

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit Committee was established on 29 April 2005 to serve as a Committee of the Board. In line with the recommendation of the ("MCCG 2017"), the Audit Committee which has been assisting the Board in carrying out, among others, the responsibility of overseeing the Company and its subsidiaries' risk management framework and policies, has been renamed as Audit and Risk Management Committee ("ARMC") on 31 May 2018.

The Board is pleased to present the ARMC Report to provide insights on the discharge of the ARMC's functions during the financial year 2020 ("FY2020") in compliance with Rule 15.15 of the ACE LR.

COMPOSITION

The present members of the ARMC comprise:

Dr. Ch'ng Huck Khoon (Chairman)
Independent Non-Executive Director

Dato' Nik Ismail bin Dato' Nik Yusoff (Member)
Independent Non-Executive Director

Tan Lay Chee (Member) (*appointed on 31 March 2020*)
Independent Non-Executive Director

Chang Vun Lung (Member) (*resigned on 31 December 2019*)
Independent Non-Executive Director

All members of the ARMC are Independent Non-Executive Directors ("INED(s)"). This satisfies the test of independence under ACE LR and meet the requirements of MCCG 2017.

Dr. Ch'ng Huck Khoon, the Chairman, is an Independent Non-Executive Director. The Company is in compliance with Rule 15.10 of the ACE LR. Mr. Tan Lay Chee, is a member of the Malaysian Institute of Accountants. In this respect, the Company complies with Rule 15.09(1)(c)(i) of the ACE LR.

The performance of the ARMC and each of its members were reviewed by the Board on 30 June 2020 and the Board was satisfied that they are able to discharge their functions, duties and responsibilities in accordance with the Terms of Reference of the ARMC, thereby supporting the Board in ensuring appropriate corporate governance standards within the Group.

SECRETARY

The secretaries to the ARMC are the Company Secretaries of the Company.

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TERMS OF REFERENCE

The detailed Terms of Reference of the ARMC outlining the composition, duties and functions, authority and procedures of the ARMC are published and available on the Company's website at www.atsys.com.my.

The ARMC is now required amongst others to review significant matters highlighted including financial reporting issues, significant judgements made by management, significant and unusual events or transactions and how these matters are addressed.

MEETINGS

The ARMC convened four (4) meetings during the FY2020. Details of attendance of ARMC Meetings were as below:-

Name of Directors	Designation	No. of Meetings Attended	Percentage of Attendance (%)
Dr. Ch'ng Huck Khoon	Chairman	4/4	100
Dato' Nik Ismail bin Dato' Nik Yusoff	Member	4/4	100
Chang Vun Lung (<i>resigned on 31 December 2019</i>)	Member	3/3	100

Notices of meetings were sent to the ARMC members at least one (1) week in advance. The ARMC members are provided with the agenda and relevant meeting papers before each meeting. All deliberations during the ARMC Meetings were duly minuted. Minutes of the ARMC Meetings were tabled for confirmation at every succeeding ARMC Meeting.

The directors of the key subsidiaries and members of senior management were invited to the ARMC Meetings to facilitate direct communication as well as to provide clarification on the Group's operations and area of concerns. The internal auditors attended the ARMC Meetings to table the Internal Audit report and assist Risk Management Group to present Risk Management report.

The External Auditors attended two (2) ARMC Meetings held during the FY2020. The External Auditors were encouraged to raise with the ARMC any matters they considered important to bring to the ARMC's attention. For FY2020, two (2) private sessions were held between the ARMC with the External Auditors without the presence of the Executive Directors and Management. The Chairman of the ARMC also sought information on the communication flow between the External Auditors and the Management which was necessary to allow unrestricted access to information for the External Auditors to effectively perform their duties.

The Chairman of the ARMC presented the ARMC's recommendations together with the respective rationale to the Board for approval of the annual audited financial statements and the unaudited quarterly financial results. As and when necessary, the Chairman of the ARMC would convey to the Board matters of significant concern raised by the Internal or External Auditors.

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SUMMARY OF WORKS DURING THE FINANCIAL YEAR 2020

During the FY2020 and up to the date of this Report, the summary of works undertaken by the ARMC to meet its responsibilities in the discharge of its function and duties comprised the followings:-

1. Overview of Financial Performance and Reporting

- Reviewed the unaudited quarterly financial results for the quarters ended 30 June 2019, 30 September 2019, 31 December 2019 and 31 March 2020 before recommending the same for the Board's approval;
- Reviewed the financial performance and financial highlights of the Group;
- Reviewed the identified significant matters pursuant to Rule 15.12(1)(g)(ii) of the ACE LR which took effect on 1 July 2016;
- Reviewed the draft audited financial statements for the financial year ended 31 March 2020 before recommending the same for the Board's approval;
- Reviewed the Group's compliance with the accounting standards and relevant regulatory requirements.

2. Oversight of External Auditors

- Evaluated External Auditors by considering their qualification, credentials, reputation and experience prior to re-appointment;
- Reviewed the Audit Planning Memorandum for the FY2020 prepared by the External Auditors, entailing mainly the overview of audit approach and areas of audit emphasis of the Group;
- Met two (2) times with the External Auditors without the presence of the Executive Directors and Management;
- Reviewed and monitored the suitability and independence of the External Auditors. As part of the annual audit exercise, assurance from the External Auditors was sought in confirming that they are and have been independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements. Upon reviewed and being satisfied with the results, the same has been recommended to the Board for approval.

3. Oversight of Internal Auditors

- Met with the Internal Auditors to discuss on the development of internal audit plan for the FY2020 based on the business direction of the Group;
- Reviewed and adopted the risk-based internal audit plan for the FY2020, upon agreeing on the auditable areas and the timing of the audits;
- Reviewed the Internal Audit Reports for the FY2020 and assessed the Internal Auditors' findings and the management's responses and made the necessary recommendations to the Board of Directors for approval.

4. Review of Related Party Transactions

- Reviewed any related party transaction and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises the questions on management integrity on quarterly basis.

5. Oversight of Internal Control Matters

- Reviewed and confirmed the minutes of the ARMC Meetings;
- Reviewed the disclosures in Corporate Governance Overview Statement for the inclusion in the Annual Report 2020;
- Reviewed the disclosures in ARMC Report and Statement on Risk Management and Internal Control to be included in the Annual Report 2020; and
- Reviewed the revised Terms of Reference of the ARMC which incorporated the relevant amendments to the ACE LR and recommended the same to the Board of Directors for approval and adoption.

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6. Share Issuance Scheme ("SIS")

- Reviewed and verified options allocated and granted during the financial year pursuant to the Company's SIS were in accordance with the allocation criteria approved by the SIS Committee and in compliance with the By-Laws of the SIS.

7. Risk Management

- Reviewed the Risk Management Reports for the FY2020 and assessed the report's findings and the management's responses and made the necessary recommendations to the Board of Directors for approval.

The Board is satisfied that the ARMC has carried out its responsibilities and duties in accordance with the ARMC's Terms of Reference.

INTERNAL AUDIT FUNCTION

1. Appointment of Internal Auditors

The Group has appointed an independent professional firm of consultant to support the internal audit function, namely Finfield Corporate Services Sdn Bhd. The outsourced internal auditors report directly to the ARMC, providing the Board with a reasonable assurance of adequacy of the scope, functions and resources of the internal audit function. The purpose of the internal audit function is to provide the Board, through the ARMC, assurance of the effectiveness of the system of internal control in the Group. The internal audit work has been carried out in line with guidelines of International Professional Practise Framework.

The internal audit function is independent and performs audit assignments with impartiality, proficiency and due professional care.

2. Summary of Internal Audit Works During the Financial Year 2020

During the FY2020, internal audit reviews have been carried out according to the internal audit plan, which has been approved by the ARMC. The internal audit reviews covered revenue management, compliance with custom procedures and sales & service tax, collection and credit review of major subsidiaries of the Group. The internal auditors also reviewed implementation of corrective action plans or agreed course of action on the findings reported in previous audit cycles. The findings and recommendations with root cause analysis, defined financial or quantitative impact were highlighted to management for their comments and further action. Internal audit reports were presented to the ARMC and also reported to the Board.

3. Total costs incurred for the FY2020

Total costs incurred for the outsourced internal audit function of the Group for the FY2020 is RM16,000 (FY2019: RM16,000).

CORPORATE GOVERNANCE PRACTICES

Apart from discharging its duties with respect to the internal audit, financial reporting and external audit, the ARMC also reviewed the disclosures made in respect of the financial results and Annual Report of the Company in line with the principles and spirit set out in the MCCG 2017, other applicable laws, rules, directives and guidelines. In addition, before finalizing the various governance disclosures in the Annual Report, the ARMC together with all other Board Members and Management had reviewed the Corporate Governance Report, ARMC Report, Statement on Risk Management and Internal Control together with other compliance disclosures.