



# **PROLINTAS MANAGERS SDN. BHD.**

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

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

### **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 Prolintas Managers 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 and the effectiveness of the systems of internal controls and to monitor the effectiveness, performance and objectivity of the internal and external auditors.
- 1.3 This TOR governs the processes of the Committee and outlines the procedures and guidelines in relation to its audit committee role.

### **2.0 OBJECTIVE**

- 2.1 The objective of this Committee are:
  - a) To assist the Board in fulfilling its statutory and fiduciary responsibilities in ensuring that the Company has in place a sound and robust internal control framework and ensure that such framework has been effectively implemented to enhance the Company’s ability to achieve its strategic objectives;
  - b) To review the financial statements and financial reporting process as well as management of financial and operational risks;
  - c) To review reports from internal and external auditors to validate scope, evaluate existing policies, establish audit quality and ensure compliance with the Company’s policies;
  - d) To assist the Board in ensuring that the Management maintains a sound system of internal controls to safeguard and enhance enterprise value;

- e) To ensure that proper processes and procedures are in place to comply with all laws, rules and regulations, directives and guidelines established by the relevant regulatory bodies;
- f) To oversee the implementation of the Whistleblower Policy and Procedures for the Company, and ensure effective administration thereof by the Internal Audit (“IA”) function;
- g) To follow up with any observations and/or recommendations that the external auditors may provide to the Management after the conduct of their annual audits to ensure that the matters highlighted by the external auditors are appropriately addressed and/or implemented, as the case may be;
- h) To communicate its insights, views and concerns about relevant transactions and events to internal and external auditors;
- i) To communicate the Committee’s concerns on matters that may have an effect on the financial or audit of the Company to the external auditor; and
- j) To ensure there is co-ordination between internal and external auditors.

### **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) members.
- 3.2 The appointment of members of the Committee shall at all times adhere to all applicable rules, laws and regulations.
- 3.3 All members of the Committee shall be Non-Executive Directors with a majority being Independent Directors.
- 3.4 The Chairman of the Committee must be an independent director.
- 3.5 No alternate Director shall be appointed as a member of the Committee.
- 3.6 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
  - ii) 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
  - iii) fulfils such other requirements as prescribed by Bursa Securities
- 3.7 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 AC until the expiry of a cooling-off period of at least three (3) years from the date he/she ceases to be a partner.
- 3.8 The Chairman of the Committee shall be an Independent Non-Executive Director appointed by the Board. The Chairman of the Committee shall not be the chair of the Board.
- 3.9 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, who shall be an Independent Director.
- 3.10 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.
- 3.11 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.
- 3.12 Any member of the AC may relinquish his/her membership in the AC 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, both of whom must be independent directors. 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**

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 Company Secretary**

4.6.1 The Secretary of the Committee shall be the Company Secretary of the Company.

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 IA 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 IA function is effective and able to function independently and to assess whether the IA personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence; ensure adequate resources in the IA department and a qualified person responsible for IA.
- 5.3.3 To review the following with the IA 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 entered into by the Company to ensure that:
  - a) all on-going transactions are in the best interest of the Company;
  - b) transactions are in the best interest of the Company;
  - c) transactions are fair, reasonable and undertaken on the Company's normal commercial terms;
  - d) 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
  - e) transaction is not detrimental to the interest of minority shareholders.

## **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 sources 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, Listing Requirements of Bursa Malaysia Securities Berhad 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.