

## **TERMS OF REFERENCE OF AUDIT COMMITTEE**

The Audit Committee is to serve as a focal point for communication between non-audit committee directors, the external auditors, internal auditors and the Company's management as their duties relate to financial accounting and reporting and controls. The Audit Committee is to assist the board of directors in fulfilling its fiduciary responsibilities as to accounting policies and reporting practices of the company and all subsidiaries and the sufficiency of auditing relative thereto. It is to be the board's principal agent in assuring the independence of the Company's external auditors, the integrity of management, and the adequacy of disclosures to shareholders.

### **1. FUNCTIONS**

The Audit Committee is to:

- (i) Review the following and report the same to the board of directors:
  - a) with the external auditors:
    - i) the external audit plan,
    - ii) the evaluation of the system of internal controls; and
    - iii) the external audit report.
  - b) assistance given by the Company's officers to the external auditors;
  - c) adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its works;
  - d) 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;
  - e) the quarterly financial reports and year end financial statements, prior to the approval by the board of directors, focusing particularly on:
    - changes in or implementation of major accounting policy changes;
    - Significant matters highlighted including financial reporting issues;
    - Significant judgements made by management;
    - significant and unusual events or transactions and how these matters are addressed;
    - the going concern assumption; and
    - compliance with accounting standards and other legal requirements.
    - significant transactions not forming a normal part of the Company's operations;
    - significant adjustments proposed by the external auditors.
  - f) the policies and procedures for assessment of sustainability and independence of external auditors.
  - g) the policies and procedures governing the provision of non-audit services by external auditors.
  - h) 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;
  - i) letter of resignation from the external auditors, if any; and
  - j) whether there is any reason (supported by grounds) to believe that the external auditors is not suitable for reappointment.
- (ii) Consider the nomination of external auditors.

**CEPATWAWASAN GROUP BERHAD (536499-K)**  
(Incorporated in Malaysia)

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- (iii) Review the scope of audit and general extent of the external auditor's examination, including their engagement letter.
- (iv) Review with the Company's management, external auditors and the internal auditor, the Company's general policies and procedures to reasonably assure the adequacy of internal accounting and financial reporting controls.
- (v) Discuss with the external auditors any relevant recommendations, which the external auditors may have, especially those in their letter of comments and recommendations. Topics to be considered during this discussion include improving internal financial controls, the selection of accounting principles, and management reporting systems. Review written responses of management to the letter of comments and recommendations from the external auditors.
- (vi) Evaluate the cooperation received by the external auditors during their examination, including their access to all requested records, data and information. Also, elicit the comments of management regarding the responsiveness of the external auditors to the Company's needs. Enquire the external auditors whether there have been any disagreements with management, which if not satisfactorily resolved would have caused them to issue a non-standard report on the Company's financial statements.
- (vii) Review the scope and results of the internal audit procedures and discuss with the Company management the remedial actions taken on the areas that need improvement.
- (viii) Apprise the Board of Directors, through minutes and special presentations as necessary, of significant developments in the course of performing the above duties.
- (ix) Perform such other functions as may be agreed to by the Audit Committee and the Board of Directors.

**2. COMPOSITION**

- (i) The Committee shall comprise of at least three directors who must be Non-Executive Director and a majority of whom are independent directors. There shall be at least one member who is:
  - a) a member of the Malaysian Institute of Accountants, or
  - b) otherwise, he shall have at least 3 years' working experience and
    - i. he shall have passed the examinations specified in Part 1 of the First Schedule of the Accountants Act 1967; or
    - ii. he shall be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
  - c) he fulfils such other requirements as prescribed or approved by the Exchange.
- (ii) The members of the audit committee shall elect a Chairman from among their number who shall be an independent director.
- (iii) No alternate director, Chief Executive Officer or Managing Director shall be appointed as a member of the Audit Committee.
- (iv) Any vacancy in the Audit Committee resulting in the non-compliance of the above, shall be filled within three months.

**3. AUTHORITY**

The Audit Committee shall:

- (i) have the authority to investigate any activity of the Group within its terms of reference;
- (ii) have resources which are required to perform its duties;
- (iii) have full and unrestricted access to the Group's information;
- (iv) have direct communication channels with the external auditors, internal auditors and all employees of the Group;
- (v) be able to obtain independent professional or other advice; and
- (vi) be able to convene meetings with the external auditors, the internal auditors or both (excluding the executive directors and employees), if necessary.

**4. MEETINGS**

- (i) Frequency/Quorum

The Audit Committee is to meet at least four times per year. Quorum shall be majority of the members who are Independent Directors.

The Audit Committee shall be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, where deemed necessary.

- (ii) Attendance

Members of the audit committee are to be present at all meetings. If necessary or desirable, the chairman may request that members of management, the head of internal audit and representatives of the external auditors be present at meetings of the Committee.

- (iii) Secretary

The Company Secretary or his/her representative shall be the secretary of the Audit Committee.

- (iv) Minutes

Minutes of each Audit Committee meeting are to be made available to the Board of Directors.

**5. AUDIT COMMITTEE REPORT**

The Audit Committee shall assist the Board of Directors in preparing an audit committee report at the end of each financial year, to be clearly set out in the annual report of the Company, comprising the following :

- (i) The composition of the Audit Committee, including the name, designation (indicating the chairman) and directorship of the members (indicating whether the directors are independent or otherwise).
- (ii) The number of audit committee meetings held during the financial year and details of attendance of each audit committee member.
- (iii) A summary of the work of the Audit Committee in the discharge of its functions and duties for that financial year of the Company and how it has met its responsibilities.
- (iv) A summary of the work of the internal audit function.