



## **THE AUDIT COMMITTEE**

### **2.1 COMPOSITION AND SIZE**

The Audit Committee shall be established by the Board. The Committee shall consist of at least three (3) members, all of whom shall be Non-Executive Directors with a majority of them being Independent Directors. At least one (1) member of the Audit Committee must fulfill the financial expertise requisite of the Listing Requirements.

Members of the Committee, including the Chairman shall be appointed by the Board based on the recommendation of the Nomination Committee. The Chairman of the Committee must be an Independent Director. No Alternate Director is allowed to be appointed as a member of the Audit Committee.

A former key audit partner must observe a cooling-off period of at least three (3) years before being appointed as a member of the Audit Committee.

Composition of the Committee may be reshuffled by the Board on the recommendation of the Nomination Committee, as and when required.

### **2.2 MEETINGS**

#### **2.2.1 Chair**

The Chairman (or in his or her absence, a member designated by the Chair) shall preside at each meeting of the Committee.

#### **2.2.2 Notice of meetings**

At least seven (7) days' notice in writing is required for convening the meeting which shall be held at any place as may be determined by the Audit Committee.

The Company Secretary shall be the Secretary of the Committee, responsible for drawing up the agenda with the concurrence of the Chairman and circulating it, supported by explanatory documentation to the Committee members prior to each meeting.

#### **2.2.3 Frequency of meetings**

The Committee meets at least four (4) times a year with due notice of issues to be discussed. Additional meetings will be convened as and when required. The external auditors may request a meeting if they consider that one is necessary.

In the intervals between Committee meetings, for exceptional matters requiring urgent Committee decision, Committee approvals are sought via circular resolutions, which are supported with sufficient information required to make an informed decision. A resolution in writing signed or approved by telefax or other written electronic communications by all the members shall be as valid and effectual as if it had been passed at a meeting of the Committee duly called



and constituted. Any such resolution may consist of several documents in like form, each signed by one or more members.

#### **2.2.4 Quorum**

A quorum shall be two (2) members consist of wholly Independent Directors, either present in person or by conference telephone or other communications equipment which all persons participating in the meeting can hear each other and be heard for the entire duration of the meeting and all information and documents are made equally available to that member as with all other participating members prior to or at the meeting.

#### **2.2.5 Attendance**

Members of the Committee are expected to attend Committee meetings and they should devote the time and effort necessary to fulfill their responsibilities. Members of the Committee should come prepared to contribute substantively at the meeting by reviewing the Committee papers distributed to them at least seven (7) days in advance of each meeting. A member who is unable to attend a meeting is expected to notify the Company Secretary in advance of the meeting.

The finance director, the head of internal audit and a representative of the external auditors should normally attend meetings. Other Board members and employees may attend meetings upon the invitation of the Audit Committee, specific to the relevant meeting. However, the Committee should meet with the external auditors without Executive Board members present at least twice a year.

#### **2.2.6 Votes of members**

Questions arising at the Committee meeting shall be decided by a simple majority of votes. Where two (2) members of the Audit Committee form a quorum, the Chairman of a meeting at which only such a quorum is present, or at which only two (2) members are competent to vote in the question at issue, shall not have a casting vote.

Executive Board members and employees of the Company as well as representative(s) of the external auditors are allowed to take part in the discussion or deliberation but such person shall not be entitled to vote.

#### **2.2.7 Minutes of meetings**

The Company Secretary is responsible for keeping the minutes of meeting of the Committee, circulating the minutes of meetings of the Committee to all members of the Committee and Board and follow up on any outstanding matters.



### **2.2.8 Reporting Responsibilities**

The Committee Chairman or the Chairman's designee shall report to the full Board of the Committee's actions and recommendations after each Committee meeting.

Any irregularities or violations by the Company's employees and significant findings or matters of concerns raised by management, internal auditor or external auditor should be communicated to the Board immediately.

## **2.3 AUTHORITY**

The Audit Committee shall, in accordance with a procedure to be determined by the Board of Directors and at the cost of the Company:-

- (a) have explicit authority to investigate any matter within its terms of reference;
- (b) have the resources which are required to perform its duties;
- (c) have full and unrestricted access to any information pertaining to the Company;
- (d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);
- (e) be able to obtain independent professional or other advice and to invite outsiders with relevant experience to attend, if necessary; and
- (f) be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of the other directors and employees of the Company, whenever deemed necessary.

The Chairman of the Audit Committee shall engage on a continuous basis with senior management and the external auditors in order to be kept informed of matters affecting the Company and its Group.

## **2.4 DUTIES**

The Audit Committee shall discharge the following duties and report the same to the Board of Directors of the Company:-

### **Auditors**

The Company's audit process is executed by external and internal auditors. The Audit Committee should ensure that these auditors maintain an effective relationship with each other and that their efforts are coordinated. The Board should also establish formal and transparent arrangements for maintaining an appropriate relationship with the Company's auditors.



(i) External auditors

- to review with the external auditors, their audit plan;
- to review with the external auditors, their evaluation of the system of internal controls;
- to review with the external auditors, their audit report;
- to discuss with the external auditors before the audit commences, the nature and scope of the audit and ensure co-ordination where more than one audit firm is involved;
- to discuss problems and reservations arising from the interim and final audits and any matter the auditor may wish to discuss (in the absence of management where necessary);
- to review the external auditor's management letter and management's response;
- to consider the audit fee of the external auditors;
- to consider the appointment of the external auditors and any letter of resignation from the external auditors of the Company and to deal with any questions of resignation or dismissal;
- to review whether there is reason (supported by grounds) to believe that the Company's external auditor is not suitable for re-appointment;
- to recommend the nomination of a person or persons as external auditors;
- to review and assess the suitability and independence of external auditors and to review the external auditors' performance on an annual basis based on the following four (4) key areas after completion of the year-end audit:
  - i) quality of service;
  - ii) sufficiency of resources;
  - iii) communication with management; and
  - iv) independence, objectivity and professionalism

The Audit Committee may request the GMD and/or Chief Financial Officer to join the assessment.

- to review the adequacy of the Audit Committee's policies and procedures for the provision of non-audit services by the Group's auditors; and
- to obtain a written confirmation from the external auditors on an annual basis or at any time as the Audit Committee may request, 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.



(ii) Internal auditors

- to review the adequacy of the scope, functions, competency 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, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
- to review any appraisal or assessment of the performance of members of the internal audit function;
- to review any appointment or termination of senior staff members of the internal audit function;
- to take cognizance of resignation of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning;
- to review any major findings of internal investigations and management's response; and
- to determine if the internal audit is conducted in accordance with acceptable professional standards and consider whether an external review of the internal audit's performance should be undertaken.

**Financial reporting**

The Board should present a balanced and understandable assessment of the Company's position and prospects.

- to review the quarterly results and year end financial statements, prior to the approval by the Board of Directors, focusing particularly on:-
  - (i) any changes in or implementation of major accounting policy and practices;
  - (ii) major judgemental areas;
  - (iii) significant adjustments resulting from the audit;
  - (iv) the going concern assumption;
  - (v) significant and unusual events; and
  - (vi) compliance with accounting standards and other legal requirements.
- to review earnings releases and financial reports;



- to assess the appropriateness of management's selection of accounting policies and disclosures in compliance with approved accounting standards;
- to ensure timely submission of financial statements by management;
- to review significant or unusual transactions and accounting estimates;
- to review and understand management's representations; and
- to assess whether the financial report presents a true and fair view of the Company's financial position and performance and complies with regulatory requirements.

### **Risk management and internal control**

The Board should maintain a sound system of internal control to safeguard shareholders' investment and the company's assets.

- to review the effectiveness of the Enterprise Risk Management system within the Group and be assured that material risks are identified and appropriate risk management processes are in place, including the formulation and subsequent updating of appropriate Group policies;
- to review the effectiveness of the Group's environment, health and safety risk management systems;
- to evaluate the adequacy and effectiveness of administrative, operating and accounting controls used by the Group;
- to review actual and potential material risk exposures;
- to monitor the implementation of business unit and corporate risk management plans;
- to review insurance and other risk transfer arrangements and consider whether appropriate coverage is in place; and
- to review the business contingency planning process within the Group and be assured that material risks are identified and appropriate contingency plans are in place.

Audit Committee must ensure that management has implemented policies to identify and evaluate the Company's and Group's risks and that controls in place are adequate and functioning properly to address the risks. In that relation, senior management is required to complete Exhibit 3 of this Guide so as to provide the Audit Committee with information on the risk and control environment.

The Audit Committee may delegate the responsibility of assessing the processes relating to the Group's risks and controls to a sub-committee, namely Risk Management Committee. The Risk Management Committee shall assist the Audit Committee in overseeing the implementation of the risk management system in the Group and review the efficacy of internal controls within the Group.



### **Others duties**

- to review any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity;
- to review the assistance given by the employees of the Company to the external auditors;
- to verify the allocation of options pursuant to a share scheme for employees at the end of each financial year in compliance with the Listing Requirements;
- to promptly report to Bursa Malaysia if a matter reported by the Audit Committee to the Board of Directors of the Company has not been satisfactorily resolved resulting in a breach of the Listing Requirements; and
- to consider other topics, as defined by the Board.

## **2.5 PERFORMANCE EVALUATION**

The Board of Directors is responsible for evaluating the performance and effectiveness of the Audit Committee and ensuring the discharge of such function is properly documented. The Board, through the Nomination Committee, shall assess the effectiveness of the Audit Committee and the contribution of each of its members annually.

In addition, each Audit Committee member is required to complete the self assessment questionnaires as provided in Exhibit 4 of this Guide and the results will be compiled by the Company Secretary for reporting to the Board. All assessments and evaluations carried out are properly documented and kept confidential.