

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

### **1.0 CONSTITUTION**

1.1 The Audit Committee (“the Committee”) was formed pursuant to a resolution passed by the Board of Directors on 15 June 2004.

### **2.0 MEMBERSHIP**

2.1 The Committee shall be appointed by the Board of Directors from among their members. It shall be composed of not fewer than 3 members, all must be non-executive directors, with a majority of them being independent directors.

2.2 The members of the Committee shall elect a Chairman from among their members who is an independent director. The Chairman of the Board shall not be the Chairman of the Committee. The Chairman elected shall be subject to endorsement by the Board.

2.3 If a member of the Committee (including Chairman) resigns, dies or for any other reason ceases to be a member with the result that the number is reduced below 3, the Board of Directors shall, within 3 months of that event, appoint such number of new members as may be required to make up the minimum number of 3 members.

2.4 No Alternate Director shall be appointed as a member of the Committee.

2.5 All members of the Committee should be financially literate and at least one member of the Committee:-

- a) Must be a member of the Malaysian Institute of Accountants; or
- b) If he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years’ working experience and:-
  - i. he must have passed the examination specified in Part 1 of the 1st Schedule of the Accountants Act, 1967; or
  - ii. he must be a member of one of the associations of accountants specified in Part II of the 1<sup>st</sup> Schedule of the Accountants Act, 1967; or
  - iii. he fulfills such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad and/or other relevant authorities from time to time.

- 2.6 For engagement of a former key audit partner as member, there is a cooling-off period of a least two (2) years before being appointed as member of the Committee.
- 2.7 The terms of office and performance of the Committee and each of its members must be reviewed by the Board via Nomination Committee annually to determine whether the Committee and members have carried out their duties in accordance with its Terms of Reference.

### **3.0 NOTICE OF MEETING AND ATTENDANCE**

- 3.1 The agenda for Committee meetings shall be circulated before each meeting to members of the Committee within a reasonable period prior to the meeting. Upon conclusion of the meeting, the Minutes are circulated in a timely manner.
- 3.2 Meetings shall be held at least four (4) times a year with a minimum quorum of two (2) members who are both independent non-executive Directors. Additional meetings may be called at any time at the discretion of the Committee, the Company's Managing Director/Chief Executive Officer, or the internal or external auditors. However, at least once a year the Committee shall meet with the external auditors without executive Board members and management present.
- 3.3 The Company Secretary or his/her representative shall act as the Secretary of the Committee.
- 3.4 Only members of the Committee have the rights to attend Committee meetings. However, the finance director, head of internal audit and external audit lead partner will be invited to attend meetings of the Committee on a regular basis and other non-members may be invited to attend all or part of any meeting as and when appropriate and necessary.
- 3.5 By invitation of the Committee, the Managing Director/ Chief Executive Officer and other appropriate officer(s) may be invited to attend the Committee, where their presence are considered appropriate as determined by the Committee Chairman.

Attendance at a meeting may be in person or by way of participation via video conference or teleconference or such other means as may be agreed by the members.

- 3.6 The Committee may deal with matters by way of circular reports and resolutions in lieu of convening a formal meeting. A resolution in writing signed by all members in lieu of convening a formal meeting shall be as valid and effectual as it had been passed at a meeting of the Committee duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more members.

#### **4.0 ANNUAL GENERAL MEETING**

4.1 The Chairman of the Committee should attend the Annual General Meeting to answer any shareholder questions on the Committee's activities.

#### **5.0 RESPONSIBILITIES AND DUTIES**

5.1 The duties and responsibilities of the Committee shall be:

a) to consider the nomination and recommend the appointment/re-appointment of external auditors, the adequacy of experience, resources, audit fees and any issues regarding resignation or dismissal of the external auditors and to review the letter of resignation from the external auditors if applicable and report the same to the Board. In considering the appointment/re-appointment of the external auditor, to consider amongst others:-

- (i) the adequacy of the experience and resources of the accounting firm;
- (ii) the persons assigned to the audit;
- (iii) the accounting firm's audit engagements;
- (iv) the size and complexity of the listed issuer's group being audited; and
- (v) the number and experience of supervisory and professional staff assigned to the particular audit;

b) The Committee is to also consider the performance of the external auditor and its independence as below:-

- (i) the external auditor's ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;
- (ii) the competence, audit quality and resource capacity of the external auditor in relation to the audit;
- (iii) the nature of the non-audit services provided by the external auditor and fees paid for such services relative to the audit fee;

In the event that the non-audit fees paid to the Company's external auditors' firm or corporation affiliated to the external auditors' firm are significant (eg. Constitute 50% of the total amount of audit fees paid to the Company's external auditors), the Company is required to state the details on the nature of non-audit services rendered in the Audit Committee Report.

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- (iv) obtaining written assurance from the external auditors 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.
- c) to oversee all matters pertaining to audit including the review of the audit plan report;
- d) to review the adequacy of existing external audit arrangements, with particular emphasis on the scope and quality of the audit;
- e) to discuss problems and reservations arising from the interim and final results, and any matters the external and internal auditors may wish to discuss (in the absence of management where necessary);
- f) to review the quarterly interim results, half-yearly results, annual financial statements and audit report, focusing on:
  - i. any changes in or implementation of major accounting policies and practices;
  - ii. significant matters highlighted including financial reporting issues, significant judgments made by management, significant and unusual events or transactions and how these matters are addressed;
  - iii. Compliance with accounting standards and other legal requirements;
  - iv. adequacy of disclosure of all information in the financial statements essential to a true and fair representation of the financial affairs of the Company and its subsidiary companies; and
  - v. compliance with applicable approved accounting standards, financial reporting standards and business practices.
- g) to review any management letter sent by the external auditors to the Company and the management's response to such letter;
- h) To review whether there is reason, (supported by grounds), to believe that the external auditors are not suitable for re-appointment;
- i) to discuss with the external auditors their evaluation of the quality and effectiveness of the internal control and management information systems;
- j) to establish policies and procedures to assess the suitability and independence of external auditors.

- k) to review the adequacy of the scope, functions, resources and competency of the internal audit function and that it has the necessary authority to carry out its works;
- l) 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;
- m) to review and approve the annual audit plan proposed by the internal auditors;
- n) to review the co-operation or assistance given by the Company's officers to both external and internal auditors;
- o) to review all areas of significant financial risk and the arrangements in place to contain those risks to acceptable levels;
- p) to review all related party transactions and potential conflict of interests situations;
- q) to identify a Head of Internal Audit (including from the firm on which the internal audit function is outsourced to) who should have the relevant qualifications and will be responsible for providing assurance to the Committee that the internal controls are operating effectively and who shall report directly to the Committee;
- r) To do the following, in relation to the internal audit function:-
  - i) Review 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;
  - ii) Review the internal audit-programme, processes, the results of the internal audit programme and process and where necessary, ensure that appropriate actions are taken on the recommendation of the internal audit function;
  - iii) Review any appraisal or assessment of the performance of members of the internal audit function;
  - iv) Approve any appointment or termination of the internal auditors;
  - v) Take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning;

- vi) Investigate or cause to be investigated any activity within its Terms of Reference; and
- vii) To have explicit authority over the resources such as professional advice and full access to information to investigate certain matters.
- s) To discuss the contracts and nature for the provision of non-audit services which can be entered into by the Group with the external auditors or its affiliates and procedures that must be followed.
- t) to verify the allocation of options under the Employees' Share Option Scheme; and
- u) to consider other matters, act upon the Board of Directors' request to investigate and report on any issues or concerns in regards to management of the Group, as defined.

## **6.0 RIGHTS AND AUTHORITY**

6.1 The Company must ensure that whenever necessary and reasonable for the performance of its duties, the Committee, in accordance with the procedures to be determined by the Board and at the cost of the Company, shall:

- a) investigate any matters within its terms of reference;
- b) have adequate resources which it needs to perform its duties;
- c) have full access to any information which it requires in the course of performing its duties;
- d) have unrestricted access to all employees of the Company;
- e) have direct communication channels with the external and internal auditors and convene meetings with external auditors and internal auditors the persons carrying out the internal audit functions or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary;
- f) have access to independent professional or others advices in the performance of its duties; and
- g) be able to invite outside professionals with relevant experience and expertise to attend its meeting, if necessary.

## **7.0 REPORTING RESPONSIBILITIES**

- 7.1 The Committee Chairman shall report formally to the board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the Board on how it has discharged its responsibilities.
- 7.2 The Committee shall compile a report on its activities to be included in the Company's annual report. The report should include the number of Committee meetings held during the financial year and details of attendance of each Committee member, summary of the work of the Committee in the discharge of its functions, duties for that financial year and how it has met its responsibilities as well as a summary of the work of the internal audit function.

## **8.0 MINUTES**

- 8.1 The minutes of meetings of the Committee shall be circulated to all members of the Board. The minutes shall be kept at the registered office of the Company under the custody of the Secretary of the Company and shall be open for inspection by the Board. Any request by Management or other persons to inspect the minutes shall be subject to the approval of the Committee.

## **9.0 REVISION OF THE TERMS OF REFERENCE**

- 9.1 Any revision or amendment to this Terms of Reference, as proposed by the Committee or any third party, shall be presented to the Board for its approval.
- 9.2 Upon the Board's approval, the said revision or amendment shall form part of this Terms of Reference and shall be considered duly revised or amended.
- 9.3 The duly revised or amended Terms of Reference shall be published on the Company's website.

Dated this: 27<sup>th</sup> September 2018

Approved by:

The Board of Directors of  
Perisai Petroleum Teknologi Bhd