



# **PENGURUSAN AIR SELANGOR SDN BHD**

**[Company No.: 201401006213 (1082296-U)]**

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

**Updated as at 21 September 2023**

**REVISION RECORD:**

<b>Issue No.</b>	<b>Date Approved</b>	<b>Approved By</b>	<b>Description of Change</b>
1.0	20 JUNE 2016	Board of Directors	Approved for initial implementation.
1.1	7 DECEMBER 2021	Board of Directors	<ul style="list-style-type: none"><li>• To effect the change of Company's logo.</li><li>• To align the contents with the Bursa Main Market Listing Requirements and Malaysia Code of Corporate Governance.</li></ul>
1.2	21 SEPTEMBER 2023	Board of Directors	The addition elaborates the BAC duties and responsibilities on integrity and whistle blowing function.

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## **1.0 INTRODUCTION**

1.1 The responsibility of the Board Audit Committee (“BAC”) is to assist the Board of Directors (“BOD”) in fulfilling its oversight duties through the review and supervision of the Company’s financial reporting, risk management and internal control systems and to assist the BOD with any other responsibility as may be delegated by the BOD from time to time.

## **2.0 PURPOSE**

2.1 The purpose of this Charter is to set out the authority of the BAC to carry out the responsibilities established for it by the BOD as articulated within the Charter-

## **3.0 AUTHORITY**

3.1 The BAC has the explicit authority to investigate, conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- i. Seek independent legal counsel, accountants or other advisers to advise the committee or assist in the conduct of an investigation.
- ii. Seek any information it requires from all employees including the senior management, external and internal auditors – all of whom are directed to cooperate with the committee’s requests or the appointed external parties. It shall also have the authority to convene meetings with the senior management, external and internal auditors of the Company.
- iii. Have full and unrestricted access to all information, documents and resources in order to perform its duties.
- iv. Resolve any disagreements on financial reporting between management and external auditor.
- v. Pre-approve all auditing and non-audit services.

## **4.0 COMPOSITION**

4.1 Members of the BAC shall be appointed by the BOD and shall consist of not less than three (3) Directors, all of whom must be Independent Directors.

4.2 All members of the BAC should have sufficient understanding of the Company’s business, financially literate and can:

- i. Read and understand financial statements, including a company’s statement of financial position, statement of comprehensive income and cash flow statement;
- ii. Analyze financial statements and ask pertinent questions about the Company’s operations against internal controls and risk factors; and
- iii. Understand and interpret the application of approved accounting standards and other related requirements.

- 4.3 At least one (1) member of the BAC must meet the criteria set by the Bursa Securities Main Market Listing Requirements:
- i. Must be a member of the Malaysian Institute of Accountants (“MIA”); or
  - ii. If he/she not a member of the MIA, he/she must have at least three (3) years working experience, and:
    - passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967; or
    - a member of one (1) of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.
  - iii. Fulfill such other requirements as prescribed or approved by Bursa Securities.
- 4.4 No alternate Directors shall be appointed as the BAC.
- 4.5 In the event of any vacancy in the BAC, the BOD shall within three (3) months fill the same so as to comply with all regulatory requirements.
- 4.6 A former partner of the Company’s external auditor is to observe a cooling-off period of at least three (3) years before being appointed as a member of the BAC.
- 4.7 The tenure of an Independent Director should not exceed a term limit of nine (9) years.

## **5.0 CHAIRMAN**

- 5.1 The BAC shall elect a Chairman from among its members and the elected Chairman shall be an Independent Non-Executive Director.
- 5.2 The Chairman of the BAC shall not be the Chairman of the BOD.
- 5.3 In the absence of the Chairman of the BAC, the other members of the BAC shall amongst themselves elect a Chairman to chair the meeting.
- 5.4 The Chairman shall be responsible for:
- i. the overall effectiveness and independence of the Committee.
  - ii. planning and conducting of meetings.
  - iii. overseeing the reporting of any potential issues and other issues discussed in its meetings to the BOD.
  - iv. encouraging open discussion amongst its members and other invitees during meetings.
  - v. maintaining active ongoing dialogue with Management and both Internal and External Auditors.

## **6.0 MEETINGS**

- 6.1 The quorum for all meetings of the BAC shall not be less than two (2) members, both of whom must be Independent Non-Executive Directors.
- i. The BAC shall meet at least four (4) times a year, or more frequently as the BAC considers necessary.
  - ii. The BAC may, as and when deemed necessary, invite BOD members, management, representative(s) of the external auditors and external independent professional advisers to attend the meeting.
  - iii. The BAC shall meet separately with the internal and external auditors when necessary, without the attendance of the Management.
  - iv. The Company Secretary shall be the Secretary of the BAC and shall provide the necessary administrative and secretarial services for the effective functioning of the BAC. The draft minutes shall be circulated to the BAC members for comment and the final minutes shall be tabled at the subsequent BAC meeting for confirmation and signature by the BAC Chairman. The Chairman shall report on the proceedings of each BAC meeting to the Board at the next BOD meeting following the BAC meeting.
  - v. All resolutions of the BAC shall be adopted by a simple majority vote, each member having one vote. In case of equality of votes, the Chairman of the BAC shall have a second or casting vote.
  - vi. A BAC 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.
  - vii. Attendance at a meeting may be by being present in person or by participating via video-conferencing or tele-conferencing.

## **7.0 DUTIES AND RESPONSIBILITIES**

### **7.1 Financial Reporting and Performance Oversight**

- 7.1.1 Review with management and the external auditors the results of the audit, including any difficulties encountered and all matters required to be communicated to the committee under Generally Accepted Auditing Standards.
- 7.1.2 Review the quarterly results, half-yearly results and annual financial statements of the Company with management and external auditors prior to the approval by the BOD:
- i. Any changes in or implementation of accounting policies and practices.
  - ii. Significant adjustments with financial impact arising from the audit.
  - iii. Significant and unusual events.
  - iv. Compliance with the approved accounting standards, Bursa Malaysia and regulatory requirements.

- 7.1.3 Review with the external auditors the audited financial statements for the purpose of approval prior to presentation to the BOD for adoption, for the following:
- i. Whether the external auditors' report contains any qualification which must be properly discussed and acted upon.
  - ii. Whether there is any significant changes and adjustments in the presentation of financial statements.
  - iii. Whether it is in compliance with the laws and accounting standards.
  - iv. Whether there is any material fluctuation in balances.
  - v. Whether there is any significant variation in audit scope and approach.
  - vi. Whether there is any significant commitment or contingent liability.
- 7.1.4 Discuss problems and issues arising from the interim and final audits and any matter the external auditors may wish to discuss in the absence of the Management where necessary.
- 7.1.5 Provide assurance to the BOD on the quality, integrity and reliability of the financial information used by the BOD and of the financial information issued publicly by the Company.
- 7.1.6 Propose best practices on disclosure in financial results and annual report of the Company in line with the principles set out in the Malaysian Code on Corporate Governance, other applicable laws, rules, directives and guidelines.

## **7.2 Related Party Transactions**

- 7.2.1 Review and report to the Board any related party transactions entered into by the Company, including the review and monitoring of recurrent related party transactions to ensure that:
- i. Transactions have been conducted on the normal commercial terms, fair, reasonable and at arm's length basis.
  - ii. Internal control procedures relating to such transactions are sufficient and have been complied with.
  - iii. Compliance with the relevant provisions of the Bursa Securities Main Market Listing requirements.
  - iv. Where the related party transactions are not comparable to quotations or comparative pricing with unrelated parties, to review the basis of the transaction price determined by the management in comparison to transactions by/to unrelated parties for substantially similar type transactions for approval by the BOD.

## **7.3 Internal Audit**

- 7.3.1 Approve the Internal Audit Charter which defines the independent, purposes, authority, scope and responsibilities of the internal audit function in the Company.
- 7.3.2 Approve decisions on the appointment, replacement and removal of the Head of Internal Audit.

- 7.3.3 Review annually the key performance of the Head of Internal Audit and concur with the annual compensation and salary adjustment.
- 7.3.4 Approve the Annual Internal Audit Plan, major changes to the plan and review the internal audit activity's performance relative to its plan.
- 7.3.5 Review with the Head of Internal Audit the internal audit budget, resource plan, activities and organizational structure of the internal audit function.
- 7.3.6 Review the effectiveness of the internal audit function to ensure that there are no unjustified restrictions or limitations on the internal audit function.
- 7.3.7 Review the internal audit function's conformance with The Institute of Internal Auditors' the Definition of Internal Auditing, Code of Ethics and the International Standards for Professional Practice of Internal Auditing.
- 7.3.8 Review Internal Audit reports, key findings and recommendations, management's response to the recommendation and the appropriate action taken on the recommendation.
- 7.3.9 Meet separately with the Head of Internal Audit to discuss any matters that the committee or internal audit believes should be discussed privately.
- 7.3.10 Review the accuracy and adequacy of Statement of Risk Management and Internal Control as well as the Audit Committee Report, to be published in the Annual Report.

#### **7.4 External Audit**

- 7.4.1 Review the external auditors' proposed annual audit plan, audit scope and approach, including the cost effectiveness of the audit and coordination of audit effort with internal audit.
- 7.4.2 Review the performance of the external auditors and exercise final approval on the appointment, reappointment or termination of the auditors, terms of engagement and audit fee by reference to the audit firm's compliance with regulations, ethical guidance and/or partner rotation.
- 7.4.3 Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the company, including non-audit services and discussing the relationships with the auditors.
- 7.4.4 Meet separately with the external auditors to discuss any matters that the committee or internal audit believes should be discussed privately.

#### **7.5 Integrity and Corporate Governance**

- 7.5.1 Review annually the key performance of the Head of Integrity and concur with the annual compensation and salary adjustment.
- 7.5.2 Approve the Annual Integrity Plan, major changes to the plan and review the integrity activity's performance relative to its plan.



- 7.5.3 Review the effectiveness of the integrity function to ensure that there are no unjustified restrictions or limitations on the integrity function.
- 7.5.4 Guide, advise and recommend implementation of integrity strategies, plans, and activities.
- 7.5.5 Meet separately with the Head of Integrity to discuss any matters that the committee or Integrity Section believes should be discussed privately when necessary.
- 7.5.6 Review, deliberate and approve changes to the integrity related policies and procedures, if necessary.
- 7.5.7 Ensure the reporting channel for whistleblowing is available for Employees and Business Associates to report on unethical conduct, corruption, abuse of power, malpractice, and non-compliance with the Code of Conduct & Business Ethics.
- 7.5.8 Deliberate reports on unethical conduct, corruption, abuse of power, and malpractice and action taken or to be taken to ensure fair and transparent investigations are conducted with protection, confidentiality, and anonymity of submission.
- 7.5.9 Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of Management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.
- 7.5.10 Review the findings of any examinations by regulatory authorities.
- 7.5.11 Review any related party transaction or conflict of interest situation that arises within the Company including any transaction, procedure or course of conduct that raises questions of integrity.
- 7.5.12 Review and approve the Statement of Corporate Governance for the annual report as required under Bursa Securities Main Market Listing Requirements.

## **7.6 Compliance**

- 7.6.1 Review the process for communicating the code of conduct to Company personnel and monitoring the compliance therewith.

Obtain regular updates from management and company legal counsel regarding compliance matters.

## **7.7 Other Responsibilities**

- 7.7.1 Instruct the external auditors that the BAC expects to be advised if there are any areas that require their special attention including major findings or internal investigations and management's response.
- 7.7.2 Report its activities to the BOD in such manner and at such times, as it deems appropriate, and report to Bursa Securities, where a matter reported to the BOD has not been satisfactorily resolved, resulting in a breach of the Bursa Securities Main Market Listing Requirements.

- 7.7.3 Review any allocation of share options pursuant to the By-Laws and Employees' Share Option Scheme ("ESOS") granted to employees by the Company.
- 7.7.4 At least once a year, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the BOD for approval.
- 7.7.5 Consider and examine any other matters as the BAC considers appropriate or as instructed by the BOD.

## **8.0 CONTINUOUS PROFESSIONAL DEVELOPMENT**

- 8.1 The BAC members shall undertake continuous professional development training to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

## **9.0 TERM OF OFFICE**

- 9.1 The term of office and performance of the BAC and each of its members shall be reviewed by the Nomination and Remuneration Committee of the Company annually to determine whether the BAC and its members have carried out their duties in accordance with their Terms of Reference.

## **10.0 REVISION**

- 10.1 The BAC shall recommend to the BOD any changes to its terms of reference in such manner as the BAC deems appropriate.
- 10.2 It shall be assessed, reviewed and updated when there are changes to the Malaysian Code on Corporate Governance, Main Market Listing Requirements or any other regulatory requirements.
- 10.3 It shall also be reviewed and updated when there are changes to the direction or strategies of the Company that may affect the BAC's role.
- 10.4 All revisions shall be subjected to approval of the BOD.