



Audit & Risk Management Committee Terms of Reference



**AUDIT & RISK MANAGEMENT COMMITTEE
("ARMC")
TERMS OF REFERENCE ("TOR")**

A. PURPOSE

This Audit & Risk Management Committee ("ARMC" or the "Committee") of Perumahan Rakyat 1Malaysia Corporation ("PR1MA" or the "Corporation") is established pursuant to the **Perumahan Rakyat 1Malaysia Act 2012 ("PR1MA Act")**.

This Charter serves to act as the terms of reference of the ARMC, defining its responsibilities and authority, as approved by the Members of Corporation ("MoC"). The existence of the Committee does not diminish the MoC's ultimate responsibility for decision-making relating to the work of the Committee.

B. MEMBERSHIP

1. Members of the Committee shall be appointed by the MoC and must be composed of no fewer than three (3) members, except for the Group Chief Executive Officer ("GCEO") and members of Senior Management.
2. The Committee shall include at least one (1) Member who has sound financial knowledge or a person who must have at least ten (10) years working experience in a similar working capacity.
3. In the event of any vacancy in the Committee the vacancy must be filled within three (3) months.
4. The terms of office of the Committee members shall be reviewed by the MoC at least once every two (2) years.
5. In the event for the appointment of any former key audit partner, the cooling-off period of at least 2 years shall be observed before being appointed as a member of ARMC.

C. AUTHORITY

The MoC has authorised the Committee, at the cost of the Corporation, and within the scope of its duties and responsibilities set out in this TOR to:

1. investigate any matter within its terms of reference;



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2. have the resources which are required to perform its duties;
3. have full and unrestricted access to any information pertaining to the Corporation;
4. have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity (if any);
5. be able to obtain independent professional or other advice; and
6. be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of the other MoC and employees and/or any parties, whenever deemed necessary.

Section 14(8) of the **PR1MA Act** provides for the Committee to act under any direction given by the MoC.

D. ROTATION OF MEMBERS

Rotation of the Committee members is encouraged once every two (2) years to ensure undue reliance is not placed on a particular individual.

E. CHAIRMAN OF THE COMMITTEE

1. The MoC shall appoint the Chairman of the Committee (the "Chairman") from any members of the MoC or any other person approved by the Minister responsible for PR1MA.
2. Should the Chairman of the Committee be absent from meeting, the Committee members present shall appoint a Chairman from amongst them for that particular meeting.



F. COMMITTEE SECRETARY

1. The Corporation Secretary or any appointed person(s) by the Chairman of the Committee shall be the Secretary(ies) of the Committee.
2. The Secretary(ies) shall be present to record proceedings of Committee meetings.

G. NOTICE & MEETING

1. The Committee shall meet at least four (4) times a year or more frequently as deemed necessary by the Chairman. In addition to the regular scheduled meeting, the Chairman shall call a meeting of the Committee if so requested by any member of the Committee or by the Chairman of MoC. The Secretary(ies) of the Committee shall summon a meeting on requisition of the member or the Chairman of MoC.
2. The Chairman shall reserve the rights to determine the time and place for the meeting of the Committee.
3. If a member is unable to be physically present, the member may choose to participate via video or tele-conferencing and shall be considered in forming a quorum.
4. In the absence of the Chairman of the committee, the members present shall elect a chairman for the meeting from amongst the members present.
5. The Secretary(ies), in conjunction with the Chairman of the Committee, shall draw up the agenda of the meeting. The agenda, together with the relevant papers, shall be circulated at least seven (7) working days prior to each Committee meeting.



H. ATTENDANCE

1. The Chairman of the Committee, or the Committee members with the approval from the Chairman, may invite any person or persons to attend the Committee meetings, but not necessarily for the full duration of the meeting.
2. Invitees shall not be considered in forming a quorum and shall not be entitled to vote at any meeting of the Committee. Any member of the Committee, during a meeting, reserves the right to require any attendee to remove himself/herself from the meeting room when objectivity of the meeting is likely to be impaired by his/her presence.
3. Quorum for the Committee meeting shall be two (2) Members.
4. Decisions of the Committee shall be based on majority agreement of the Committee members. In the event of split decision, the Chairman's decision shall be final.
5. **Section 14(15)** of the PR1MA Act provides for the rights of the members of the Committee or any invitee to be paid allowances and other expenses as PR1MA may determine for attending a meeting of the Committee. The determination of type and amount of the abovementioned allowances and other expenses shall be approved by the MoC.
6. The Committee shall be able to convene meetings with the external auditors, the internal auditors or both, without the attendance of other Members and/or any other parties, whenever deemed necessary.

I. MINUTES OF MEETING

The Secretary(ies) of the Committee shall record the proceeding of meetings and keep the minutes of meetings. The approved and signed minutes of meetings shall be tabled at the earliest MoC's meeting for notification.



J. COMMITTEE'S PERFORMANCE

On an annual basis, the MoC, with the assistance of the Nominating and Remuneration Committee ("NRC"), shall evaluate the Committee's performance and extent to which the Committee has met the requirements of its TOR.

K. DUTIES OF THE COMMITTEE

The duties of the Committee shall be to:

1. In relation to audit:
 - i. to review and recommend the external audit report for PR1MA. The external auditors for PR1MA is Jabatan Audit Negara;
 - ii. to review the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;
 - iii. to review the internal audit programme and processes, ensuring adoption of standards established by professional bodies or government agency practices and the results of the same or investigations undertaken and whether appropriate action is taken on the recommendations of the internal audit function;
 - iv. to review and recommend the internal audit report for PR1MA and its subsidiary for final approval by MoC;
 - v. to review and approve any appointment or termination and remuneration of senior staff members of the internal audit function;
 - vi. to review and approve the KPI and performance evaluation of Head of Department of the internal audit function. Upon approval, to inform MoC in writing;



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- vii. to review and approve any outsourcing of internal audit function (including fees), audit charter and audit plan for corporation and its subsidiary. Upon approval, to inform MoC in writing;
 - viii. to approve non-audit services provided by external auditors;
 - ix. to review the provision of non-audit policy by the external auditors, to establish and maintain policies and procedures on the provision of non-audit services governing the circumstances under which contracts for the provision of non-audit services can be entered into and the procedures to be followed by the external auditors; and
 - x. to review and approve the internal audit related policy and procedures. Upon approval, to inform MoC and Subsidiary board in writing;
2. In relation to Financial Reporting:
- i. to review and recommend half yearly and annual financial statement (consolidated) and adopted audited accounts (consolidated) for final approval by the MoC. Particularly focus on:
 - a. changes in or implementation of major accounting policy changes;
 - b. significant and unusual events; and
 - c. compliance with applicable accounting standards and other legal requirements.
 - ii. to review and approve provision, reversal and write off of bad debts; impairment and revaluation of assets; and provision for permanent diminution in value (include any form of investments); and
 - iii. to review any related party transaction and conflict of interest situation that may arise within the Corporation including any transaction, procedure or course of conduct that raises questions of MoC's and management integrity;



3. In relation to risk management:
 - i. to review and approve the risk management related policy and procedures. Upon approval, to inform MoC and Subsidiary board in writing;
 - ii. to review and assess the adequacy and effectiveness of risk management framework for the identification, measurement, mitigation and reporting of key risks;
 - iii. to review the outcomes of the enterprise risk assessments, particularly in relation to the Corporation's risk assessments and the corresponding recommendations and the proposed remedial actions;
 - iv. to deliberate and oversee all risk management initiatives and efforts in inculcating a robust risk practising culture in the organisation; and
 - v. to ensure infrastructure, resources and systems are in place for an effective risk management.

4. In relation to Integrity Unit (IU):
 - i. overseeing issues of corruption, fraud, embezzlement and unethical behaviour in the organization;
 - ii. assisting MoC exercise its responsibility for freedom of corruption, integrity of the organization and good governance.
 - iii. overseeing the implementation of the IU to achieve its objectives.
 - iv. to review the performance report by IU for submission to MoC and *Bahagian Pengurusan Integriti Agensi (BPIA)*, SPRM on a half yearly basis.
 - v. to review and approve the Integrity related policy and procedures.
 - vi. to review and approve the Statistic Report of the Whistleblowing Policy. Upon approval to inform MoC.



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5. To undertake such other responsibilities as may be agreed to by the Committee and the MoC.

L. REPORTING

1. The Chairman shall report on each meeting of the Committee to the MoC regarding all relevant matters and appropriate recommendations, for notation or approval by the MoC.
2. The Committee shall prepare, for the MoC an Audit & Risk Committee Report which contains the following:
 - i. the composition of the Committee, including the name, designation;
 - ii. a summary of the terms of reference of the Committee, the key functions, roles and responsibilities of the Committee;
 - iii. the number of Committee meetings held during the financial year and details of attendance of each member;
 - iv. a summary of the activities of the Committee in the discharge of its functions and duties for that financial year; and
 - v. a summary of the activities of the internal audit and integrity function or activity.

M. COMMITTEE ETHICS AND PROCEDURES

1. All members shall safeguard all internal committee communications concerning any candidates and treat them as strictly private and confidential, and for the use of Committee members only.
2. The Committee shall work diligently amongst the members of the MoC and in adherence to the Code of Ethics.



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N. REVIEW OF THE COMMITTEE AND THE TOR

1. The TOR shall be reviewed by the Committee as and when required. All amendments to the TOR must be approved by the MoC.
2. **Section 14(9)** of the **PR1MA Act** also provides for the discontinuation and the alteration of constitution of the Committee.

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