



Industronics Berhad (23699-X)

Incorporated in Malaysia

## TERMS OF REFERENCE

## **SUMMARY OF THE TERM OF REFERENCE**

The summary of the terms of reference of the Audit Committee are as follows:

### **Membership**

The Audit Committee must be appointed by the Board of Directors from amongst their numbers, which fulfils the following requirements:

- a. the Audit Committee must be comprised of not fewer than 3 members.
- b. a majority of the members must be independent directors.
- c. at least one member of the audit Committee must be a member of the Malaysian Institute of Accountants (MIA); or any other equivalent qualification recognised by MIA.

The Chairman shall be an independent non-executive director appointed by the Board.

The Company Secretary shall act as Secretary to the Committee and shall provide the necessary administrative and secretarial services for the effective functioning of the Committee.

### **Authority**

The Audit Committee shall have the following authority as empowered by the Board of Directors:

- a. to investigate any activity within its term of reference;
- b. to have the resources which are required to perform its duties;
- c. to have full and unrestricted access to information and relevant to its activities, to the Internal and External Auditors, and to senior management of the Company and its subsidiaries;
- d. to have direct communication channels with the External Auditors and person(s) carrying out the internal audit function or activity;
- e. to obtain independent professional or other advice as necessary; and
- f. to convene meetings with the External Auditors without the attendance of the executive board members, whenever deemed necessary.

### **Duties and Responsibilities**

The duties and responsibilities of the Audit Committee are :

- a. to consider the appointment, resignation and dismissal of the External Auditors and the audit fees;
- b. to review the nature and scope of the audit with Internal and External Auditors before the audit commences;
- c. to review the quarterly and annual financial statements before submission to the Board;
- d. to review any related party transaction and conflict of interest situation that may arise;
- e. to discuss problems and reservations arising from the interim and final audits and any matter the Auditors may wish to discuss;
- f. to review the audit reports by the Internal and External Auditors, the major findings and management's responses thereto;
- g. to review the effectiveness and efficiency of risk management internal control systems; and
- h. to consider other matters relating to audit.

## **ACTIVITIES DURING THE FINANCIAL YEAR**

During the year, the Audit Committee carried out its duties as set out in its terms of reference.

The main activities undertaken by the Committee were as follows:

- o Reviewed the unaudited quarterly financial statements of the Group prior to recommending them to the Board for their consideration and approval;
- o Reviewed the annual audited financial statements of the Group with the external auditors prior to submission to the Board for their consideration and approval;
- o Reviewed the annual audit plan of the outsourced internal audit function;
- o Reviewed the internal audit reports, recommendations made and management's response to these recommendations; and
- o Reviewed financial statement audit plan of the external auditors and the results of the annual audit, their audit report and management letter respectively.

## **INTERNAL AUDIT FUNCTION**

The Board has engaged an independent professional firm for the provision of Internal Audit (IA) services to Industronics Group. The Internal Auditors reviews the adequacy and integrity of the system of internal control systems in key business areas within the Group independent of operations and reports to the Audit Committee on a quarterly basis.

The Internal Auditors assisted the Audit Committee in discharging their roles and responsibilities with regards to assessing the adequacy and integrity of the system of internal control systems by undertaking an Internal Audit Plan for Industronics Group