

Internal Audit Charter

1.0 Introduction

Internal Auditing is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operation of the PCCS Group Berhad ("PCCS" or "the Company") and its subsidiaries (hereinafter referred to as "the Group").

2.0 Objectives and Scope of work

- 2.1 The scope of the Internal Audit Function (hereinafter referred to as "IAF") generally encompasses examining and evaluating the adequacy and effectiveness of the system of internal control and the quality of operating performance of the company against established standards or policies and procedures in carrying out assigned responsibilities.
- 2.2 The detailed scope of works for each individual auditable area will be documented in the Internal Audit Plan to be approved by the Audit Committee.
- 2.3 The audit will be conducted in such a manner as the IAF considers necessary to fulfill its responsibilities and will include such tests of transactions and of the existence, ownership and valuation of assets and liabilities.
- 2.4 The nature and extent of audit tests will vary according to the assessment of the accounting system of the Company's auditable area, its system of internal controls and any other aspect of the business operations.
- 2.5 The IAF shall report any significant weaknesses noted or observed on the system of the Company's auditable area and which it considers necessary to be brought to the attention of the Audit Committee and Board of Directors.
- 2.6 The responsibility for the prevention and detection of irregularities and fraud rests with the operating management. However, the IAF shall endeavor to plan its audit so that it has a reasonable expectation of detecting material misstatements in accounting and operational records resulting from irregularities or fraud, but its examination should not be relied upon to disclose irregularities and frauds which may exist.
- 2.7 The Internal Auditors will be responsible for the regular review and/or appraisal of the effectiveness of risk management, internal control and governance processes within the Company.

3.0 Outsourced Internal Audit Function

In accordance with Main Market Listing Requirements ("Main LR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), the terms of reference are updated in this Charter for the Outsourced IAF for PCCS.

4.0 Terms of Reference for IAF

The IAF will provide independent objective assurance on the effectiveness of the Group's risk management on internal controls, processes established by the Group and good corporate governance.

5.0 Authority

5.1 The IAF shall be independent of the activities they audit.

5.2 The IAF is given the mandate to review, analyse, investigate, evaluate, comment and report on any aspect of the Group's operations.

It shall have full, free and unrestricted access to all Companies, Departments, Company's operating policies, plans, strategies, records, properties and personnel relevant to the performance of the audit scope of work documented in the Internal Audit Plan approved by the Audit Committee.

5.3 The IAF shall have the authority to obtain the necessary assistance of personnel in the various Departments where the audit is being carried out.

5.4 The Management and Head of Departments of the Group are responsible for providing IAF with relevant and timely access to all records, personnel and physical properties and for making sure that appropriate actions are taken to address audit recommendations.

6.0 Reporting

The outsourced Internal Auditors shall report directly to the Audit Committee on all matters pertaining to its audit scope, audit plans and audit findings.

7.0 Objectivity and independence

7.1 As objectivity is essential to auditing, the IAF should not normally implement accounting procedures or controls, prepare records or engage in activities that its personnel would normally review and appraise and that could reasonably be construed to compromise its independence.

7.2 Objectivity need not be adversely affected by the recommendation of controls to be applied in developing systems and procedures under its review nor lending its technical assistance to the management in systematic analysis of operations or activities.

8.0 IAF Administration

8.1 The Audit Committee and the Board of Directors are generally responsible for the administration and adherence of this Charter.

9.0 Oversight functions of the Audit Committee in relation to IAF

The oversight functions of the Audit Committee are as follows:-

PCCS GROUP BERHAD
Company No. 280929-K
(Incorporated in Malaysia)

- 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 programme and results of the Internal Audit process and where necessary, ensure that appropriate action is taken on the recommendations of the Internal Audit function;
- Approve any appointments or termination of senior auditors of the Internal Audit function; and
- Inform itself of resignations of internal auditors and provide the resigning Internal Auditor an opportunity to submit his reasons for resigning.

10.0 Review

This Internal Audit Charter is to be regularly reviewed by the Audit Committee as and when required.

This Internal Audit Charter is approved by the Audit Committee on 27 May 2016