

The Board is pleased to present the report on the Audit Committee and its activities during the financial year ended 31 December 2004.

MEMBERS AND MEETINGS

The Audit Committee comprised the following members and details of their attendance in meetings during the financial year are as follows:

Audit Committee Members	No. of meetings attended
YB Dato' Hilmi bin Haji Abdul Rashid (Chairman/Independent Non-Executive Director)	3/3
YBhg Dato' Dr Ridzuan bin Akil (Member/Independent Non-Executive Director)	3/3
YBhg Dato' Johari bin Abdul Ghani (Member/Group Managing Director)	3/3

TERMS OF REFERENCE

Membership

- 1 The Committee members shall be appointed by the Board from among its numbers and their period of appointment shall be concurrent with their tenure on the Board.
- 2 The Committee shall comprise of not less than three members, the majority of whom are independent non-executive directors.
- 3 The Committee members shall elect a Chairman from amongst themselves who shall be an independent non-executive director.
- 4 At least one member of the Audit Committee must be a member of the Malaysian Institute of Accountants or if he/she is not a member of the Malaysian Institute of Accountants, he/she must have at least three years' working experience and:
 - he/she must have passed the examinations specified in Part I of the 1st 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 1st Schedule of the Accountants Act 1967.
- 5 No alternate director shall be appointed as a Committee member.

Pihak Lembaga dengan sukacitanya membentangkan laporan Jawatankuasa Audit dan aktiviti-aktivitinya sepanjang tahun kewangan berakhir 31 Disember 2004.

KEAHLIAN DAN MESYUARAT

Jawatankuasa Audit adalah terdiri daripada ahli-ahli berikut dan maklumat kehadiran mereka di dalam mesyuarat dalam tahun kewangan adalah seperti berikut:

Ahli Jawatankuasa Audit	Bil. mesyuarat dihadiri
YB Dato' Hilmi bin Haji Abdul Rashid (Pengerusi/Pengarah Bebas Bukan Eksekutif)	3/3
YBhg Dato' Dr Ridzuan bin Akil (Ahli/Pengarah Bebas Bukan Eksekutif)	3/3
YBhg Dato' Johari bin Abdul Ghani (Ahli/Pengarah Urusan Kumpulan)	3/3

TERMA RUJUKAN BAGI JAWATANKUASA AUDIT

Keahlian

- 1 Ahli Jawatankuasa dilantik oleh Lembaga dari kalangan mereka manakala tempoh perlantikan mereka hendaklah serentak dengan tempoh sah perlantikan mereka sebagai ahli Lembaga Pengarah.
- 2 Jawatankuasa hendaklah dianggotai oleh sekurang-kurangnya tiga orang ahli dengan majoriti ahli-ahlinya terdiri daripada pengarah bebas bukan eksekutif.
- 3 Ahli-ahli Jawatankuasa hendaklah melantik seorang Pengerusi dari kalangan mereka yang juga merupakan pengarah bebas bukan eksekutif.
- 4 Sekurang-kurangnya seorang ahli Jawatankuasa adalah ahli Institut Akauntan Malaysia atau jikalau beliau bukan ahli Institut Akauntan Malaysia, beliau mesti mempunyai sekurang-kurangnya tiga tahun pengalaman bekerja dan:
 - beliau telah lulus peperiksaan yang telah ditetapkan dalam Bahagian I Jadual Pertama Akta Akauntan 1967, atau
 - beliau merupakan ahli badan iktisas akauntan yang diiktiraf dalam Bahagian II Jadual Pertama Akta Akauntan 1967.
- 5 Tiada Pengarah pengganti boleh dilantik sebagai ahli Jawatankuasa.

Audit Committee Report (contd.)

- 6 The term of office and performance of the Committee and each of its members shall be reviewed by the Board at least once every three years to determine whether the Committee and its members have carried out their duties in accordance with their terms of reference.
- 7 If a Committee member retires or resigns or for any reason ceases to be a member with the result that the number of members is reduced to below three, the Board shall within three months of that event appoint such number of new members as may be required to make up the minimum number of three members.

Duties and Responsibilities

- 1 To consider the appointment of the external auditor, the audit fee and any questions of resignation or dismissal including recommending the nomination of person or persons as external auditors.
- 2 To discuss with the external auditor prior to the commencement of audit, the nature and scope of the audit, the audit plan and ensure co-ordination where more than one audit firm is involved.
- 3 To review the assistance extended by the employees to the external auditor.
- 4 To review the quarterly, half-yearly and year-end financial statements prior to the approval of the board, focusing on:
 - the going concern assumption
 - compliance with accounting standards and other legal and regulatory requirements.
 - any changes in the accounting policies and practices
 - significant issues arising from the audit
- 5 To discuss problems and reservations arising from the interim and final audits, and any significant matter the external auditor may wish to discuss, where necessary, in the absence of management or any executive board member.
- 6 To review the external auditor's management letter, response from the management and the audit report.
- 7 To do the following with the internal audit function:
 - Review the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its work.
 - Review the internal audit program and results of the internal audit process and where necessary ensure that appropriate action is taken on the recommendations of the internal audit function.
 - Review and evaluate the effectiveness of the system of internal controls jointly with the external auditors.
 - Review any appraisal or assessment of the performance of members of the internal audit function.
 - Approve any appointment or termination of senior staff members of the internal audit function
 - Keep itself informed of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his/her reasons for resigning.

Laporan Jawatankuasa Audit (samb)

- 6 Tempoh jawatan dan prestasi keseluruhan Jawatankuasa dan setiap ahlinya akan dikaji semula oleh Lembaga sekurang-kurangnya sekali setiap tiga tahun untuk menentukan sama ada Jawatankuasa dan ahlinya menjalankan tugas berlandaskan syarat-syarat rujukan.
- 7 Sekiranya seorang ahli Jawatankuasa bersara atau meletakkan jawatan atau atas mana-mana sebab berhenti daripada ahli yang mengakibatkan jumlah ahli-ahli Jawatankuasa kurang dari tiga orang, pihak Lembaga mesti melantik ahli baru dalam tempoh tiga bulan dari tarikh ketiadaan bagi memenuhi tiga ahli-ahli Jawatankuasa.

Tugas dan Tanggungjawab

- 1 Menimbang dengan teliti perlantikan juruaudit luaran, penetapan yuran audit dan sebarang persoalan berkaitan dengan perletakan atau perlucutan jawatan termasuk juga mengesyorkan pencalonan mana-mana orang perseorangan atau kumpulan sebagai juruaudit luaran.
- 2 Berbincang dengan juruaudit luaran sebelum pelaksanaan kerja-kerja audit iaitu berkenaan dengan pendekatan skop audit dan pelan audit serta memastikan ko-ordinasi sekiranya lebih dari satu firma audit terlibat.
- 3 Mengkaji semula bantuan yang diberikan oleh kakitangan kepada juruaudit luaran.
- 4 Menyemak penyata kewangan suku tahunan, setengah tahunan dan tahunan sebelum memperolehi kelulusan dari pihak Lembaga dengan memberi penekanan terhadap:
 - andaian perniagaan berterusan
 - pematuhan kepada piawaian perakaunan dan lain-lain keperluan perundangan
 - sebarang perubahan ke atas polisi dan amalan perakaunan
 - sebarang isu penting yang diketengahkan dari audit
- 5 Membincangkan pelbagai masalah dan sebarang keraguan yang berbangkit dari keputusan audit interim dan tahunan serta sebarang perkara penting yang ingin dibincangkan oleh juruaudit luaran dan jika perlu tanpa kehadiran dari pihak pengurusan atau mana-mana ahli lembaga eksekutif.
- 6 Menyemak lembaran pengurusan juruaudit luaran, tindakan susulan pihak pengurusan dan laporan audit.
- 7 Melaksanakan perkara-perkara berikut yang berkaitan dengan fungsi audit dalaman:
 - Mengkaji ruang lingkup tugas, fungsi dan sumber-sumber fungsi audit dalaman dan memastikan bahawa ia mempunyai bidang kuasa yang sewajarnya untuk menjalankan tugas.
 - Mengkaji semula program dan hasil dari proses audit dalaman dan jika perlu memastikan supaya tindakan sewajarnya diambil ke atas saranan yang diketengahkan oleh fungsi audit dalaman.
 - Mengkaji dan menilai keberkesanan sistem kawalan dalaman dengan juruaudit luaran.
 - Mengkaji penilaian prestasi ahli-ahli fungsi audit dalaman.
 - Meluluskan apa-apa perlantikan atau penamatan tugas bagi kakitangan kanan fungsi audit dalaman.
 - Dimaklumkan tentang sebarang perletakan jawatan oleh mana-mana kakitangan audit dalaman dan membuka peluang kepada mereka untuk mengetengahkan sebab-sebab perletakan jawatan.

Audit Committee Report (contd.)

- 8 To review any related party transaction and conflict of interest situation that may arise within the company or Group including any transaction, procedure or course of conduct that raises questions of management integrity.
- 9 To consider the major findings of internal investigations and management's response.
- 10 In compliance with paragraph 15.17 of the Bursa Malaysia Securities Berhad (BMSB) Listing Requirements, where the 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 Listing Requirements, the Committee shall promptly report such matter to the BMSB.
- 11 To perform any other functions as authorised by the Board.
- 12 The Committee reports its findings and makes appropriate recommendations for the Board's consideration and approval.

Authority

The Committee shall have the following authority as empowered by the Board:

- 1 Explicit authority to investigate any matter within its terms of reference.
- 2 The resources that are required to perform its duties.
- 3 Full and unrestricted access to all records, information, properties and personnel.
- 4 Direct communication channels with the external auditors and persons carrying out the internal audit function.
- 5 Able to obtain independent professional advice at the company's expense and to invite outsiders with the relevant experience and expertise to attend the Committee's meetings if it considers this necessary.
- 6 Able to convene meetings with the external auditors excluding the attendance of the executive members of the Committee whenever deemed necessary.

Meetings

- 1 The Committee shall meet not less than four times a year although additional meetings may be called at any time at the discretion of the Chairman of the Committee.
- 2 The quorum for Committee meetings shall be two members and the majority of the members present shall be independent non-executive directors.

- 8 *Memantau sebarang urusan niaga dengan pihak yang berkaitan dan situasi konflik kepentingan yang mungkin wujud dalam syarikat atau kumpulan termasuk mana-mana urusan niaga, peraturan dan perlakuan yang menimbulkan pertikaian berhubung dengan keutuhan pihak Pengurusan.*
- 9 *Menimbang hasil penemuan dari penyiasatan dalaman dan tindakan susulan oleh pihak pengurusan.*
- 10 *Berdasarkan perenggan 15.17 Syarat-syarat Penyenaraian Bursa Malaysia Securities Berhad (BMSB), jika Jawatankuasa berpendapat bahawa sesuatu perkara yang dilaporkan kepada Lembaga tidak menemui jalan penyelesaian yang memuaskan dan melanggar Syarat-syarat Penyenaraian, maka Jawatankuasa perlu segera melaporkan perkara tersebut kepada BMSB.*
- 11 *Melaksanakan fungsi-fungsi lain sebagaimana yang dikuatkuasakan oleh Lembaga.*
- 12 *Jawatankuasa akan melaporkan sebarang penemuan dan memajukan cadangan untuk pertimbangan dan kelulusan pihak Lembaga.*

Bidang Kuasa

- 1 *Mempunyai kuasa yang jelas dan nyata untuk menyiasat mana-mana perkara yang berkaitan dengan syarat-syarat.*
- 2 *Mempunyai sumber-sumber yang diperlukan untuk menjalankan tugas.*
- 3 *Diberi kuasa sepenuhnya dan tanpa halangan untuk meneliti semua rekod, maklumat hartanah dan kakitangan.*
- 4 *Saluran komunikasi langsung di antara juruaudit luaran dan mana-mana pihak yang menjalankan fungsi audit dalaman.*
- 5 *Berhak untuk mendapatkan khidmat nasihat profesional bebas yang dibiayai oleh Syarikat dan menjemput mana-mana pihak yang mempunyai pengalaman dan kepakaran yang sewajarnya untuk menghadiri mesyuarat Jawatankuasa sekiranya perlu.*
- 6 *Boleh mengadakan mesyuarat dengan juruaudit luaran tanpa kehadiran ahli-ahli eksekutif Jawatankuasa, bila perlu.*

Mesyuarat

- 1 *Jawatankuasa hendaklah bermesyuarat tidak kurang dari empat kali setahun walaupun mesyuarat tambahan boleh dipanggil pada bila-bila masa tertakluk pada budi bicara Pengerusi Jawatankuasa.*
- 2 *Korum untuk mesyuarat Jawatankuasa hendaklah seramai dua ahli dan majoriti kehadiran ahli mestilah dari kalangan pengarah bebas bukan eksekutif.*

- 3 The Secretary of the Committee shall be in attendance at meetings of the Committee. Other board members, management and employees, external auditors may attend meetings upon the invitation of the Committee.
- 4 The Secretary of the Committee shall send out notices of meetings, record the proceedings of meetings and circulate minutes among members of the Committee.

ACTIVITIES OF THE AUDIT COMMITTEE

The Audit Committee held three meetings since the company's listing on Bursa Malaysia on 1 April 2004. In its meetings, the Audit Committee reviewed the quarterly financial results and announcements to Bursa Malaysia Securities Berhad prior to recommending to the Board for approval.

Prior to the commencement of audit, the external auditors were present to brief the Committee on their scope of work and audit plan and also updated the Committee on applicable accounting standards issued by the Malaysian Accounting Standards Board. Upon completion of audit, the external auditors briefed the Committee on significant matters arising from their examination of the annual financial statements as well as managements' response and the Committee deliberated on these issues before conveying their views to the Board.

The Committee also reviewed the Group internal audit plan, deliberated on the internal audit reports that were tabled and appraised management's response to the key audit observations and recommendations.

INTERNAL AUDIT FUNCTION

The internal audit function is undertaken by the Group Internal Audit Department (GIAD) which reports to and assists the Audit Committee in discharging its duties and responsibilities.

The GIAD's scope of work covers all the operating divisions of the Group and they performed their duties in accordance with the annual audit plan that was approved by the Audit Committee. As part of its audit strategies, the GIAD conducted risk evaluations, reviewed the adequacy and effectiveness of the system of internal controls, reviewed the extent of compliance with the Group's policies and procedures and regulatory requirements and also reviewed the business processes with the aim of improving the Group's operations.

During the financial year, the GIAD issued eighteen audit reports. There were no material internal control failures that were reported that resulted in a significant financial loss to the Group.

Laporan Jawatankuasa Audit (samb)

- 3 Setiausaha Jawatankuasa hendaklah menghadiri setiap mesyuarat Jawatankuasa. Lain-lain ahli Lembaga, pihak pengurusan dan kakitangan serta juruaudit luaran boleh menghadiri mesyuarat di atas jemputan daripada Jawatankuasa.
- 4 Setiausaha Jawatankuasa hendaklah menghantar notis mesyuarat, mencatatkan perjalanan mesyuarat dan mengedarkan minit-minit mesyuarat di kalangan ahli-ahli Jawatankuasa.

AKTIVITI-AKTIVITI JAWATANKUASA AUDIT

Jawatankuasa audit telah mengadakan mesyuarat sebanyak tiga kali sejak penyenaian Syarikat di Bursa Saham Malaysia pada 1 April 2004. Melalui mesyuarat-mesyuarat tersebut, Jawatankuasa Audit telah menyemak keputusan prestasi kewangan suku tahunan serta pengumuman kepada Bursa Malaysia Securities Berhad sebelum mengesyorkan cadangan kepada pihak Lembaga untuk kelulusan.

Sebelum bermulanya audit, juruaudit luaran hadir untuk memberikan taklimat kepada Jawatankuasa mengenai skop kerja dan pelan audit disamping menyampaikan maklumat terkini kepada Jawatankuasa tentang piawaian perakaunan yang dikemukakan oleh Lembaga Piawaian Perakaunan Malaysia. Setelah audit selesai dilaksanakan, juruaudit luaran juga memberikan taklimat kepada Jawatankuasa Audit mengenai perkara-perkara penting yang berbangkit hasil daripada pemeriksaan mereka terhadap penyata-penyata kewangan tahunan dan juga tindakan susulan dari pihak pengurusan di mana Jawatankuasa akan menghalusi isu-isu ini sebelum mengutarakan pandangan mereka kepada pihak Lembaga.

Jawatankuasa turut mengkaji pelan audit Kumpulan untuk tahun kewangan, menghalusi laporan audit dalaman yang telah dibentangkan dan menilai tindakan susulan dari pihak pengurusan terhadap pemerhatian dan cadangan penting audit.

FUNGSI AUDIT DALAMAN

Fungsi audit dalaman dilaksanakan oleh Jabatan Audit Dalaman Kumpulan (GIAD) yang membantu dan melaporkan kepada Jawatankuasa Audit dalam melaksanakan tugas dan tanggungjawab mereka.

Bidang tugas juruaudit dalaman merangkumi seluruh operasi di dalam Kumpulan. Mereka melaksanakan bidang-bidang tugas berpandukan perancangan audit tahunan yang telah diluluskan oleh pihak Jawatankuasa. Sebagai sebahagian daripada strategi audit, GIAD menjalankan penaksiran risiko, mengkaji kecukupan dan keberkesanan sistem kawalan dalaman, memeriksa sama ada bahagian mematuhi dasar dan peraturan Kumpulan serta undang-undang dan juga menilai seluruh proses-proses perniagaan dengan matlamat mempertingkatkan operasi Kumpulan.

Pada sepanjang tahun kewangan, GIAD telah mengemukakan lapan belas laporan audit. Tiada laporan berkenaan kegagalan kawalan dalaman yang mengakibatkan kerugian kewangan yang besar kepada Kumpulan.