

Internal Auditing is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of the Meda Inc Berhad (“Meda”). It assists Meda in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's governance, risk management, internal control.

### **2. ROLE**

The internal audit function is established by the Board of Directors, via the Audit Committee. The internal audit function’s responsibilities are defined by the Audit Committee as part of their oversight role.

### **3. PROFESSIONALISM**

The internal audit function shall 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 function’s performance.

The Institute of Internal Auditors' Practice Advisories, Practice Guides, and Position Papers shall also be adhered to as applicable to guide operations. In addition, the internal audit function shall adhere to Meda’s relevant policies and procedures and the internal audit function's standard operating procedures manual (where applicable).

### **4. AUTHORITY**

The internal audit function, with strict accountability for confidentiality and safeguarding records and information, is authorized full, free, and unrestricted access to any and all of Meda’s records, physical properties, and personnel pertinent to carrying out any engagement. All employees are requested to assist the internal audit function in fulfilling its roles and responsibilities. The internal audit function shall also have free and unrestricted access to the Audit Committee.

### **5. ORGANIZATION**

The outsourced Internal Audit service provider (hereinafter referred to as the “Outsourced IA”) shall report functionally to the Audit Committee and administratively (i.e. day to day operations) to the Executive Director.

The Audit Committee shall:

- Approve the internal audit charter.
- Approve the risk-based internal audit plan.
- Approve the internal audit fees and resource plan of the Outsourced IA.
- Receive communications from the Outsourced IA on the internal audit function’s performance relative to its plan and other matters.
- Approve decisions regarding the appointment and removal of the Outsourced IA.

- Make appropriate inquiries of management and the Outsourced IA to determine whether there is inappropriate scope or resource limitations.

The Outsourced IA shall communicate and interact directly with the Audit Committee, including in executive sessions and between Audit Committee meetings as appropriate.

## **6. INDEPENDENCE AND OBJECTIVITY**

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

The personnel of the Outsourced IA shall have no direct operational responsibility or authority over any of the activities audited. Accordingly, they shall not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair the Outsourced IA's judgment.

The personnel assigned to Meda by the Outsourced IA shall exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Those personnel assigned to Meda by the Outsourced IA shall make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The Outsourced IA shall confirm to the Audit Committee, at least annually, the organizational independence of the internal audit function.

## **7. RESPONSIBILITY**

The Chief Audit Executive shall be the Engagement Director assigned by the Outsourced IA, and shall be responsible for ensuring internal audits and other agreed activities are conducted in compliance with this Charter and the Outsourced IA Terms of Engagement contract.

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

This includes:

- Evaluating risk exposure relating to achievement of the organization's strategic objectives.
- 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 the organization.
- 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 the organization's risk management processes.
- Evaluating the quality of performance of external auditors and the degree of coordination with internal audit.
- Performing consulting and advisory services related to governance, risk management and control as appropriate for the organization.
- Reporting periodically on the internal audit function'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 Audit Committee.
- Evaluating specific operations at the request of the Audit Committee or management, as appropriate.

## **8. INTERNAL AUDIT PLAN**

At least annually, the Outsourced IA shall submit to senior management and the Audit Committee an internal audit plan for review and approval. The internal audit plan shall consist of a work schedule as well as budget and resource requirements for the next financial/calendar year/period. The Outsourced IA shall communicate the impact of resource limitations and significant interim changes to senior management and the Audit Committee.

The internal audit plan shall be developed based on a prioritization of the audit universe using a risk-based methodology, including input of senior management and the Audit Committee. The Outsourced IA shall review and adjust the plan, as necessary, in response to changes in the organization's business, risks, operations, programs, systems, and controls. Any significant deviation from the approved internal audit plan shall be communicated to senior management and the Audit Committee through periodic activity reports.

## **9. REPORTING AND MONITORING**

A written report shall be prepared and issued by the Outsourced IA following the conclusion of each internal audit engagement and shall be distributed as appropriate. Internal audit results shall also be communicated to the Audit Committee.

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 would not be implemented.

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

The Outsourced IA shall periodically report to senior management and the Audit Committee on the internal audit function's purpose, authority, and responsibility, as well as performance relative to its plan. Reporting shall also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the Audit Committee.

#### **10. QUALITY ASSURANCE AND IMPROVEMENT PROGRAM**

The internal audit function shall maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program shall include an evaluation of the internal audit function's conformance with the Definition of Internal Auditing and the *Standards* and an evaluation of whether internal auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of the internal audit function and identifies opportunities for improvement.

The Outsourced IA shall communicate to senior management and the Audit Committee on the internal audit function's quality assurance and improvement program, including results of ongoing internal assessments and external assessments conducted at least every five years.