



**JAYCORP BERHAD**  
(Company No.: 459789-X)

**AUDIT COMMITTEE**  
**(TERMS OF REFERENCE)**

**1 INTRODUCTION**

The Audit Committee (“the Committee”) is a committee of the Board of Directors (“Board”) of Jaycorp Berhad (“Jaycorp” or “the Company”) which shall be appointed by the Board.

**2 FUNCTIONS OF THE COMMITTEE**

- 2.1 The primary function of the Committee is to assist the Board in fulfilling its fiduciary responsibilities and overall responsibilities for the Company’s and its subsidiaries’ (“the Group”) activities.
- 2.2 Consistent with this function, the Committee should encourage continuous improvement of, and shall foster adherence to the Group’s policies, procedures, and practices as well as applicable laws and regulations and aimed at maintaining appropriate standards of responsibilities, integrity and accountability to the Company’s shareholders. .
- 2.3 The Committee shall primarily fulfill these responsibilities by carrying out the activities enumerated in the responsibilities as set out in Section 5 below.

**3 STRUCTURE OF THE COMMITTEE**

- 3.1 The Nomination Committee shall review the terms of office and performance of the Committee and each of its members annually to determine whether the Committee and members have carried out their duties in accordance with their terms of references.
- 3.2 Composition
  - The Committee members shall be appointed by the Board from among its numbers based on recommendations from the Nomination Committee and their appointment shall be concurrent with their tenure on the Board.
  - The Committee must comprise at least three members with all members being non-executive directors and a majority of whom are independent and all members of the Committee are financially literate.

- In the event of any vacancy resulting in non-compliance with the Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”), the Board shall within three months appoint new members to fill the vacancy.
- At least one (1) member of the Committee must be a member of the Malaysian Institute of Accountants or fulfills such other requirements as prescribed in the Listing Requirements or approved by Bursa Securities.
- No alternate director shall be appointed as an Audit Committee member.

### 3.3 Chairman of the Audit Committee

The members of an audit committee must elect a chairman among themselves who is an independent director.

The elected chairman shall then be approved by the Board as the Chairman of the Audit Committee.

### 3.4 Quorum and Committee’s Procedures

The Managing Director, the Group Financial Controller, the Head of Internal Auditor and a representative of the external auditors shall normally be invited to attend the meetings of the Committee. Other members of the Board may attend the meeting upon the invitation of the Committee. The Committee shall meet the external auditors without any executive director or the management being present at least twice in a financial year. The Committee shall also meet the internal auditors at least once in a financial year.

The quorum shall consist of three members with majority of independent directors.

## 4 RIGHTS AND AUTHORITY OF THE AUDIT COMMITTEE

### 4.1 The Committee is authorised by the Board:-

- (a) to investigate any activity within its terms of reference and shall have unrestricted access to the external auditors, internal auditors and to all employees of the Group;
- (b) to have the resources in order to perform its duties as set out in its terms of reference;
- (c) to have full and unrestricted access to information pertaining to the Group and the Company;
- (d) to obtain external legal or other independent professional advice when necessary; and
- (e) to be able to convene meetings with the external auditors, internal auditors or both, excluding the attendance of other directors and employees of the Group, whenever deemed necessary.

### 4.2 The Chairman of the Committee shall engage on a continuous basis with senior management, such as the Chairman of the Board of Directors, the Chief Executive Officer, the Finance Director, the head of internal audit and the external auditors in order to be kept informed of matters affecting the Company.

Notwithstanding anything to the contrary hereinbefore stated, the Committee does not have executive powers and shall report to the Board of Directors on all matters considered and its recommendations thereon, pertaining to the Group and the Company.

## **5 RESPONSIBILITIES**

5.1 To fulfill its responsibilities and duties, the Committee shall review the following:

- (a) the terms of reference for the Committee at least annually, as conditions dictate;
- (b) significant audit findings during the year with Management, external auditors and internal audit, including the status of previous audit recommendations;
- (c) the external and internal audit reports to ensure that where major deficiencies in controls or procedures have been identified, appropriate and prompt remedial action is taken by Management;
- (d) difficulties encountered in the course of audit work, if any, including any restrictions on the scope of activities or access to required information;
- (e) business risk assessment and internal controls instituted;
- (f) investigations reports on any major defalcations, frauds and thefts from the Group;
- (g) procedures in place to ensure that the Group is in compliance with the Companies Act, 1965, Listing Requirements and other legislative and reporting requirements;

### **5.2 Risk Management and Internal Control**

#### **5.2.1 Review Systems of Risk Management**

Review with members of the respective staff of the Group, the internal auditors, the external auditors and, where necessary, any other relevant persons, the adequacy and effectiveness of the Group's processes to identify key risks and the systems to monitor and manage these risks.

#### **5.2.2 Review Systems of Internal Controls**

Review with the external auditors, the internal auditors, and, if and to the extent deemed appropriate by the Chairman of the Committee, members of their respective staff, the adequacy and integrity of the Group's internal controls including information technology and network controls, the Group's financial, auditing and accounting organisations and personnel and the Group's policies and compliance procedures with respect to business practices.

## **5.3 Financial Reporting**

### **5.3.1 Review Financial Statements**

- a) Review with the appropriate officers of the Group and the external auditors, the annual and quarterly financial statements of the Group including the announcements pertaining thereto, prior to approval by the Board, focusing on, inter alia:
- quality, accuracy and adequacy of the financial disclosure;
  - changes in accounting policies and practices, and implementation of such changes;
  - significant matters highlighted including financial reporting issues, significant judgements made by management, significant or unusual events or transactions, and how these matters are addressed;
  - significant adjustments arising from the audit;
  - the going concern assumption;
  - compliance with applicable approved accounting standards, legal and regulatory requirements; and
  - other matters as defined by the Board.
- b) Discuss among the Committee members, without the presence of the Management or the external auditors if deemed necessary, the financial information obtained.

### **5.3.2 Review Other Accounting, Audit and Financial Matters**

Review such other matters in relation to the accounting, auditing and financial reporting practices and procedures of the Group as the Committee may, in its own discretion, deem desirable in connection with the audit functions described above.

### **5.3.3 Review Related Party Transactions**

Review any related party transactions entered into by the Group, including the review and monitoring of recurrent related party transactions for which shareholders' mandate has been granted, to determine whether:

- such transactions are undertaken on the Group's normal commercial terms;
- the internal control procedures with regard to such transactions are sufficient and have been complied with; and
- there is compliance with other relevant provisions of the Listing Requirements and Practice Notes that may be announced by Bursa Securities from time to time.

### **5.3.4 Review Conflict of Interest Situations and Internal Investigations**

- a) Review any conflict of interest situations that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity.
- b) Review major findings of internal investigations and management responses.

## **5.4 Internal Audit**

### **5.4.1 Review Independence of Internal Auditors**

Review the internal audit function to determine whether its activities are performed independently and with impartiality, proficiency and due professional care. The Committee shall determine the authority and the area of responsibility of the internal audit function.

### **5.4.2 Review Internal Audit Plans**

The outsourced Internal Auditors shall be responsible for the regular review and/or appraisal of the effectiveness of the risk management, internal control and governance processes within the Group and will report directly to the Committee.

Review with the Internal Auditors and the appropriate staff of the Internal Audit Department their plans, adequacy of the scope, functions, competency and resources of the Internal Audit and that it has the necessary authority to carry out its work. The Committee shall at least once a year undertake a review to ensure the effectiveness of the internal audit function.

### **5.4.3 Review Internal Audit Reports**

- Review with the Head of Internal Audit and the appropriate staff of the Internal Audit Department, the internal audit programme, the internal audit processes, results of the internal audit programme or investigations undertaken and whether or not action is taken on the recommendations of the Internal Audit. The reports of the audits undertaken were forwarded to the management for attention and necessary action and presented to the Committee for deliberation and approval.
- Review the extent of assistance and co-operation given by the Group and the Group's employees to the internal auditors.

### **5.4.4 Appointment, Resignation or Termination of Head of Internal Audit**

- Recommend to the Board to approve the appointment or termination of the Head of Internal Audit.
- take cognizance of resignations of Head of Internal Audit and provide the Head of Internal Audit an opportunity to submit his reason for resigning.

## **5.5 External Audit**

### **5.5.1 Appointment, Resignation and Dismissal of External Auditors**

Recommend to the Board annually, and at other appropriate times, the firm to be retained as the Group's external auditors, the terms of engagement and remuneration to be paid to the external auditors in respect of the audit services provided and on any questions of resignation or dismissal, and to review any letter of resignation from the Group's external auditors.

In appointing the Group's external auditors, the Committee shall consider among 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 Group being audited; and
- v) the number and experience of supervisory and professional staff assigned to the particular audit.

#### 5.5.2 Review Independence of External Auditors

In connection with recommending the firm to be retained as the Group's external auditors, review the information provided by the Management and the external auditors relating to the independence of such firm, including, information relating to the non-audit services which was provided, and expected to be provided by the external auditors.

To provide support for an assessment on independence, obtain 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 Committee shall discuss the contracts for the provision of non-audit services which can be entered into and procedures that must be followed by the external auditors. The contracts cannot be entered into should include management consulting, strategic decision, internal audit and standard operating policies and procedures documentation.

#### 5.5.3 Review External Audit Plans

- a) Review with the Group's external auditors their audit plan, nature, approach, scope and cost effectiveness of their annual audit and other examinations, including their evaluation of the system of internal controls.
- b) Ensure co-ordination where more than one (1) audit firm is involved and between the Group's internal and external auditors.

#### 5.5.4 Conduct of External Audits

- a) Review the independence and objectivity of the external auditors annually.
- b) Review the extent of assistance and co-operation given by the Group and the Group's employees to the external auditors.

#### 5.5.5 Review External Audit Results

Review with the Group's external auditors the report of their annual audit, or proposed report of their annual audit, the management letter and response, and if any, the reports of their reviews of the Group's interim financial statements, the problems and reservations arising from the interim and final audits, including significant audit adjustments and the reports of the results of such other examinations outside of the course of the external auditors' normal audit procedures that the Group's external auditors may undertake, from time to time.

#### 5.5.6 Review Recommendations of External Auditors

Review with the recommendations made by the external auditors, as well as such other matters, if any, as such persons or other officers of the Group may desire to bring to the attention of the Committee.

#### 5.5.7 Review Compliance to Laws and Regulations

Review with the respective staff of the Group, the internal auditors, the external auditors and, where necessary, any other relevant persons, the processes for monitoring compliance with legal, regulatory and statutory requirements.

### **5.6 Other Responsibilities**

#### 5.6.1 Review Other Matters

- a) Arrangements by which staff of the Group may in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control or other business or commercial related matters.
- b) Group's Statement on Risk Management and Internal Control with the external auditors, and management for inclusion in the Annual Report.
- c) Efficiency and efficacy of operations of the Group and any other matters, which would improve the governance of the Group's operations.
- d) Other matters as the Committee considers appropriate or as defined by the Board.

#### 5.6.2 Report to the Board

Report its activities to the Board (including without limitation, the matters referred to in paragraphs 5.1 to 5.6 (inclusive)) in such manner so as to allow the Board sufficient time to prepare the audit committee report in accordance with the requirements of paragraph 15.15 of the Listing Requirements of Bursa Securities.

#### 5.6.3 Report Breaches to Exchange

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 Securities, the Committee shall promptly report such matter to Bursa Securities.

## **6 MEETINGS**

6.1 The Committee shall meet at least four (4) times in a financial year and such additional meetings as the Chairman shall decide in order to fulfil its duties.

6.2. The Committee may request other Board members, senior management and any officer or employee of the Group, the Group's external legal counsel, internal or external auditors to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee provided that they are formally invited by the

Committee. For avoidance of doubt, such invitees shall not be entitled to vote at such meeting.

The Committee may meet with the Management, employee of the Group or any other persons in separate private sessions to discuss any matter that the Committee, Management, internal or external auditors or such other persons believe should be discussed privately. Such meetings should offer free and open communication among the Committee, Management, internal auditors and external auditors.

The internal or external auditors of the Company may request a meeting with the Committee if they consider that one is necessary to consider any matter the Group's internal or external auditors wish to bring to the attention of the Directors or shareholders of the Group. Upon such request, the Chairman shall promptly call a meeting of the Committee for the above purpose.

- 6.3 The Committee may regulate its own procedure, in particular on the conduct of the Committee meetings, including attendance at a meeting by being present in person or by participating in the meeting by means of video or teleconference. The Committee should record its deliberations, in terms of the issues discussed, and the conclusions in discharging its duties and responsibilities, with the minutes kept and distributed to each member of the Committee and of the Board. The Chairman of the Committee shall provide the Board with a report of the Committee meetings at each financial quarter meeting.

## **7 SECRETARY OF THE AUDIT COMMITTEE**

The Company Secretary or other appropriate senior officer shall act as secretary of the Audit Committee, and as a reporting procedure, the minutes of the meeting shall be circulated to all members of the Committee and of the Board. The Chairman of the Committee shall report the proceedings of the Committee Meeting at each Board of Directors Meeting.

## **8 CONSULTANTS**

The Committee may retain, at such times and on such terms as the Committee determines in its sole discretion and at the Company's expense, special legal, accounting or other consultants to advise and assist it in complying with its responsibilities as set forth herein.

## **9 TRAINING**

The Committee shall be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.

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(Approved by: Board of Directors on 29 September 2016)