



## Internal Audit Charter

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## 1. INTRODUCTION

This charter primarily aims to define and establish: -

- The formal mission statement of the Internal Audit Department of Top Glove Corporation Bhd (“TG”);
- The objectives and scope of the Internal Audit Department; and
- The Internal Audit Department’s position within TG, its access to various records, departments and activities, its responsibility and independence.

## 2. MISSION STATEMENT

To provide an independent, objective assurance and consulting activity designed to add value and improve TG’s operations & internal controls and assist TG accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

## 3. OBJECTIVES AND SCOPE OF WORK

The role of internal audit is to assist the Board, Board Audit Committee and Management in the effective discharge of their responsibilities in establishing cost-effective controls, assessing risks, recommending measures to mitigate those risks and assuring proper control and governance process.

The scope of work of internal audit encompasses the examination and evaluation of the adequacy, existence and effectiveness of the system of internal control, risk management framework and corporate governance of the group, which include, inter alia, the following: -

- Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
- Evaluating the system established to ensure compliance with policies, plans, procedures, laws, and regulations which could have significant impact on operations;
- Examining the means of safeguarding assets and, as appropriate, verifying the existence of such assets;
- Assessing the economy and efficiency with which resources are employed; and
- Appraising operations or programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned.

Precisely, every activity and every business entity of TG group fall within the scope of the internal audit for independent appraisal. However, the audit scope may be limited in the areas of evaluation of professional performance or technical activities requiring highly technical knowledge and specialized study.

#### **4. AUTHORITY**

Internal Audit Department is authorized by Board Audit Committee to: -

- Have unrestricted access to all TG business entities, departments, offices, affiliates, activities, records, information, properties and personnel, relevant to the performance of audit function except for Staff's Payroll Record & Personal Files and Other Sensitive Information i.e. Customer Database & Records and Standard Costing (*Group Level*) which are required to obtain approval from any member of Board Audit Committee prior to audit engagement.
- Determine scope of work and apply the techniques required to accomplish audit objectives;
- Obtain the necessary assistance of personnel in various departments/ offices of TG where they perform audits; and
- Have full control on the investigation budget to ensure fair and transparent investigation process. Furthermore, if the investigation requires assistance from external party and the fee is estimated to be more than RM100,000, the budget shall be approved by Board Audit Committee. Otherwise, no approval is required to be obtained from Board Audit Committee by Internal Control Department
- Have the authority to designate an individual, a department, or external party with the necessary skill to assist on the investigation of the allegation if there is. This shall include obtaining assistance of specialists/ professionals where considered necessary from within or outside TG.

#### **5. ACCOUNTABILITY AND RESPONSIBILITY**

The Head of Internal Audit Department has responsibility and shall be accountable to the Board Audit Committee to: -

- Formulate risk-based annual audit plan in consultation with the Board Audit Committee and Top Management;
- Implement the annual audit plan approved by Board Audit Committee, including as appropriate any special tasks, assignments or projects requested by the Board Audit Committee;
- Conduct audit on special tasks, assignments or projects which are not within the scope of audit plans have to be subjected to the approval of Board Audit Committee;
- Report significant issues related to the business and operational processes for controlling the activities of TG together with recommendations for improvements by issuing periodic audit reports and follow-up reports on timely basis to Board Audit Committee;
- Assist in the investigation of significant suspected fraudulent activities and notify the Board Audit Committee of the results and when required co-ordinate with external forensic expert to facilitate such investigation;
- Keep the Board Audit Committee informed of emerging trends and developments in internal auditing practices and give recommendations for necessary revisions in Internal Audit Charter and Audit Methodology;
- Ensure that the department complies with sound internal auditing principles and best practices; seek guidance from the standards and guidelines issued by the Institute of Internal Auditors Malaysia;
- Observe and review the activities of all the Board and the Board Committees; and
- Maintain a requisite professional audit staff strength with sufficient knowledge, skills, experience, and professional qualifications to meet the requirements of this Charter.

The Head of Internal Audit and staff of the Internal Audit Department: -

- Shall exercise due professional care in carrying out audit assignments;
- Shall maintain integrity and objectivity;
- Shall be prudent in the use and protection of information acquired in the course of their duties; and
- Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of TG.

***The internal audit process, however, does not relieve departmental heads/managers of their responsibility for the maintenance and improvement of controls in their respective areas.***

## **6. INDEPENDENCE**

The Head of Internal Audit Department shall directly report to the Board Audit Committee: -

- Internal Audit Department shall be independent of the any activities audited. The department must also be independent from the everyday internal control process and company's business activity;
- Internal Audit Department shall exercise its assignment on its own initiative in all business entities, departments, offices and functions of TG;
- The Head of Internal Audit Department shall be authorised to communicate directly, and on his own initiative, to the members of the Board Audit Committee without executive Board members or employees present, whenever deemed necessary;
- The performance of the Head of Internal Audit shall be assessed and effectiveness of the Internal Audit function shall be reviewed by Board Audit Committee; and
- Any appointment or termination of senior staff members of the internal audit function shall be approved by Board Audit Committee and the resigning staff members shall be provided an opportunity to submit reasons for resigning to Board Audit Committee.

For practical reasons, the Head of Internal Audit will refer to the Executive Director and/or the Group Finance Manager on administrative matters such as annual leave and claims/reimbursements approval.

## **7. EXTERNAL RELATIONSHIPS**

The internal audit function shall: -

- Maintain an appropriate working relationship with the independent external auditors; minimize duplication of effort and reduce the involvement that would have to be expended by external auditors; and
- Comply with Standards, Codes of Conduct and Ethics that are promulgated from time to time by the relevant professional bodies (i.e. Institute of Internal Auditors Malaysia, Malaysian Institute of Accountants, etc.)

**This Charter is approved and adopted by the Board Audit Committee of Top Glove Corporation Berhad effective from 22 May 2013 and revision approved by Board Audit Committee on 17 June 2019.**

~ Signed ~

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**ISSUED UNDER THE SIGNATURE OF:**

**Dato' Lim Han Boon  
Top Glove Corporation Bhd**

**Dated: 17 June 2019**