

IREKA CORPORATION BERHAD

(Company No.: 25882-A)

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

Objectives

The Audit Committee (“AC”) is established with the following primary objectives:

- (i) To assist the Board in fulfilling its statutory and fiduciary responsibilities of monitoring Ireka Group of Companies’ (“Group”) management of financial risk processes, and accounting and financial reporting practices;
- (ii) To review the Group’s business process, the quality of the Group accounting function, financial reporting and the system of internal controls;
- (iii) To enhance the independence of both the external and internal audit functions by providing direction to and oversight of these functions on behalf of the Board;
- (iv) To oversee the internal control system and Risk Management Framework of the Group, and regularly assessing such internal control system and Risk Management Framework to ascertain its adequacy and effectiveness; and
- (v) To review and evaluate any related party transactions and conflict of interest situations.

Membership

1. The members of AC shall be appointed by the Board from among the Directors of the Company based on the recommendation of the Nomination & Remuneration Committee and shall comprise not fewer than three (3) members, all of whom shall be non-executive directors and a majority of whom shall be independent directors.
2. All members of the AC shall be financially literate and at least one (1) member of the AC:
 - (i) must be a member of the Malaysian Institute of Accountants (“MIA”); or
 - (ii) if he is not a member of the MIA, he must have at least three (3) years’ of working experience and –
 - he must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
 - he must be a member of one of the associations of the accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
 - (iii) fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad (“Bursa Securities”).
3. No alternate director shall be appointed as a member of the AC.
4. No former key audit partner shall be appointed as a member of the AC before observing a cooling-off period of at least two (2) years.

5. The Chairman of the AC shall be an independent director appointed by the Board based on the recommendation of the Nomination & Remuneration Committee (“NRC”). The Chairman of the AC is not the Chairman of the Board. In the absence of the Chairman, the meeting shall be chaired by an independent director elected from amongst the AC members.
6. In the event of any vacancy in the AC resulting in the non-compliance with the Bursa Securities Listing Requirements, the Board shall fill the vacancy within three (3) months from the date of the vacancy.
7. The Board, via the NRC, shall review the terms of office and performance of the AC and each of its members annually to determine whether the AC and its members have carried out their duties in accordance with this terms of reference.

Authority

The AC is authorised by the Board and at the expense of the Group to perform the following:

1. Secure the resources in order to perform its duties as set out in its terms of reference.
2. Investigate any activity within its terms of reference and shall have direct communication channels with Senior Management, Internal Auditors, External Auditors and Company Secretary.
3. Have full and unrestricted access to information pertaining to the Company and the Group, their records, properties and personnel.
4. Obtain external legal or other independent professional advice as necessary.

Duties and Responsibilities

The main functions and duties of the AC shall include, but are not limited to the following:

1. Financial Reporting
Review the quarterly and annual financial statements of the Group and Company with the Management and the external auditors focusing on the matters set out below, prior to approval by the Board:
 - any change in accounting policies and practices, and its implementation;
 - significant adjustments arising from the audit;
 - any significant commitments or contingent liabilities;
 - significant matters highlighted including financial reporting issues, significant judgements made by the Management, significant and unusual events or transactions, and how these matters are addressed;
 - the going concern assumption;
 - compliance with accounting standards and regulatory as well as legal requirements;
 - any significant variations in audit scope and approach;
 - whether the financial statements taken as a whole provide a true and fair view of the Group and the Company’s financial position and performance; and
 - ensuring the timely release of such financial statements.

2. Dealings with External Auditors

- (i) Recommend to the Board the appointment of the External Auditors and the audit fee, and review any questions of resignation, dismissal or cessation of office of the External Auditors.
- (ii) Assess and monitor the performance, suitability, objectivity and independence of the External Auditors annually. The assessment is to be based on established policies and procedures that consider among others:
 - the experience, competence and resources of the external audit firm and its team;
 - the nature and extent of the non-audit services rendered and appropriateness of the level of fees; and
 - 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.
- (iii) Discuss the following with the external auditor prior to commencement of the audit:
 - the nature and scope of audit;
 - the audit plan;
 - co-ordination of audit where more than one audit firm is involved;
 - evaluation of the system of internal controls; and
 - the audit reports.
- (iv) Review the External Auditors' findings arising from their audits, particularly on areas of concern raised in the management letter and management's responses to the findings of the External Auditors and the External Auditors' evaluation of the system of internal control, assistance given by the employees to the External Auditors during the course of audit and any other matters the External Auditor may wish to discuss.

3. Internal Audit Function

- (i) In relation to internal controls:
 - Review and monitor the adequacy and integrity of the Company's system of internal controls and management information systems, including systems to ensure compliance with applicable laws, regulations, rules, directives and guidelines;
 - Review the adequacy of the internal audit scope, functions, competency, experience and resources of the Internal Audit Function, and ensure it is able to undertake its activities independently and objectively, and that it has the necessary authority to carry out its work;
 - Review and approve the Internal Audit Plan; and
 - Review the internal audit reports prepared by the Internal Auditors, discuss major findings and Management's response, and ensure appropriate action is taken on the recommendations of the Internal Audit Function to ensure all key risks and control issues are addressed.

- (ii) Assess the performance of the Internal Audit Function.
 - (iii) Recommend to the Board the appointment or removal of the professional service firm.
4. Internal Control and Risk Management
- (i) Establish and periodically review the Group's risk management guidelines and policies adopted by the Risk Executive Committee, and ensure implementation of the objectives outlined in the policies and compliance with them.
 - (ii) Review the adequacy and effectiveness of the Group's internal control system including the controls over financial reporting to ensure that the same are in place, effectively administered and regularly monitored.
 - (iii) Review risk reports prepared by the Risk Executive Committee and to assess the appropriateness of Management's responses to key risk areas and proposed recommendations for improvement to be implemented.
 - (iv) Evaluate the adequacy and effectiveness of the risk management framework, including methodology for identifying, assessing, monitoring and managing the Group's key risks with the objective of minimising losses and maximising opportunities for the Group.
5. Related Party Transactions
- (i) Ensure that Management establishes a comprehensive framework for the purposes of identifying, evaluating, approving, reporting and monitoring conflict of interest situations and related party transactions.
 - (ii) Review related party transactions including disclosures, values of mandates and situations involving potential conflict of interest that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity.
6. Other Matters
- (i) To promptly report to the Bursa Securities of matters reported by the AC to the Board which have not been satisfactorily resolved, resulting in a breach of the Bursa Securities' Listing Requirements.
 - (ii) Review the AC Report and the Statement on Risk Management and Internal Control for inclusion in the annual report.
 - (iii) To undertake any other functions as may be determined by the Board from time to time.

Reporting Responsibilities

1. The AC Chairman shall report to the Board on matters considered and its recommendations thereon.
2. Any decisions or recommendations made by AC shall be subject to the review and ultimate approval of the Board of Directors.

Meeting Procedures

1. Frequency and Calling

The AC shall meet at least five (5) times in a financial year, with additional meetings convened as and when necessary.

The Executive Director (Finance) and representatives of the internal and external auditors shall normally attend AC meetings. Other members of the Board, Management or external consultants may attend any particular AC meeting only at the invitation of the AC Chairman.

2. Notice
The AC meetings shall be called by the Secretary of the AC at the request of the AC Chairman.

The Secretary shall prepare the agenda in consultation with the Chairman. The notice period convening the AC meeting shall be at least seven (7) days, which may be waived by the consent of all AC members.
3. Quorum
The quorum for a meeting of the AC shall be two (2) members, whom shall be an independent non-executive director.

Any member of the AC may participate at a meeting by way of telephone and video conferencing or by means of other communication equipment in which event such member shall be deemed to be present at the meeting.
4. Voting
All resolutions of the AC shall be adopted by a simple majority vote, each member having one vote. In case of equality of votes, the Chairman shall have a second or casting vote.

An AC 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.
5. Secretary
The Secretary of the Company shall serve as the Secretary of AC.
6. Minutes of Meetings
The minutes of meeting shall record the deliberations and decisions of the AC. The minutes of each meeting shall be tabled and circulated for each member's record. The Chairman's confirmation of the minutes shall be taken as a correct record of the proceedings thereat. The Secretary shall be responsible for keeping the minutes of meetings.

Circular Resolution

1. A resolution in writing signed or approved by a majority of the members who are sufficient to form a quorum, shall be as valid and effective as if the same has been passed at a meeting of the AC duly convened and held.
2. Any such resolution may consist of several documents in like form, each signed by one or more members. Any such document, may be accepted as sufficiently signed by a member if transmitted to the Company by facsimile or any electronic means purporting to include a signature of the member.

This Terms of Reference was reviewed and approved by the Board on 27 February 2019.