

## **TERMS OF REFERENCE OF AUDIT COMMITTEE**

### **1. OBJECTIVE**

The primary function of the Audit Committee is to assist the Board of Directors in fulfilling the following oversight objectives on the Group activities:

- 1.1 Review and assess the Group's processes relating to its risks and control environment;
- 1.2 Review and assess the Group's quarterly and year end financial reporting;
- 1.3 Review and assess the internal and external audit processes;and
- 1.4 Review and assess the conflict of interest situations and related party transactions.

### **2. COMPOSITION**

The Audit Committee shall be appointed by the Board from among its members who fulfill the following requirements:-

- 2.1 The Audit Committee must be composed of not fewer than three (3) members;
- 2.2 All the members of the Audit Committee must be Non-Executive Directors, with a majority of them being Independent Non-Executive Directors;
- 2.3 The members of the Audit Committee shall elect a Chairman from among their number who shall be an Independent Non-Executive Director;
- 2.4 All the members of the Audit Committee shall be financially literate and at least one member of the Audit Committee:-
  - 2.4.1 must be a member of the Malaysian Institute of Accountants; or
  - 2.4.2 if he/she is not a member of the Malaysian Institute of Accountants, he/she must have at least three (3) years' working experience; and
    - he/she must have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
    - he/she must be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
  - 2.4.3 fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad ("Bursa Securities");

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2.5 No Alternate Director shall be appointed as a member of the Audit Committee; and

2.6 Subject to any regulatory disqualification, members of the Audit Committee shall not be removed except by the Board. In the event of any vacancy in the Audit Committee, the Board shall within three (3) months fill the same so as to comply with all regulatory requirements. In any event the Board shall review the term of office and performance of the Audit Committee and each of its members at least once every three (3) years.

**3. SECRETARY**

The Company Secretary shall be the Secretary of the Committee.

**4. QUORUM AND VOTING**

The quorum for all meetings of the Audit Committee shall not be less than three (3) members, a majority of whom shall be Independent Non-Executive Directors. All meetings shall be chaired by the Chairman; if the Chairman is absent at any meeting, it shall be chaired by another Independent Non-Executive Director.

All resolutions of the Audit Committee shall be adopted by a simple majority vote, each member having one vote. In case of equality of votes, the Chairman of the meeting shall have a second or casting vote.

**5. MEETINGS AND ATTENDANCE**

5.1 Meetings shall be held not less than four (4) times a year;

5.2 The meeting shall normally be attended by the Executive in charge of Finance, Internal Audit and Corporate Governance;

5.3 The external auditors are normally invited to attend meetings as and when necessary;

5.4 Other Board Members and employees may attend meetings only upon the invitation of the Audit Committee;

5.5 However, at least twice a year, the Audit Committee shall meet with the external auditors without any executive Board member present. The external auditors may also request additional meeting if they consider it necessary;

5.6 The Secretary of the Audit Committee shall provide the necessary administrative and secretarial services for the effective functioning of the Audit Committee. The minutes shall be circulated to the Audit Committee members and to all other members of the Board;

5.7 A resolution in writing, signed by all the members of the Audit Committee, shall be as effectual as if it has been passed at a meeting of the Audit

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Committee duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more Committee members;and

- 5.8 The Secretary shall on the requisition of the members of the Audit Committee summon a meeting of the Committee and, except in the case of an emergency, reasonable notice of every Committee meeting shall be given in writing.

**6. AUTHORITY**

The Audit Committee shall have authority to investigate any matter within its terms of reference.

The Audit Committee is authorised to seek any information it requires from employees, who are required to cooperate with any request made by the Audit Committee, and it shall have full and unlimited access to any information pertaining to the Group.

The Audit Committee shall have direct communication channels with the internal and external auditors and with senior management of the Group and shall be able to convene meetings with external auditors, internal auditors or both, excluding the attendance of Executive Directors and employees of the Company, whenever deemed necessary.

The Audit Committee shall have the resources that are required to perform its duties. The Audit Committee can obtain, at the expense of the Company, outside legal or other independent professional advice it considers necessary.

Where the Audit 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 ACE Market Listing Requirements of Bursa Securities, the Audit Committee shall promptly report such matter to the Bursa Securities.

**7. RESPONSIBILITY AND DUTIES**

In fulfilling its primary objectives, the Audit Committee shall undertake the following responsibilities and duties:

- 7.1 Review with the external auditor, the audit scope and plan, including any changes to the planned scope of the audit plan;
- 7.2 Review the adequacy of the internal audit scope and plan, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;
- 7.3 Ensure that the internal audit function is independent of the activities it audits and the internal auditors shall report directly to the Committee. The head of internal audit shall be responsible for the regular review and/or

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appraisal of the effectiveness of the risk management, internal control and governance processes within the Company;

- 7.4 Review any appraisal or assessment of the performance of members of the internal audit function;
- 7.5 Take cognisance of resignations of internal audit staff members (for in-house internal audit function) or the internal audit service provider (for outsourced internal audit function) and provide the resigning staff member or the internal audit service provider an opportunity to submit his reasons for resigning;
- 7.6 Review the external and internal audit reports to ensure that appropriate and prompt remedial action is taken by management on major deficiencies in control or procedures that are identified;
- 7.7 Review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
- 7.8 Review major audit findings and the management's response during the year with management, external auditors, including the status of previous audit recommendations;
- 7.9 Review the assistance given by the Group's officers to the auditors, and any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information;
- 7.10 Review the independence and objectivity of the external auditors and their services, including non-audit services and the professional fees, so as to ensure a proper balance between objectivity and value for money;
- 7.11 Review the appointment and performance of external auditors, the audit fee, any question of resignation or dismissal, any letter of resignation from the external auditors and whether there is reason (supported by grounds) to believe that the external auditors are not suitable for re-appointment before making recommendations to the Board and recommend the nomination of a person or persons as external auditors;
- 7.12 Review the Internal Audit Charter, budget and staffing of the internal audit functions;
- 7.13 Review the adequacy and integrity of internal control systems, including enterprise risk management, management information system, and the internal auditors' and/or external auditors' evaluation of the said systems;
- 7.14 Direct and where appropriate supervise any special projects or investigation considered necessary, and review investigation reports on any major defalcation, frauds and thefts and management's response;

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- 7.15 Review the quarterly results and the year end financial statements, prior to the approval by the Board focusing particularly on:-
  - 7.15.1 changes in or implementation of major accounting policy changes;
  - 7.15.2 the going concern assumption;
  - 7.15.3 significant adjustments arising out of audit and unusual events; and
  - 7.15.4 compliance with accounting standards and other legal requirements.
- 7.16 Review procedures in place to ensure that the Group complies with the Companies Act 1965, ACE Market Listing Requirements of Bursa Securities and other legislative and reporting requirements;
- 7.17 Review any related party transaction and conflict of interest situation that may arise within the Company or the Group, including any transaction, procedure or course of conduct that raises questions of management integrity;
- 7.18 Prepare reports, if the circumstances arise or at least once (1) a year, to the Board summarizing the activities or work performed in fulfilling the Committee's primary responsibilities, including details of relevant training attended by each Committee member;
- 7.19 Review the annual enterprise risk profile of the group (including risk registers) and evaluate the Risk Manager's risk assessments of the group and his plans to mitigate business risks as identified from time to time;
- 7.20 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:
  - 7.20.1 Management consulting;
  - 7.20.2 Strategic decision;
  - 7.20.3 Internal audit; and
  - 7.20.4 Policy and standard operating procedures documentation.
- 7.20 Any other activities, as authorised by the Board.

The Chairman of the Committee shall engage on a continuous basis with senior management, the head of internal audit and the external auditors in order to be kept informed of matters affecting the Company.