

# AUDIT COMMITTEE REPORT

## CONSTITUTION

The Audit Committee of NCB has been established since 2 June 1997.

## COMPOSITION

Members of the Audit Committee

The Audit Committee of the Company comprise the following :-

Premilla Ann A/P John David*	-	Chairman
Lee Hock Chye*	-	Member
Yohan A Rajan*	-	Member
Michael Andrew Barclay Binney++‡	-	Member

\* Independent Non-Executive Director

++ Non-Independent Non-Executive Director

‡ A member of the Institute of Chartered Accountants in England and Wales specified in Part II of the 1st Schedule of the Accountants Act 1967 and have more than 3 years' working experience.

Secretary of the Audit Committee

Gwee Ooi Teng

## MEETINGS

The Audit Committee will meet at least four (4) times a year although such additional meetings may be called at any time at the discretion of the Chairman.

The quorum for meetings of Audit Committee shall be 3 members and the majority of the members present shall be independent directors.

The internal and/or external auditor has the right to appear and be heard at any meeting of the Audit Committee and shall appear before the Committee when required by the Committee. Upon the request of the auditor(s), the Chairman of the Audit Committee shall also convene a meeting of the Committee to consider any matters the auditor(s) believes should be brought to the attention of the Board of Directors or the Shareholders.

The Audit Committee may obtain external advice and invite outsiders with relevant experience to attend any meeting of the Audit Committee, if necessary.

After each Audit Committee meeting, the Audit Committee reported to and updated the Board on significant issues and concerns discussed during the Audit Committee meetings and where appropriate, made the necessary recommendations to the Board of Directors. The Minutes of Audit Committee meetings were tabled to and noted by the Board.

# AUDIT COMMITTEE REPORT

## ATTENDANCE AT MEETINGS

During the year under review, the Audit Committee had five (5) meetings. The Financial Controller attended all these meetings of the Audit Committee, the Head of the Internal Audit of the Grande Group and the Group's external Auditors attended some of these meetings.

Details of attendance of the members of the Audit Committee of these meetings are as follows:

Name	Position	Attendance
Premilla Ann A/P John David	Independent Non-Executive Director (Chairman of Audit Committee)	5/5
Yohan A Rajan	Independent Non-Executive Director	5/5
Lee Hock Chye	Independent Non-Executive Director	5/5
Michael Andrew Barclay Binney+	Non-Independent Non-Executive Director	-

*+Appointed as a member of the Audit Committee on 27 November 2001*

## ACTIVITIES

The Audit Committee carried out its duties in accordance with its Terms of Reference.

During the year under review, the Committee undertook the following activities:

- 1) Reviewed the Annual Audit Plan for the year ended 31 December 2001 to ensure adequate scope and coverage over the activities of the Group, which was carried out by the Internal Audit.
- 2) Reviewed the internal audit reports covering business audit, fixed assets and operational audit.
- 3) Reviewed the quarterly and annual financial statements on *inter alia*, significant adjustments arising from the audits, the going concern assumption and compliance with accounting standards and other legal requirements prior to presentation of the same to the Board for approval.
- 4) Reviewed related party transactions ("RPTs") entered into by the Company and the Group and the Group's procedures in respect of recurrent related party transactions ("RRPTs") to satisfy itself that the procedures were sufficient to ensure that the RPTs and RRPTs were not more favourable to the Related Parties than those generally available to the public and not detrimental to the minority shareholders.

## TERMS OF REFERENCE OF THE AUDIT COMMITTEE

### Objectives of the Audit Committee

It is the objectives of the Audit Committee to assure the Shareholders of the Company that the Directors of the Company have complied with specified financial standards and required disclosure policies developed and administered by KLSE. In addition, the Audit Committee is also determined to ensure consistency with KLSE's commitment to encourage high standards of corporate disclosure. The Audit Committee will endeavour to adopt certain practices aimed at maintaining appropriate standards of corporate responsibility, integrity and accountability to all the Company's Shareholders.

# AUDIT COMMITTEE REPORT

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## Powers of the Audit Committee

In carrying out their duties and responsibilities, the Audit Committee will in principle have full, free and unrestricted access to all the Company's records, property and personnel and has explicit authority to investigate any matter within its terms of reference.

## Duties and Responsibilities of the Audit Committee

The duties and responsibilities of the Audit Committee include the following and report on the same to the Board of Directors:-

- (i) Oversee all matters relating to external audit including the review of the audit plan and audit report and review of external auditors' management letter and management's responses.
- (ii) Oversee the internal audit department including the evaluation of the standards of internal control and financial reporting, review of internal audit programme, adequacy of the scope, functions, authority and resources of the internal audit department and audit findings and management's responses.
- (iii) Review of the quarterly results and year end financial statements, focusing particularly on:-
  - any changes in accounting policies and practices;
  - significant adjustments arising from audit;
  - the going concern assumption;
  - compliance with accounting standards and other legal requirements.
- (iv) Review of the assistance and co-operation given by the Company's officers to the external and internal auditors.
- (v) Review any related party transactions that may arise within the Company or the Group.
- (vi) Nominate the external auditors for appointment, review any letter of resignation from the external auditors and proposal for reappointment of external auditors.
- (vii) Consider any other matters as may be agreed to by the Audit Committee and the Board of Directors.

## INTERNAL AUDIT FUNCTIONS

The internal audit function of the Group is carried out and supervised by the Internal Audit of the Grande Group. During the financial year ended 31 December 2001, the internal audit carried out its duties in accordance with the annual audit plan and also reviewed the compliance of the new regulatory requirements of KLSE that were applicable to the Company. The internal audit function is conducted on a Group basis to ensure consistency in the control environment and the application of policies and procedures.