



**V.S. INDUSTRY BERHAD**

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**TERMS OF REFERENCE OF AUDIT COMMITTEE**

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## **Terms of Reference of Audit Committee**

The Audit Committee was established on 13 March 1998 and has been renamed as Audit and Risk Management Committee (“Committee”) with effect from 1 July 2019. Effective 30 May 2022, the Board approved the separation of the Audit and Risk Management Committee into two distinct committees namely, Audit Committee and Risk Management and Compliance Committee.

### **1. Objectives**

The objective of the Audit Committee (“AC”) is to assist the Board of Directors in meeting its responsibilities as follows:-

- a) Oversee and appraise the quality of the audits conducted both by the Group’s internal and external auditors;
- b) Oversee and review internal control in the systems and processes which enable the Group to operate effectively and efficiently;
- c) Maintain open lines of communication between the Board of Directors, the internal auditors and the external auditors for the exchange of views and information, as well as to confirm their respective authority and responsibilities; and
- d) Determine the adequacy of the Group’s operating and accounting controls.

### **2. Composition**

The AC shall be appointed by the Directors from among their number which fulfills the following requirements:

- a) The AC must be composed of no fewer than 3 members;
- b) All the AC members must be Non-Executive Directors with a majority of them must be independent directors; and
- c) At least one member of the AC:
  - i. must be a member of the Malaysian Institute of Accountants; or
  - ii. if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years’ working experience and:
    - he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act, 1967; or
    - he must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act, 1967; or
  - iii. fulfills such other requirements as prescribed or approved by the Exchange.
- d) No former key audit partner shall be appointed as a member of the AC before observing a cooling-off period of at least three (3) years. This applies to all former partners of the audit firm or the affiliate firm or both (including but not limited to those providing advisory services and tax consulting).

The members of the AC shall elect a Chairman from among their number who shall be an independent director.

In the event of any vacancy in the AC resulting in the non-compliance of item 2(a) to (c) above, the vacancy must be filled within 3 months of that event.

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### **3. Functions**

The functions of the AC are as follows:

#### **❖ External Audit**

- a) To review the following and report the same to the Board of Directors:
  - with the external auditors, their audit plan;
  - with the external auditors, their evaluation of the system of internal controls;
  - with the external auditors, their audit report;
  - the assistance given by the Company's employees to the external auditors;
- b) To consider the appointment of the external auditors, the audit fee and any questions of resignation or dismissal;
- c) 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.
- d) To discuss problems and reservations arising from the interim and final audits, and any matter the auditors may wish to discuss (in the absence of management where necessary); and
- e) To review the external auditors' management letter and management's response.

#### **❖ Financial Reporting**

- a) To review the quarterly results and year-end financial statements of the Company and its subsidiary(s), focusing particularly on:
  - any changes in accounting policies and practices;
  - significant adjustments arising from the audit;
  - the going concern assumption;
  - compliance with accounting standards and other legal requirements.

#### **❖ Internal Audit**

- a) To review the adequacy of the scope, competency, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work;
- b) To review the internal audit programme and results of the internal audit process and where necessary, ensure that appropriate action is taken on the recommendations of the internal audit function;
- c) To review any appraisal or assessment of the performance of members of the internal audit function;
- d) To approve any appointments or termination of senior staff of the internal audit function; and
- e) To inform itself of resignations of internal audit staff and provide the resigning staff an opportunity to submit his reasons for resigning.

#### **❖ Related Party Transactions and Conflict of Interest**

- a) To review related party transactions (including related party transaction) 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 and the measures taken to resolve, eliminate or mitigate such conflicts; and
- b) To review the adequacy of processes that the Company has in place for evaluating, approving, tracking and reporting of related party transactions and conflict of interest situation.

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### **3. Functions (Cont'd)**

#### **❖ Other Matters**

- a) To consider the major findings of internal investigations and management's response;
- b) To review procedures in relation to whistleblowing, ensure that there is proportionate and independent investigations of allegations made by whistleblowers and that appropriate action is taken; and
- c) To consider other areas as defined by the Board.

### **4. Rights of the Audit Committee**

The AC shall, wherever necessary and reasonable for the Company to perform its duties, in accordance with a procedure to be determined by the Board of Directors and at the cost of the Company:

- a) Have 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 internal and external auditors and person(s) carrying out the internal audit function or activity;
- e) Be able to obtain independent professional or other advice and to invite outsiders with relevant experience to attend the meeting, if necessary; and
- f) 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, whenever deemed necessary.

### **5. Meetings**

The AC shall meet at least 4 times a year and any additional meetings as the Chairman shall decide in order to fulfill its duties. However, at least once a year, the AC shall meet with the external auditors without executive Board members present.

In addition, the Chairman may call a meeting of the Audit Committee if a request is made by any committee member, the Company's Chief Executive, or the internal or external auditors.

A quorum shall consist of a majority of independent directors.

The Company Secretary or other appropriate senior officer shall act as secretary of the AC and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it, supported by explanatory documentation to committee members prior to each meeting.

The Secretary shall also be responsible for keeping the minutes of meetings of the AC, and circulating them to committee members and to the other members of the Board of Directors.

By invitation of the AC, the Company must ensure that the other directors and employees attend any particular committee meeting specific to the relevant meeting.