



# **PROJEK LINTASAN KOTA HOLDINGS SDN. BHD.**

**199501002180 (331374-X)**

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## **TERMS OF REFERENCE FOR BOARD AUDIT COMMITTEE**

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**(Version 2.0)**

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## **1.0 INTRODUCTION**

- 1.1 This Terms of Reference (“TOR”) for Board Audit Committee (“the Committee”) sets out the requirements of the Board of Directors (“the Board”) of Projek Lintasan Kota Holdings Sdn. Bhd. (“the Company”) for the establishment of the Committee.
- 1.2 The Committee is appointed by the Board for the purpose of assisting the Board in discharging its responsibilities for monitoring the integrity of the Company’s financial statements, the effectiveness of the systems of internal controls, monitoring the effectiveness, performance and objectivity of the internal and external auditors, overseeing the governance and integrity, risk management and compliance process within the Company.
- 1.3 This TOR governs the processes of the Committee and outlines the procedures and guidelines in relation to its audit, governance and integrity, risk and compliance roles.

## **2.0 OBJECTIVE**

The objective of this Committee is to assist the Board in fulfilling its statutory and fiduciary responsibilities by:

- 2.1 Ensure the integrity of financial reporting, monitor the effectiveness of internal controls and audit functions (both internal and external), and ensure compliance with statutory and regulatory financial obligations.
- 2.2 Overseeing the identification, assessment, and management of key risks (strategic, financial, operational, compliance, reputational) to ensure an appropriate risk management framework is in place and functioning effectively.
- 2.3 Overseeing the inculcation of good governance and culture of integrity in Prolintas Group.
- 2.4 Overseeing compliance-related activities, ensuring effective implementation of compliance programs, and fostering a culture of ethical conduct across the organization.

The existence of the Committee does not diminish the Board’s ultimate statutory and fiduciary responsibility for decision-making relating to the functions and duties of the Committee.

## **3.0 COMPOSITION**

- 3.1 The members of the Committee shall be appointed by the Board, and shall consist of a minimum of three (3) Non-Executive Directors.

- 3.2 All members of the Committee shall be non-executive directors, and the appointment of members of the Committee shall at all times adhere to all applicable rules, laws and regulations.
- 3.3 No alternate Director shall be appointed as a member of the Committee.
- 3.4 At least one (1) member of the Board Audit Committee:
- a) Must be a member of the Malaysian Institute of Accountants, or
  - b) If he/she is not a member of the Malaysian Institute of Accountants, he/she must have at least 3 years' working experience; and
    - i) he/she must have passed the examinations specified in Part 1 of the First Schedule of the Accountant Acts 1967; or  
he/she must be a member of one of associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967;  
or
  - c) Experience or knowledgeable in accounting, auditing practices and financial reporting requirement.
- 3.5 A former partner of the external audit firm and/or its affiliate firm (including those providing advisory services, tax consulting etc.) of the Company or any entity within the Company shall not be eligible to be considered or appointed as a member of the BAC until the expiry of a cooling-off period of at least three (3) years from the date he/she ceases to be a partner.
- 3.6 The Chairman of the Committee shall be a Non-Executive Director appointed by the Board. The Chairman of the Committee shall not be the chair of the Board.
- 3.7 At all Committee meetings, the Chairman of the Committee if present, shall preside. In the absence of the Committee's Chairman, the members present at the meeting shall elect a Chairman of the meeting from amongst the committee members present.
- 3.8 Where the members of the Committee for any reason are reduced to less than three (3), the Board shall, within three (3) months from the occurrence of the event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

- 3.9 The Committee may invite any Board member or any member of the Senior Management or any relevant employee within the Company who the Committee deems fit to assist in resolving and clarifying matters.
- 3.10 Any member of the BAC may relinquish his/her membership in the BAC with prior written notice to the Company Secretary.

#### **4.0 MEETING PROCEDURES**

##### **4.1 Quorum**

- 4.1.1 The quorum necessary for the transaction of the business shall be two (2) members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

##### **4.2 Frequency of Meeting**

- 4.2.1 The meetings shall be conducted at least four (4) times each year and at such other time(s) as it deems necessary to fulfil its responsibilities.

##### **4.3 Notice and Agenda**

- 4.3.1 The Company Secretary shall issue and circulate the notice of the meetings confirming the venue, time and date at least five (5) working days before each meeting to the committee members and all those who are required to attend the meeting; and
- 4.3.2 The agenda for each meeting including relevant documents and information requested by the Committee shall be circulated at least five (5) working days before each meeting to the Committee members and all those who are required to attend the meeting.

##### **4.4 Meeting Mode**

- 4.4.1 The meeting shall normally be conducted face-to-face to enable effective discussion; however, meetings may also be conducted via telephone conferencing, video conferencing or other appropriate means as determined by the Committee.

4.4.2 The Committee may from time to time and if deemed appropriate, consider and approve and/or recommend relevant matters via a Circular Resolution in writing, in lieu of formally convening a meeting. The Circular Resolution shall be as valid and effectual as if it has been passed by a Committee meeting duly convened. Approval obtained via Circular Resolution must be signed or approved by a majority of the Committee members subject to 4.5.2.

**4.5 Voting**

4.5.1 Each member of the Committee is entitled to one (1) vote in deciding the matters deliberated in the meeting. In the case of an equality of votes, the Chairman of the Committee shall have a second or casting votes.

4.5.2 A Committee member is required to abstain from deliberations and voting in respect of any matter which may give rise to an actual or perceived conflict of interest situation.

**4.6 Secretary of the Committee**

4.6.1 The Company Secretary or their nominee shall act as Secretary of the Committee.

4.6.2 The Secretary shall have the following responsibilities:

- a) ensure meetings are arranged and held accordingly;
- b) draw up meeting agendas in consultation with the Chairman of the Committee, which shall be circulated together with the relevant support papers at least five (5) working days prior to each meeting to the members of the Committee;
- c) ensure structured communication between the Board and the Committee;
- d) be in attendance at each Committee meetings;
- e) ensure proceedings of the meetings are recorded and the minutes submitted to and confirmed by Chairman of the Committee before circulating them to the Board; and
- f) ensure the Committee recommendations presented to the Board are supported by papers; including minutes explaining the rationale for the Committee's recommendation.

**4.7     Meeting Minutes**

- 4.7.1 The minutes of the meeting shall be action oriented and record the deliberations and decisions of the Committee.
- 4.7.2 Minutes shall be distributed to Committee members and shall be approved by the Chairman of the meeting at which the proceedings are held or by the Chairman of the next succeeding meeting.
- 4.7.3 The Committee, through its Chairman, shall update the Board on the activities undertaken by the Committee at each Board meeting.

**5.0     RESPONSIBILITIES AND DUTIES**

The Committee is to be provided with sufficient resources to undertake its duties. In fulfilling its primary objectives, the Committee will need to undertake inter-alia the following functions:

**5.1     Financial Reporting**

- 5.1.1 Review the Company's quarterly results and year-end financial statements with Management and External Auditors prior to submission to the Board, focusing particularly on:
  - a) changes in or implementation of major accounting policy changes;
  - b) significant matters highlighted including financial reporting issues, significant judgement made by Management, significant and unusual events or transactions and how these matters are addressed;
  - c) significant adjustments arising from the audit;
  - d) the going concern assumption; and
  - e) compliance with the applicable accounting standards and other legal requirements.

- 5.1.2 Review and provide advice on whether the financial statements taken as a whole provide a true and fair view of the Company's financial position and performance.
- 5.1.3 Demonstrate an appropriate level of vigilance and skepticism towards, among others, detection of any financial anomalies or irregularities in the financial statements.

**5.2 External Auditor**

- 5.2.1 Review the annual performance assessment, including the suitability, objectivity and independence of the external auditor which takes into consideration the following:
  - a) the competence, audit quality and resource capacity of external auditors in relation to audit;
  - b) the nature and extent of the non-audit services rendered and the appropriateness of the level of fees; and
  - c) 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. The assessment on the suitability, objectivity and independence of the external audit firm should be conducted annually.
- 5.2.2 Recommend appointment, re-appointment or removal of external auditor, and their audit fees.
- 5.2.3 Review with the External Auditor on the following and report the same to the Board:
  - a) Audit plan;
  - b) Audit report;
  - c) Evaluations of the system internal controls;
  - d) Audit approach, including coordination of audit efforts with internal auditors, and assistance given by the employees to the external auditors;
  - e) the effectiveness of the management information system including any improvement suggestions and Management's response; and
  - f) Any significant audit findings, reservations, difficulties encountered or material weaknesses reported by the external auditors.



**5.3    Internal Auditor**

- 5.3.1 To approve the budget for the internal audit function, review and approve the internal audit plan and decide on the scope of work and appointment and removal of the head of the GIA or the outsourced internal audit provider. The Committee also must decide on the performance evaluation of the internal audit function.
- 5.3.2 To ensure that the GIA function is effective and able to function independently and to assess whether the GIA personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence; ensure adequate resources in the GIA department and a qualified person responsible for GIA.
- 5.3.3 To review the following with the GIA function and report the same to the Board:
- a) The effectiveness of the Company's internal control systems/framework;
  - b) The adequacy of resources for internal control and dealing with problems encountered during the audit process;
  - c) The adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work; and
  - d) the internal audit plan and processes, the results of the internal audit as well as investigations undertaken, and whether or not appropriate action has been taken on the recommendations of the internal audit functions.
- 5.3.4 To review the appraisal or assessment of the performance of members of the internal audit function who will be responsible for the regular review and/or appraisal of the effectiveness internal control and governance processes within the Company; and
- 5.3.5 To determine the responsibilities of the internal audit function which reports directly to the Committee. The internal audit function should be independent of the activities they audit and audits should be performed with impartiality, proficiency and due professional care.

**5.4     Related Party Transactions**

- 5.4.1 To ensure that the Management establishes a comprehensive framework for the purposes of identifying, evaluating, approving, reporting and monitoring conflict of interest situations and related party transactions.
- 5.4.2 To review and report to the Board any related party transactions or recurrent related party transactions entered into by the Company to ensure that:
- a) all transaction and on-going transactions are in the best interest of the Company;
  - b) transactions are fair, reasonable and undertaken on the Company's normal commercial terms;
  - c) internal control procedures with regard to such transactions are sufficient and review any conflict of interest situations or related party transactions to ensure that interested parties do not abuse their powers to gain unfair advantage; and
  - d) transaction is not detrimental to the interest of minority shareholders.

**5.5     Governance and Integrity**

- 5.5.1 To oversee issues of corruption, fraud, malpractice, and unethical conduct within the Company;
- 5.5.2 To assist the Board in carrying out its responsibilities towards an organization free from corruption, with integrity and good governance, in addition to overseeing the Integrity and Governance Department in achieving its objectives;
- 5.5.3 To consider other governance and compliance matters as defined by the Board; and
- 5.5.4 To oversee the Group's whistleblowing procedure, including receiving report updates, protecting the anonymity of whistleblowers, and deciding action to mitigate retaliation against whistleblowers and associate parties;

**5.6     Risk Management**

- 5.6.1 To assist the Board in the review and assessment of the principal risks in the achievement of the Company's objectives and overseeing the implementation of appropriate systems/processes to manage these risks;
- 5.6.2 Review and recommend the risk management framework, policies and procedures for the approval and acknowledgement of the Board and provide guidance on the overall risk management strategy and directives for implementation to ensure principles and requirements of managing risk are consistently adopted throughout the Company;
- 5.6.3 Review and recommend the business continuity framework, policy and procedures for the approval of the Board and ensure that a robust business continuity management programme is consistently adopted throughout the Company to improve its resilience and preparedness for any disruptions and stress conditions; and
- 5.6.4 Oversee and advise the Board on the current risk exposures of the Company.

**5.7     Compliance**

- 5.7.1 Review and endorse the compliance strategy, annual compliance plan, and priorities.
- 5.7.2 Ensure compliance-related incidents are reported, investigated, and resolved appropriately.
- 5.7.3 Evaluate the impact of new or revised laws, regulations, and standards.
- 5.7.4 Recommend changes to internal policies to ensure continued compliance.
- 5.7.5 Review and approve regular compliance reports submitted by the Head of Compliance.

**5.8    Other responsibilities of the Committee includes:**

- 5.8.1 to ensure ongoing awareness programmes, communication, training and education on risk and compliance management;
- 5.8.2 to promote a healthy governance, risk and integrity culture and behaviours that ensure the effectiveness of the processes (e.g. discourage excessive risk-taking, bribery and corruption due to misaligned key performance indicators and remuneration schemes); and
- 5.8.3 to consider other matters relating to governance, risk and integrity, including relevant legislature applicable in all operating areas of the Company.

**6.0    AUTHORITY**

- 6.1 The Committee shall have the following authority as empowered by the Board:
  - a) the authority to investigate any activity or matter within its terms of reference;
  - b) to acquire the resources which are required to perform its duties;
  - c) to seek any information required from any officer or employee of the Company and all employees are directed to cooperate with any request made by the Committee;
  - d) in carrying out its duties, the Committee shall have full and unrestricted access to any information and documents relevant to its activities. All employees are directed to cooperate with any request made by the Committee;
  - e) the Committee shall have the authority to obtain external or independent professional advice or expertise if necessary; and
  - f) to have direct communication channels with the external auditors and internal auditors, and also to engage with the senior Management on a continuous basis, such as the chairman, the CEO and the chief financial officer in order to be kept informed of matters affecting the Company.

**7.0 REVISION OF TERMS OF REFERENCE**

- 7.1 The TOR for the Committee should be reviewed at least every three (3) years or whenever deemed necessary.
- 7.2 The TOR shall be assessed, reviewed and updated where necessary i.e. when there are changes to the Malaysian Code of Corporate Governance or any other regulatory requirements. It shall also be reviewed and updated when there are changes to the direction and strategies to the Company that may affect the Committee's.