



## **ALAM MARITIM RESOURCES BERHAD**

### **BOARD AUDIT COMMITTEE**

### **TERMS OF REFERENCE**

The BAC shall be established to assist the Board in fulfilling its oversight responsibilities. The BAC shall review and ensure that the process of assessing risk, control and governance, including operational and financial controls, business ethics and compliance, are properly managed and monitored.

**(a) Composition**

The BAC shall comprise at least three Directors, the majority of whom are independent. The members of the BAC shall be appointed by the Board of Directors and all members of the BAC including the Chairman are Independent Non-Executive Directors.

All members of the BAC shall be financially literate and have the ability:

- To read and understand financial statements, including a company's statement of financial position, statement of comprehensive income and statement of cash flows;
- To analyse financial statements and ask pertinent questions about the company's operations against internal controls and risk factors; and
- To understand and interpret the application of approved accounting standards.

At least one (1) member of the BAC shall be a member of the Malaysian Institute of Accountant or shall fulfill such other requirements as prescribed in the Bursa Malaysia Listing Requirements.

No alternate director shall be appointed as a member of the BAC. The Board shall review the terms of office and performance of the members of the BAC at least once every three (3) years to determine whether the members have carried out their duties in accordance with their terms of reference.

In the event of any vacancy in the BAC resulting in the non-compliance of subparagraph 15.09(1) of the Bursa Malaysia Listing Requirements, the Board shall fill the vacancy within three (3) months from the date of the vacancy.

**(b) Chairman**

An Independent Non-Executive Director shall be the Chairman of the BAC.

**(c) Meetings and Minutes**

The BAC shall meet at least four times annually. However, at least twice a year, the BAC shall meet with the External Auditors without the Executive Directors being present. Representatives of the External Auditors are to be in attendance at meeting where matters relating to the audit of the statutory accounts and/or External Auditors are to be discussed.

The Group Chief Financial Officer and Head Group Internal Audit will normally be in attendance at the BAC meetings. Other directors, officers and employees of the Company and/or Group may be invited to attend, except for those portions of the meetings where their presence is considered inappropriate, as determined by the BAC.

The Group Company Secretary shall be the Secretary of the BAC and will record, prepare and circulate the minutes of the meetings of the BAC and ensure that the minutes are properly kept and produced for inspection, if required. The BAC shall report to the Board and its minutes tabled and noted by the Board.

**(d) Quorum**

A majority of the members in attendance must be Independent Directors in order to form a quorum for the meeting.

**(e) Authority**

The BAC is authorised by the Board to review any activity within the BAC's terms of reference.

The BAC is authorised to seek any information the BAC requires from any Director or member of management and has full and unrestricted access to any information pertaining to the Group and the Management, and all employees of the Group are required to comply with the requests made by the BAC.

The BAC is authorised by the Board to obtain external professional advice and secure the attendance of outsiders with relevant experience and expertise if it considers this necessary, the expenses of which will be borne by the Company.

In the event that any member of the BAC shall need to seek external professional advice in furtherance of his duties, he shall first consult with and obtain approval of the Chairman of the BAC.

The BAC shall have direct communication channels and be able to convene meetings with the External Auditors without the presence of Executive Directors and Management, whenever deemed necessary.

**RESPONSIBILITIES AND DUTIES**

The responsibilities and duties of the BAC are:

**(a) Financial Reporting**

- To review the quarterly, and annual financial statements of the Company, focusing particularly on:
  - any significant changes to accounting policies and practices;
  - significant adjustments arising from the audits;
  - compliance with accounting standards and regulatory requirements; and
  - the going concern assumption.

**(b) Related Party Transactions**

- To review any related party transactions and conflict of interest situations that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity.

### **(c) Audit Reports**

- To prepare the annual BAC report to the Board which includes the composition of the BAC, its terms of reference, number of meetings held, a summary of its activities and the existence of an Internal Audit department and summary of the activities of that unit for inclusion in the Annual Report; and
- To review the Board's statements on compliance with the MCCG 2012 for inclusion in the Annual Report.

### **(d) Risk Management and Internal Control**

- To consider annually the Risk Management Framework adopted within the Group and to be satisfied that the methodology employed allows the identification, analysis, assessment, monitoring and communication of risks in a regular and timely manner that will allow the Group to minimise losses and maximise opportunities;
- To ensure that the system of internal control is soundly conceived and in place, effectively administered and regularly monitored;
- To cause reviews to be made of the extent of compliance with established internal policies, standards, plans and procedures including for example, the Group Policies & Authorities;
- To obtain assurance that proper plans for control have been developed prior to the commencement of major areas of change within the Group; and
- To recommend to the Board steps to improve the system of internal control derived from the findings of the Internal and External Auditors and from the consultations of the BAC itself.

### **(e) Internal Audit**

- To be satisfied that the strategies, plans, manning and organisation for internal auditing are communicated down through the Group, specifically:
  - To review the Internal Audit plans and to be satisfied as to their consistency with the Risk Management Framework used, adequacy of coverage and audit methodologies employed;  
To be satisfied that the Internal Audit department within the Group has the proper resources and standing to enable them to complete their mandates and approved audit plans;
  - To review status reports from Internal Audit and ensure that appropriate actions have been taken to implement the audit recommendations.
  - To recommend any broader reviews deemed necessary as a consequence of the issues or concerns identified;
  
  - To review any appraisal or assessment of the performance of the members of the Internal Audit, approve any appointment or termination of senior staff members of Internal Audit and inform itself of any resignations of staff of Internal Audit and reasons thereof;
  - To ensure Internal Audit has full, free and unrestricted access to all activities, records, property and personnel necessary to perform its duties; and
  - To request and review any special audit which it deems necessary.

**(f) External Audit**

- To review the External Auditors' audit plan, nature and scope of the audit plan, audit report, evaluation of internal controls and co-ordination of the External Auditors. The BAC will consider a consolidated opinion on the quality of external auditing at one of its meetings;
- To review with the External Auditors the Statement on Risk Management and Internal Control of the Group for inclusion in the Annual Report;
- To review any matters concerning the appointment and re-appointment, audit fee and any questions of resignation or dismissal of the External Auditors;
- To review and evaluate factors related to the independence of the External Auditors and assist them in preserving their independence;
- To be advised of significant use of the External Auditors in performing non-audit services within the Group, considering both the types of services rendered and the fees, such that their position as auditors are not deemed to be compromised; and
- To review the External Auditors' findings arising from audits, particularly any comments and responses in management letters as well as the assistance given by the employees of the Group in order to be satisfied that appropriate action is being taken.

**(g) Other Matters**

- To act on any other matters as may be directed by the Board.