

# CME GROUP BERHAD

## Audit Committee Report

The Board of Directors of CME Group Berhad is pleased to present the Audit Committee Report for the financial period from 1 July 2022 to 30 September 2023 ("FPE 2023").

### CONSTITUTION

The terms of reference of the Audit Committee are set out in pages 31 to 32 of the Annual Report.

### COMPOSITION

The Audit Committee comprises three (3) members of the Board with two (2) Independent Non-Executive Directors and one (1) Non-Executive Non-Independent Director.

### MEMBERSHIP

Members of the Board who serve on the Audit Committee are as follows:

<u>Name</u>	<u>Membership status</u>
Y.A.D. Dato' Setia Tengku Indera Pahlawan Tengku Putra Alhaj Bin Tengku Azman Shah Alhaj <i>(Resigned w.e.f. 16 November 2022)</i>	Chairman, Independent Non-Executive Director
Dato' Azmil Bin Zabidi <i>(Appointed w.e.f. 26 May 2023)</i>	Chairman, Independent Non-Executive Director
Miss Ong Suan Pin <i>(Redesignated w.e.f. 22 June 2023)</i>	Member, Non-Executive Non-Independent Director
YAM Tengku Besar Tengku Kamil Ismail Bin Tengku Idris Shah	Member, Independent Non-Executive Director

### MEETINGS

The Committee met five (5) times during the FPE 2023. Details of the attendance of each member at the Audit Committee Meeting held during the period are as follows:

<u>Name</u>	<u>No. of Meeting Attended</u>
Y.A.D. Dato' Setia Tengku Indera Pahlawan Tengku Putra Alhaj Bin Tengku Azman Shah Alhaj <i>(Resigned w.e.f. 15 November 2022)</i>	1/1
Dato's Azmil Bin Zabidi <i>(Appointed w.e.f. 26 May 2023)</i>	2/2
Miss Ong Suan Pin	5/5
YAM Tengku Besar Tengku Kamil Ismail Bin Tengku Idris Shah	5/5

## **SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE**

During the financial year, the Audit Committee conducted its activities in line with its terms of reference which include the followings:

### **1. Financial Results**

- (a) Reviewed the unaudited quarterly financial results and announcements before recommending to the Board for consideration and approval and the release of the Group's results to Bursa Malaysia.
- (b) Reviewed the annual audited financial statements before recommending to the Board for consideration and approval. The review was to ensure that the financial reporting and disclosures were in compliance with:
  - Main Market Listing Requirements of Bursa Malaysia;
  - Provisions of Companies Act 2016 and other legal and regulatory requirements; and
  - Applicable approved accounting standards of Malaysian Accounting Standards Board.

### **2. External Audit**

- (a) Reviewed and approved the external auditors' audit plan and scope of work for the annual audit.
- (b) Reviewed the results from the external audit and highlighted the issues and reservations arising from the audit to the Committee.
- (c) Recommended to the Board the appointment and remuneration of the external auditors.
- (d) Reviewed with the external auditors the impact of new or proposed changes in accounting standards and regulatory requirements and the extent of compliance.
- (e) During the review of CME's fifteen-month's financial results, the Group External Auditors, Messrs Kreston John & Gan were invited to discuss the Group's financial statements for the FPE 2023. The Management's response to all pertinent issues and findings had been raised and noted by the External Auditors during their examination of the Group's financial statement, together with recommendations in respect of the findings.

### **3. Internal Audit**

- (a) Reviewed and approved the internal audit plan for the year prepared by the internal auditors to ensure adequate scope and coverage on the activities of the Group taking into consideration the assessment of the key risks areas.
- (b) Reviewed the performance, adequacy, resources and competency of the internal auditors.
- (c) Reviewed the internal audit reports, audit recommendations made and Management's response to these recommendations and actions taken to improve system of internal control and procedures.

## **INTERNAL AUDIT FUNCTION**

The Internal Audit Function (“IAF”) of the Group is outsourced. The cost incurred for the outsourced of internal audit function in respect of the FPE 2023 amounted to RM10,500.00.

The IAF’s primary role is to provide assurance to the Audit Committee on the adequacy and effectiveness of the risk, control and governance framework of the Group.

The IAF reports directly to the Audit Committee who reviews and approves the annual internal audit plan.

During the FPE 2023, the activities carried out were as follows:

- (a) Conducted internal audit reviews in accordance with the approved internal audit plan and reported to the Audit Committee on the findings and the actions taken by Management to address the matters highlighted.
- (b) Reviewed the adequacy and effectiveness of the system of controls to ensure there is a systematic methodology in identifying, assessing and mitigating risk areas in regard to:
  - Reliability and integrity of financial and operational information;
  - Effectiveness and efficiency of operations;
  - Safeguarding of assets; and
  - Compliance with laws, regulations and contractual obligations within the Group’s governance, operations and information systems.
- (c) Reviewed and appraised the soundness, adequacy and application of controls in the area of adherence, efficiency and effectiveness.
- (d) Identified opportunities to improve the operations and processes of the Group and recommend improvements to existing system of internal controls.

## **TERMS OF REFERENCE**

The Audit Committee is guided by terms of reference, of which the salient points are as follows:

### **1. Objectives of the Audit Committee**

The Audit Committee shall assist the Board:

- (a) in complying with specified accounting standards and the necessary disclosure as required by Bursa Malaysia, relevant accounting standards bodies, and any other laws and regulations as amended from time to time;
- (b) in presenting a balanced and understandable assessment of the Company’s position and prospects;
- (c) in establishing a formal and transparent arrangement for maintaining an appropriate relationship with the Company’s auditors; and
- (d) in maintaining a sound system of internal controls to safeguard shareholders’ investment and the Company’s assets.
- (e) ensure the independence of the external and internal audit functions.

## **2. Composition of the Audit Committee**

- (a) The Audit Committee shall comprise a minimum of three (3) members and the Audit Committee should comprise majority of independent directors.
- (b) All members of the Audit Committee shall be non-executive directors.
- (c) At least one (1) member of the Audit Committee shall be a member of the Malaysian Institute of Accountants or a person who fulfils the requirements of the Listing Requirements.
- (d) The Chairman of the Audit Committee shall be an Independent Director.
- (e) All members of the Audit Committee shall hold office only for so long as they serve as Directors of the Company.

## **3. Duties and Responsibilities of the Audit Committee**

- (a) To nominate and recommend the appointment of the external auditors and considers the adequacy of experience, resources, audit fee and any issues regarding their re-appointment, resignation or dismissal;
- (b) To discuss with the external auditors before the audit commences the nature and scope of the audit;
- (c) To discuss problems and reservations arising from the interim and final audits, and any matters the auditors may wish to discuss (in the absence of management where necessary);
- (d) To review with external auditors, their audit report;
- (e) To perform the following in respect of the IAF:
  - (i) reviews and reports to the Board on:
    - the adequacy of the scope, authority, functions, resources and competency of the IAF;
    - the internal audit programme, processes and the results of the internal audit programme, process or investigations undertaken and whether or not the management takes appropriate action on the recommendation of the IAF;
  - (ii) discuss and review the major findings of internal audit investigations and Management's response and where necessary, ensures that appropriate actions taken on the recommendations of the IAF;
  - (iii) reviews any appraisal or assessment of the performance of members of the IAF;
  - (iv) ensures the independence of the IAF and that it reports directly to the Audit Committee;
- (f) To review with the management and the external auditors the quarterly and year-end financial statements before their submission to the Board, focusing particularly on any changes in accounting policies and practices, significant adjustments arising from the audit, the going concern assumptions, and compliance with accounting standards and other statutory requirements;
- (g) To review and report to the Board on any related party transactions and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity;

- (h) To report to the Board of Directors if there is any breach of Listing Requirements and recommends corrective measures;
- (i) To promptly report to Bursa Malaysia where a matter reported by the Audit Committee to the Board has not been satisfactorily resolved resulting in a breach of Listing Requirements; and
- (j) To consider other issues as defined by the Board.