

# AUDIT COMMITTEE

## 1. MEMBERS AND MEETINGS

Members and details of attendance of Directors at the Audit Committee Meetings of the Company for the financial year ended 31 December 2010 are as follows:

Name of Directors	Directorship	Date of Appointment	No. of Meetings Attended
Halim Bin Haji Din (Chairman)	Independent Non-Executive Director	22 May 2002	4/4
Tan Sri Ab Rahman Bin Omar (Member)	Independent Non-Executive Director	1 October 2003	4/4
Tan Sri Dato' Dr. Lin See Yan (Member)	Independent Non-Executive Director	20 July 2004	4/4

## 2. ROLE OF THE AUDIT COMMITTEE

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

- assess the Group's processes relating to its risks and control environment;
- oversee financial reporting; and
- evaluate the internal and external audit processes.

## 3. TERMS OF REFERENCE

### i. Composition

The Board shall elect and appoint Committee members from amongst their numbers, comprising no fewer than three (3) Directors, all of whom must be non-executive Directors, with a majority of them being independent non-executive Directors of the Company.

The Board shall at all times ensure that the Audit Committee should be financially literate and at least one (1) member of the Committee shall be:-

- a member of the Malaysian Institute of Accountants ("MIA"); or
- if he or she is not a member of MIA, he or she must have at least three (3) years of working experience and:
  - he or she must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act, 1967; or
  - he or she must be a member of the associations of accountants specified in Part II of the Accountants Act, 1967; and
- fulfils such other requirements as may be prescribed or approved by Bursa Malaysia Securities Berhad from time to time.

If a member of the Committee resigns, dies or for any reason ceases to be a member with the result that the number of members is reduced to below three (3), the Board shall within three (3) months of the event appoint such number of new members as may be required to fill the vacancy.

The Chairman of the Committee shall be an independent non-executive Director. No alternate Director of the Board shall be appointed as a member of the Committee.

The Board shall review the terms of each of its members at least once (1) every three (3) years.

**ii. Quorum and Committee's procedures**

Meetings shall be conducted at least four (4) times annually, or more frequently as circumstances dictate.

In order to form a quorum for the meeting, the majority of the members present must be independent non-executive Directors. In the absence of the Chairman, the members present shall elect a Chairman for the meeting from amongst the members present.

The Company Secretary shall be appointed Secretary of the Committee ("the Secretary"). The Secretary, in conjunction with the Chairman, shall draw up an agenda, which shall be circulated together with the relevant support papers, at least one (1) week prior to each meeting to the members of the Committee. The minutes shall be circulated to members of the Board.

The Committee may, as and when deemed necessary, invite other Board members and senior management members to attend the meetings.

The Chairman shall submit an annual report to the Board summarising the Committee's activities during the year and the related significant results and findings.

The Committee shall meet at least twice a year with the Head, Internal Audit and external auditors in separate sessions to discuss any matters without the presence of Management.

The Committee shall regulate the manner of proceedings of its meetings, having regard to normal conventions on such matter.

**iii. Authority**

The Committee is authorised to investigate any activity within its terms of reference and shall have unrestricted access to both the internal and external auditors and to all employees of the Group.

The Committee shall have full and unlimited access to any information pertaining to the Group.

The 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 the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

## AUDIT COMMITTEE

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

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 Main Market Listing Requirements of the Bursa Malaysia Securities Berhad (“Bursa Securities Listing Requirements”), the Committee shall promptly report such matter to the Bursa Malaysia Securities Berhad.

### iv Responsibilities and duties

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

- Review the appointment and performance of external auditors, the audit fee and any question of resignation or dismissal before making recommendations to the Board.
- Review with the external auditor, the audit scope and plan, including any subsequent changes to the audit scope and plan.
- Review the quarterly results and the year end financial statements, prior to the approval by the Board focusing particularly on:
  - changes in or implementation of major accounting policy changes;
  - significant or unusual events; and
  - compliance with accounting standards and other legal requirements;
- Review the Internal Audit Charter and the adequacy of the internal audit scope and plan, as well as the functions, competency and resources of the Group Internal Audit Department and whether it has the necessary authority to carry out its work.
- Review the internal and external audit reports to ensure that appropriate and prompt remedial action is taken by management on major deficiencies in controls or procedures that are identified.
- Review major audit findings and the management’s response during the year with management, internal and external auditors, including the status of previous audit recommendations.
- Review the assistance given by the Group’s officers to both the internal and external 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.
- 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.
- Approve all decisions regarding the appointment or removal of the Head, Group Internal Audit.
- Review the adequacy and integrity of internal control systems, including risk management, management information system and the internal auditors’ and/or external auditors’ evaluation of the said systems.

- Direct and where appropriate supervise any special projects or investigation considered necessary, and review investigation reports on any major defalcations, frauds and thefts.
- Review procedures in place to ensure that the Group is in compliance with the Companies Act, 1965, Bursa Securities Listing Requirements and other legislative and reporting requirements.
- 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 question on management integrity.
- Prepare reports, if the circumstances arise or at least once (1) a year, to the Board summarising the work performed in fulfilling the Committee's primary responsibilities.
- Review the allocation of options pursuant to WSC Group's Employees Share Option Scheme (if any).
- Any other activities, as authorised by the Board.

#### **4. SUMMARY OF ACTIVITIES**

During the financial period under review, the Audit Committee conducted its activities in line with the terms of reference, as follows:

- Reviewed quarterly and annual reports of the Group and the Company before submission to the Board for consideration and approval.
- Reviewed the annual audit plan and the scope for the year prepared by internal and external auditors.
- Reviewed the fee for external auditors.
- Discussed with the external auditors their report on the financial statements and management letters relating to the audit.
- Met the external auditors without any executive present except the Secretary.
- Reviewed the recurrent related party transactions of a revenue or trading nature and provision of financial assistance of the Group for inclusion in the Circular to the Shareholders in relation to the Proposed Renewal of the existing and new Shareholders' mandate for recurrent related party transactions pursuant to Bursa Securities Listing Requirements for the Board's approval.
- Reviewed all related party transactions and recurrent related party transactions to ensure that they are within the mandate obtained;
- Reviewed key risks deliberated at the Risk Committee Meeting;
- Reviewed major findings in the reports prepared by Group Internal Audit together with the recommendation made by the Internal Auditors and management response to the findings.

## AUDIT COMMITTEE

### 5. STATEMENT BY AUDIT COMMITTEE ON WSC GROUP ESOS

Appendix 9C Part A Item No. 26 of Bursa Securities Listing Requirements requires a statement by the Audit Committee in relation to the allocation of options pursuant to a share scheme for employees as required under paragraph 8.17.

There was no new ESOS scheme in place during the financial year.

### 6. INTERNAL AUDIT FUNCTION

The Audit Committee is assisted by the Group Internal Audit Department in reviewing the adequacy of operational controls so as to provide reasonable assurance that such system continues to operate satisfactorily and effectively in the Group and to add value and improve the Group's operations by providing independent and objective assurance.

The Group Internal Audit Department is independent from the activities or operations of other operating units of the WSC Group. Its principal responsibility is to conduct periodic reviews on the Group's key operations and to ensure adequacy in operational controls, consistency in application of policies and procedures and compliance with statutory requirements.

The internal audit function focused on:

- a. reviewing the adequacy and effectiveness of key controls.
- b. compliance to established policies and procedures as well as relevant statutory requirements.
- c. recommending improvements to existing procedures and policies in order to improve efficiency and effectiveness within the Group and the Company.
- d. performing special reviews requested by management and/or the Audit Committee.

After each audit, the findings and recommendations for improvement were communicated to the respective management for their response and corrective actions, if necessary. Quarterly, the internal audit reports with the management responses were submitted to the Audit Committee for their review and consideration.