

# PERAK TRANSIT BERHAD

## AUDIT COMMITTEE - TERMS OF REFERENCE

### 1. INTRODUCTION

The Board of Directors ("**Board**") of Perak Transit Berhad ("**Company**") has established a committee of the Board known as the Audit Committee to assist the Board in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and the company's process for monitoring compliance with laws and regulations and the code of conduct.

### 2. COMPOSITION

The Audit Committee shall be appointed by the Board from amongst their members (who are not alternate directors or executive directors), comprising at least three (3) members with a majority of them being Independent Directors. All members of the Committee shall be financially literate and at least one member of the Committee shall be a member of the Malaysian Institute of Accountants or fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad ("**Bursa Malaysia**").

The members of the Committee shall elect a Chairman from amongst their number who shall be an Independent Director.

All members, including the Chairman, will hold office only as long as they serve as Directors of the Company. If for any reason the number of members of the Committee fails to comply with the composition requirements, the Board shall within three (3) months of the event, appoint such number of new member as may be required to fill the vacancy.

The term of office and performance of the Committee and each of its members shall be reviewed by the Nomination Committee annually.

The secretary to the Committee shall be the Company Secretary.

### 3. AUTHORITY

The Audit Committee is authorised by the Board to review and investigate or authorise investigations into any matters or activities pertaining to the Company and its subsidiaries (collectively, the "**Group**") within its terms of reference. The Committee shall have the resources and can seek outside legal or other independent professional assistance if it consider necessary to perform its duties.

The Audit Committee shall review, appraise and report to the Board on:

- (a) The effectiveness of accounting, financial reporting, risk management and internal control system within the Company and the Group.
- (b) The propriety of the accounting policies and practices adopted by Management and accepted by the external auditors, where alternatives are also acceptable.
- (c) The adequacy of the scope of the external auditors' audit plan, their evaluation of the system of internal controls and the audit reports on the financial statements.
- (d) The adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work.
- (e) The nomination, appointment and re-appointment of the external auditors and any matters arising from their resignation or dismissal.
- (f) The appointment and termination of internal auditors and any matters arising from their resignation or dismissal.
- (g) The assistance given by the employees of the Company to the external auditors.

The Committee shall in principle have full, free and unrestricted access to any information pertaining to the Group in carrying out its duties.

#### **4. DUTIES AND RESPONSIBILITIES**

The Audit Committee shall:

- (a) assess the suitability and independence of the external auditors and recommend to the Board the appointment and reappointment of the external auditors, their remuneration and any question of their resignation or dismissal.
- (b) discuss with the external auditors before the audit commences, the audit plan, their evaluation of the system of internal control and the audit reports on the financial statements and the assistance given by the Company's officers to the external auditors.
- (c) discuss the outcome of the interim and final audit, and any other matters the external auditors may wish to discuss ensuring that no management restrictions are being placed on the scope of their examinations.
- (d) review the quarterly results and year end financial statements with Management before submission to the Board 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; and
  - compliance with accounting standards and other legal requirements.
- (e) review the adequacy of the scope, function, competency and resources and the effectiveness of the internal audit function.
- (f) review the internal audit programme, processes, the results of the internal audit programme, process or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function.
- (g) review the Risk Management Framework of the Group, the significant risks identified for the Group and the findings highlighted by the internal auditors.
- (h) review any related party transactions and conflict of interest situation that may arise within the Company and the Group including any transaction, procedure or course of conduct that raises questions of management integrity.
- (i) maintain, through regularly scheduled meetings, a direct line of communication between the Board and the external auditors as well as internal auditors.
- (j) prepare an Audit Committee Report, for the consideration of the Board at the end of each financial year, for inclusion in the Annual Report of the Company.
- (l) report to Bursa Malaysia where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements of Bursa Malaysia.

#### **5. MEETINGS**

The Audit Committee shall convene scheduled meetings at least four (4) times a year, with additional meetings to be convened at any time at the Chairman's discretion and if requested by internal or external auditors.

The agenda of each scheduled meeting shall be circulated by the Company Secretary to all members of the Committee at least five (5) days prior to the meeting. Meeting papers should be made available to the members at least three (3) days prior to the meeting. The

quorum for each meeting shall be two (2) members, the majority of members present must be independent members.

The Chairman of the Audit Committee shall engage on a continuous basis with the Chairman of the Board and key senior management personnel, such as the Managing Director, the Chief Financial Officer, the head of internal audit and the external auditors in order to be kept informed of matters affecting the Company.

On a regular basis, the Committee may meet separately with the auditors (internal and external) to discuss any matters that the Committee or the auditors believe should be discussed privately without the presence of executives, whenever deemed necessary. The Committee may invite any other persons to be in attendance at each meeting.

The Company Secretary shall be in attendance at each meeting and record the proceedings thereat. The minutes of meetings shall be confirmed and signed by the Chairman of the meeting as correct proceedings thereat in the next scheduled meeting unless otherwise determined.

A circular resolution in writing, stating the reason(s) to arrive at a decision, signed by a majority of the members who are sufficient to form a quorum, shall be valid and effectual as if it had been passed at a meeting duly convened and constituted. Such resolutions, described as "Members' Circular Resolutions", shall be forwarded or otherwise delivered to the Company Secretary without delay and shall be recorded by the Company Secretary in the minutes book. Any such resolutions may consist of several documents in like form, each signed by one or more members.