



**DELEUM**

**TERMS OF REFERENCE  
OF  
THE AUDIT COMMITTEE**

**Revision No: 2/2018**

**Date: 26 February 2018**

Approved by the Board of Directors of Deleum Berhad  
on 26 February 2018

# DELEUM BERHAD

## Terms of Reference of the Audit Committee (“Committee”)

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### **1.0 OBJECTIVES OF THE COMMITTEE**

#### 1.1 The Committee shall assist the Board:

- 1.1.1 in complying with specified accounting standards and the necessary disclosure as required by Bursa Malaysia Securities Berhad (“Bursa Securities”), relevant accounting standards bodies, and any other laws and regulations as amended from time to time;
- 1.1.2 in presenting a balanced and understandable assessment of the Company’s positions and prospects;
- 1.1.3 in establishing a formal and transparent arrangement for maintaining an appropriate relationship with the Company’s auditors. It is to be the Board’s principal agent in assuring the independence of the Company’s external auditors;
- 1.1.4 in maintaining a sound system of internal control to safeguard shareholders’ investment and the Company’s assets; and
- 1.1.5 in undertaking such additional duties as may be appropriate and necessary to assist the Board.

### **2.0 COMPOSITION OF THE COMMITTEE**

#### 2.1 The Committee is to be appointed by the Board from among their numbers, which shall comprise the following:

- 2.1.1 a minimum of three (3) Members;
- 2.1.2 all the Members must be Non-Executive Directors with a majority of the Members being Independent Directors in line with the Main Market Listing Requirements of Bursa Securities. However, for best practice, where practicable, the membership should comprise of all Independent Directors as determined by the Board;
- 2.1.3 all Members should be financially literate and are able to understand matters under the purview of the Committee including the financial reporting process;

- 2.1.4 at least one (1) Member of the Committee must be a member of the Malaysian Institute of Accountants (“MIA”) or a person who fulfils the requirements as stated in para 15.09(1)(c)(ii)&(iii) of the Bursa Securities Listing Requirements; and
- 2.1.5 no alternate director shall be appointed as a Member of the Committee.
- 2.2 the Members should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules;
- 2.3 the Committee or the Board shall elect a Chairman of the Committee from among the Members of the Committee who is an Independent Director;
- 2.4 all Members of the Committee shall hold office only for so long as they serve as Directors of the Company;
- 2.5 in the event of any vacancy resulting in non-compliance of the minimum of three (3) Members, the Board shall upon the recommendation of the Joint Remuneration and Nomination Committee, appoint such number of Directors within three (3) months of the event to fill up such vacancies;
- 2.6 former key audit partners of external auditors must observe a cooling-off period of at least two (2) years before being appointed as a member of the Committee;
- 2.7 Members of the Committee may relinquish their membership in the Committee with prior written notice to the Secretary and may continue to serve as Directors of the Company;
- 2.8 the Secretary of the Committee shall be the Company Secretary; and
- 2.9 the term of office and performance of the Committee and each of its Members shall be reviewed by the Joint Remuneration and Nomination Committee and the Board annually.

### **3.0 AUTHORITY**

- 3.1 The Committee is authorised by the Board to investigate any matter within its terms of reference. It shall have the authority to seek any information it requires from any employee of the Group and all employees are directed to co-operate with any request made by the Committee.
- 3.2 The Committee shall have full and unrestricted access to any information pertaining to the Company and the Group.

- 3.3 The Committee shall have direct communication channels with both the external auditors and internal auditors.
- 3.4 The Committee shall have the resources that are required to perform its duties. The Committee can obtain, at the expense of the Company, external legal or other independent professional advice it considers necessary.

#### **4.0 DUTIES AND RESPONSIBILITIES OF THE COMMITTEE**

- 4.1 The following are the main duties and responsibilities of the Committee collectively, which are not exhaustive and can be augmented if necessary with the Board's approval:
  - 4.1.1 nominates and recommends the external auditor for appointment, to consider the adequacy of experience, resources, audit fee and any issues regarding resignation or dismissal of the external auditor;
  - 4.1.2 reviews with the external auditor their audit plan, the nature and scope of the audit before the audit commences and reports the same to the Board;
  - 4.1.3 ensures co-ordination when more than one audit firm is involved in the audit;
  - 4.1.4 reviews with the external auditor his audit report and reports the same to the Board;
  - 4.1.5 reviews with external auditor his evaluation of the system of internal controls and reports the same to the Board;
  - 4.1.6 reviews the assistance given by the employees of the Deleum Berhad Group to the external auditor and reports the same to the Board;
  - 4.1.7 to do the following with regard to internal audit function:
    - (a) reviews and reports the same to the Board on the adequacy of the scope of their ongoing audit activities, resources and competency of the internal audit function and that it has the necessary authority to carry out its work;
    - (b) reviews and reports the same to the Board on the internal audit plan, processes, the results of the internal audit assessment, processes or investigation undertaken;
    - (c) where necessary, ensures that appropriate action is taken on the recommendations of the internal audit function;

- (d) reviews any appraisal or assessment of the performance of members of the internal audit function;
  - (e) approves any appointment or termination of senior staff members of the internal audit function;
  - (f) considers the resignations of internal audit staff members and provides the resigning staff member an opportunity to submit his reasons for resigning; and
  - (g) ensures the effectiveness and independence of the internal audit function and that the internal audit function reports directly to the Committee.
- 4.1.8 Prior to the approval of the Board, reviews the quarterly and year-end financial statements, including announcements, and reports the same to the Board, focusing particularly on:
- (a) any changes in or implementation of major accounting policies and practices;
  - (b) significant matters highlighted including financial reporting issues, significant judgments 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 assumptions; and
  - (e) compliance with accounting standards and other legal requirements.
- 4.1.9 reviews any related party transactions and conflict of interest situation that may arise within the Deleum Berhad Group including any transaction, procedure or course of conduct that raises questions of management integrity and reports the same to the Board;
- 4.1.10 verifies the allocation of shares under the long-term incentive plan or share options schemes to the selected eligible employees to ensure compliance with the allocation criteria established pursuant to the by-laws governing the relevant share scheme;
- 4.1.11 reviews the whistleblowing policy and investigation procedures for implementation by the Group;
- 4.1.12 reviews any letter of resignation from the external auditor and reports the same to the Board;
- 4.1.13 reviews whether there is reason, supported by grounds, to believe that the external auditor is not suitable for reappointment and reports the same to the Board;

- 4.1.14 discusses problems and reservations, if any, arising from the interim and final audits and any matter which the external auditor wishes to discuss in the absence of management, where necessary;
- 4.1.15 discusses and reviews the external auditor's management letter and management's response;
- 4.1.16 discusses and reviews the major findings of internal audit investigations and management's response;
- 4.1.17 reviews with the external auditor the statement made by the Board with regard to the state of internal control of the Deleum Berhad Group, and reports the results thereof to the Board;
- 4.1.18 performs any other work that it is required or empowered to do by statutory legislation or guidelines as prepared by the relevant Government authorities;
- 4.1.19 reports to the Board of Directors if there is any breach of the Bursa Securities Listing Requirements and recommends corrective measures;
- 4.1.20 promptly reports to Bursa Securities where a matter reported by the Committee to the Board has not been satisfactorily resolved resulting in a breach of Bursa Securities Listing Requirements; and
- 4.1.21 considers other issues as defined by the Board.

## **5.0 COMMITTEE MEETINGS**

- 5.1 The Committee shall meet at least four (4) times in a year although additional meetings may be called at any time with due notice of issues to be discussed, at the discretion of the Chairman of the Committee.
- 5.2 The Head of Finance Division, Head of Internal Audit and a representative of the external and internal auditors shall normally attend Committee meetings. Other Board members or employees of the Company or professional advisors may attend meetings upon the invitation of the Committee. However, the Committee shall meet at least once a year with the external auditors and internal auditors or both without the presence of the executive Board members and employees of the Company and whenever deemed necessary.
- 5.3 The Chairman of the Committee, or the Secretary on the requisition of the Members, shall at any time summon a meeting of the Members by giving three (3) days' notice. It shall not be necessary to give notice of a Committee meeting to any Member for the time being absent from Malaysia.

- 5.4 The quorum of meetings of the Committee shall consist of a majority of Independent Non-Executive Directors and shall not be less than two (2) Members including the Chairman.
- 5.5 No business shall be transacted at any meeting of the Committee unless a quorum is present.
- 5.6 The Chairman of the Committee shall chair the Committee meetings. In the absence of the Chairman, the Members present shall elect a Chairman for the meeting from among the Members present.
- 5.7 Meetings may be conducted by means of telephone conference, video conference or any other form of audio or audio-visual instantaneous communication and the participation in the meeting pursuant to this provision shall constitute presence in person at such meeting.
- 5.8 The Secretary shall draw up an agenda for each meeting, in consultation with the Chairman of the Committee. The agenda shall be sent to all Members of the Committee and any other persons who may be required to attend the meeting.
- 5.9 The Secretary shall promptly prepare the written minutes of the meeting and distribute to each Member. The minutes of the meeting shall be confirmed and signed by the Chairman of the Committee.
- 5.10 The minutes of each meeting shall be entered into the minutes book kept at the registered office of the Company under the custody of the Company Secretary. The minutes book shall be open for the inspection of the Board, external auditor, internal auditor, management and other persons deemed appropriate by the Company Secretary.
- 5.11 The Committee may deal with matters by way of circular resolutions in lieu of convening a formal meeting.
- 5.12 All recommendations and findings of the Committee shall be submitted to the Board for approval.

## **6 DISCLOSURE**

- 6.1 The Board is required to prepare an Audit Committee Report at the end of each financial year to be included and published in the Annual Report of the Company. The said report shall include the following:

- 6.1.1 The composition of the Committee, including the name, designation (indicating the Chairman) and directorship of the Members (indicating whether Directors are independent or otherwise);
  - 6.1.2 The number of Committee meetings held during the financial year and details of attendance of each Member;
  - 6.1.3 A summary of the activities carried out by the Committee in the discharge of its functions and duties for that financial year of the Company; and
  - 6.1.4 A summary of the activities carried out by the Internal Audit function.
- 6.2 The Committee shall assist the Board in making the following additional statements in the Company's Annual Report:
- 6.2.1 A statement explaining the Board's responsibility for preparing the annual audited accounts; and
  - 6.2.2 A statement about the state of internal control of the Deleum Berhad Group.

## **7 REVISION OF THE TERMS OF REFERENCE**

- 7.1 Any revision or amendment to this Terms of Reference, as proposed by the Committee or any third party, shall first be presented to the Board for its approval.
- 7.2 Upon the Board's approval, the said revision or amendment shall form part of this Terms of Reference and this Terms of Reference shall be considered duly revised or amended.