
 PELABURAN HARTANAH BERHAD	TERMS OF REFERENCE AUDIT COMMITTEE		
	Effective Date December 2020	Version no. 1.0	Revision no. 02

Pelaburan Hartanah Berhad
Audit Committee
Terms of Reference


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1.0 PURPOSE OF THE TERMS OF REFERENCE (TOR) OF THE AUDIT COMMITTEE

- 1.1 The Board of Directors (the **Board**) of Pelaburan Hartanah Berhad (**PHB**) had at its meeting on 31 July 2006 approved the setting up of Audit Committee (**Committee**) to assist the Board in fulfilling its responsibility for the enhancement of corporate governance and give assurance to the public confidence in the credibility and objectivity of the management of PHB.
- 1.2 The purpose of this Terms of Reference (TOR) is to outline the general policies as well as specific roles, responsibilities and authorities that govern the Committee.
- 1.3 In order to ensure the effectiveness of the Committee's roles, taking into consideration of the best practices of corporate governance, this TOR will be reviewed and revised, if necessary, on biennially basis.

2.0 COMPOSITION AND CHAIR

- 2.1 The Committee shall comprise a minimum of three members, consisting of a Chairman appointed by the Board from amongst the PHB directors, one other director and any other persons selected and approved by the Board.
- 2.2 In the event of the tenure of any of the member of the Committee is due to end and the Board is of the opinion that his/her service is still required by the Board, he/she can be appointed as a Senior Independent Director (**SID**), of which the scope of responsibility of the SID will be recommended by the Board and approved by Yayasan Amanah Hartanah Bumiputera (**YAHB**).
- 2.3 The Management of PHB shall be represented by the Group Managing Director/Chief Executive Officer (**Group MD/CEO**) and any other relevant parties who shall appear before the Committee as and when required by the Committee.
- 2.4 The Head of External Auditor (**HEA**) and/ or Head of Internal Audit Department (**HIAD**) will provide executive support to the AC and will attend meetings unless the Chairman of the AC decides otherwise.
- 2.5 The HIAD and the Office of the Company Secretary will provide secretarial services to the AC.

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3.0 DUTIES AND FUNCTIONS

3.1 General


- 3.1.1 The Committee should have the authority to investigate any matters within its Terms of Reference, with the exception of matters related to corruption cases/ concerns reported by internal and external parties which is within the duties and functions of the Board Risk Committee (BRC)

The Committee should have the resources it needs to exercise its duty as mentioned in 3.1.1, above, and full access to information. In this regard, the Committee should obtain external professional advice, if necessary.

- 3.1.2 The Committee should review the co-ordination of audit approach between the external and internal auditors.

3.2 Review of External Audit Plan

- 3.2.1 The Committee should review the external audit plan.
- 3.2.2 The Committee, upon receiving the audit plan from the external auditors, shall call for a meeting before the financial year end to discuss the following:
- the nature, scope, approach and methodology of the auditor's proposed plan including liaison with the internal auditor. At this stage, the Committee may also look at the approach used by the external auditors in identifying and addressing business risks;
 - preliminary issues (accounting and auditing issues and significant events) noted by the auditor;
 - recent development of new or proposed changes in accounting principles or regulatory requirements;
 - the external audit teams; and
 - the proposed audit fees.
- 3.2.3 After the review of the audit plan, the Committee may request the auditor to perform additional audit work, directed at specific areas of concern.

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3.3 Review of External Auditors Evaluation of Internal Controls System


- 3.3.1 The external auditor is expected to review and assess the effectiveness of these control activities in mitigating critical business risks.
- 3.3.2 The external auditor is expected to identify business improvement opportunities and internal control weaknesses.
- 3.3.3 The Committee should review the management letters produced by the auditor addressing business improvement opportunities and internal control weaknesses and recommendations thereof and should monitor the subsequent implementation of the agreed improvements and/or rectification of weaknesses by the management.

3.4 Review of External Auditor's Report

The audit report is a statement made by the auditor to the shareholders of PHB expressing the auditor's opinion on the audited financial statements. The AC needs to review and consider the auditor's report including whether there is any qualification to the report and the nature of any such qualification.

3.5 Review of Assistance given by PHB's Personnel to the External Auditor

- 3.5.1 The auditor, in carrying out the work required in order to enable him to express an opinion on financial statements, requires the assistance and co-operation of PHB's personnel as follows:
 - a. responding promptly to the auditor's request for information, and explanations as he desires for the purpose of the audit; and
 - b. preparing financial statements and schedules in forms suitable for audit purposes.
- 3.5.2 The Committee should ensure that personnel of PHB comply with the requirements of section 174 of the Companies Act, 1965 but also that assistance is given to the auditor at a level which enables the auditor to complete his work economically, efficiently and effectively.


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3.6 Review of Internal Audit Plan, Internal Audit Work and Reports

- 3.6.1 The Committee should focus on the scope and effectiveness of the procedures carried out by the internal auditor (either in-house or outsourced).
- 3.6.2 The capacity of the internal audit function to fulfil its responsibilities may be assessed by considering, among other things, the scope of the internal auditor's authority as presented in the document describing its function; the qualification and experience level of its team s; and the reporting relationships between the Internal Audit team and executive management.
- 3.6.3 The degree to which internal auditors are independent of the activities they audit is a recognised measure of their capacity to fulfil their responsibilities.

3.7 Review of Financial Statements with the External Auditor

- 3.7.1 The review of the annual financial statements with management and the external auditors is usually the Committee's primary duty and should be sufficiently detailed to enable the Committee to report to the Board that it is satisfied that the accounts give a true and fair view and that all appropriate disclosures have been made.
- 3.7.2 The Committee may fulfil this review function by holding meetings with both management and the auditor to discuss the accounts and the results of the audit. The meeting shall discuss, among other things, the following:
 - a. risk management issues;
 - b. the nature and resolution of any significant accounting and auditing issues encountered during the audit;
 - c. disclosure of any material derivative transactions undertaken by management during the year;
 - d. the nature of any significant adjustments, reclassifications or additional disclosures proposed by the auditor that are currently significant or may become significant in the future;
 - e. the adequacy of financial statement disclosures in compliance with the relevant laws and international accounting standards;
 - f. the nature and impact of any changes in accounting policies or principles during the year;

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- g. the reasons for major fluctuations in financial statement balances, current year compared to prior years;
- h. unusual circumstances or situations reflected in the financial statements;
- i. the nature of any unusual or significant commitments or contingent liabilities;
- j. significant differences between the annual report and other reports such as reports to regulatory agencies, profit forecasts and cash projections; and
- k. significant variations in audit scope that appear in the course of the audit.

3.8 Review of any Related Party Transactions

3.8.1 Related party transactions are those transactions conducted between persons which, due to proximity of their relationships, could give rise to transactions which might be prejudicial to general shareholders' interests.

3.8.2 To ensure that directors are accountable to stakeholders for their actions and the actions of management, it is required that directors ensure disclosure of certain types of **related party transactions** and particulars of directors in their annual financial statements in accordance with statutory requirements and generally accepted accounting standards.


Examples of such disclosures are:

- a. interests in contracts and property;
- b. directors' share and debenture transactions;
- c. loan transactions with directors; and
- d. grant of share options to directors.

A framework for review by the Committee of these transactions should be set in place.

3.9 Consider Nomination of External Auditors

The Committee should consider the performance of the external auditor and recommend his appointment to the Board. The Committee should also consider the external auditor's remuneration and any questions of resignation or dismissal.

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3.10 Review of Internal Audit Report

The Committee should review reports from the Internal Audit in areas relating to the monitoring and review of control procedures and make recommendations of action steps to the Board where required.


3.11 Other Functions

Other functions that may be carried out by the Committee shall include, but not limited to the followings:

- a. to review and recommend to the Board for approval/signature of the General Representation Letter to be issued to the external auditors in relation to the annual statutory audit;
- b. to establish and periodically review a corporate code of conduct;
- c. to review profit forecasts and cash flow statements;
- d. to perform or supervise special investigations, with the exception of investigation on corruption cases/ concerns reported by internal and external parties which is within the scope of duties and functions of Board Risk Committee (BRC).
- e. to review policies on sensitive payments and executive expenses;
- f. to review compliance with relevant government regulations; and
- g. to assess the performance of financial management.

4.0 COMMITTEE PROCEDURES

- 4.1** The Committee shall meet on a quarterly basis or more frequently if required and will be convened and conducted on the same principles as those that apply to the Board.
- 4.2** Quorum - a meeting of the Committee shall be taken to be convened if at least 2 of the Members are present.
- 4.3** In the absence of the Chairman, the Members present shall nominate the Chairman for the meeting from amongst them.
- 4.4** A meeting may be held by the Committee Members communicating with each other by any technological means such as conference call, provided that the physical meeting venue must be determined and the method of conducting the meeting must be recorded in the minutes of meeting.

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4.5 Relevant information and schedules required for the meeting should be prepared by the Management of PHB prior to the meeting.

4.6 No Members of the Committee or any officer, employee or agent of the PHB or any person attending any meeting of the Committee shall disclose any information which has been obtained by him or her in the course of their duties and which is not published except:


- a. for the purpose of any civil or criminal proceeding under any written law; or
- b. where otherwise authorized by the Board.

In respect of confidentiality of information, such information shall not be used by anyone within the Group to derive personal gains or for any purpose other than that intended by and for the Group.

5.0 HEAD OF INTERNAL AUDIT DEPARTMENT (HIAD)

The Committee will:

- 5.1** review and approve the appointment of the HIAD;
- 5.2** review the HIAD's remuneration is subject to the review of the Group CEO and the Chairman of AC;
- 5.3** review significant findings and reports of the HIAD and management's responses to those findings;
- 5.4** review the Internal Audit Department and Head of IAD's Job Description (**JD**) and Key Performance Indicator (**KPI**), annual plan, budget and resourcing;
- 5.5** ensure that the HIAD communicates regularly with the Chairman of the AC and will have the right and responsibility to elevate issues to the Chairman of the AC where he/she considers it necessary in the furtherance of his/her responsibilities; and
- 5.6** ensure the HIAD assists the Committee in discharging its duties, of which the Committee will receive regular reports from the HIAD and, as appropriate, from all departments' heads within the Group.

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6.0 REPORTING

6.1 By the Committee to the Board

Significant matters reviewed and considered by the Committee should be reported to the Board on a periodic basis. This reporting may take the form of a summary report or extracts of minutes of committee meetings.

6.2 By the External Auditors to the Committee

The external auditor will communicate with the Committee to co-ordinate work and discuss areas of concern during planning and reporting stages.

6.3 By Internal Audit to the Committee

Due to the necessity for the internal audit function to be independent, a framework for periodic reporting by the Head of IAD direct to the Committee should be established that includes the areas of non-compliance and make request from the Committee to execute further investigation on the areas where there are compliance issues.

6.4 By Management to the Committee

The information to be presented to the Committee for consideration would include:

- final draft of the financial statements in respect of interim and the year-end reporting periods;
- impact of any unusual transactions including any significant related party transactions that may arise within PHB;
- answers to queries by the Committee brought about during Committee meetings; and
- any other pertinent information which in the opinion of the management should be communicated to the Committee for consideration.

END