



# Ideal Spinning Mills Ltd.



## TERMS OF REFERENCE

### AUDIT COMMITTEE

#### PURPOSE

The Audit Committee is responsible for assisting the Board in discharging its responsibilities for monitoring the integrity of the Company's financial statements and the effectiveness of the systems of internal controls and to monitor the effectiveness, performance and objectivity of the internal and external auditors.

#### MEMBERSHIP AND QUORUM

Audit Committee shall be constituted by the Board keeping in view the following requirements;

- the Board shall establish an audit committee of at least three members comprising of non-executive directors and at least one independent director;
- chairman of the committee shall be an independent director, who shall not be the chairman of the Board;
- The Board shall satisfy itself that at least one member of the audit committee:
  - a. shall be a member of a recognized body of professional accountants; or
  - b. has a post graduate degree in finance from a university or equivalent Institution, either in Pakistan or abroad, recognized by the Higher Education Commission of Pakistan; or
  - c. has at least ten (10) years of experience as audit committee member; or at least twenty (20) years of senior management experience in overseeing of financial, audit related matters; and
  - d. the Audit Committee of the Company shall appoint a secretary of the Committee who shall either be the company secretary or head of internal audit.

#### FREQUENCY OF THE MEETING

Meetings of the audit committee shall be held as per the following requirements:

- the audit committee of the Company shall meet at least once every quarter of the financial year. These meetings shall be held prior to the approval of interim results of the company by its Board and after completion of external audit;
- meeting of the Audit Committee shall also be held, if requested by the external auditors, head of internal audit or by chairman of the Audit Committee;
- the head of internal audit and external auditors represented by engagement partner or in his absence any other partner designated by the audit firm shall attend meetings of the audit committee at which issues, if any, relating to accounts and audit are discussed.

Provided that chief executive officer and the chief financial officer shall not be members of the audit committee but should be available to attend its meetings at the invitation of the chairman of audit committee:

Provided further that at least once a year, the audit committee shall meet the external auditors without the Chief Financial Officer and the head of internal audit being present:

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Provided also that at least once a year, the audit committee shall meet the head of internal audit and other members of the internal audit function without the chief financial officer and the external auditors being present.

The secretary of audit committee shall circulate minutes of meetings of the audit committee to all members, directors, and head of internal audit and where required to chief financial officer prior to the next meeting of the Board:

Provided that where this is not practicable, the chairman of the audit committee shall communicate a synopsis of the proceedings to the Board and the minutes shall be circulated along with the minutes of the meeting of the Board.

## OBJECTIVES

The primary purpose of a company's audit committee is to provide oversight of the financial reporting process, the audit process, the company's system of internal controls and compliance with laws and regulations.

## SECRETARY

The Company Secretary, or his or her nominee, shall act as the Secretary of the Committee and shall ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.

## ROLES AND RESPONSIBILITIES

Audit Committee will be responsible for;

- determination of appropriate measures to safeguard the company's assets;
- review of annual and interim financial statements of the company, prior to their approval by the Board, focusing on:
  - a. major judgmental areas;
  - b. significant adjustments resulting from the audit;
  - c. going concern assumption;
  - d. any changes in accounting policies and practices;
  - e. compliance with applicable accounting standards;
  - f. compliance of statutory and regulatory requirements; and
  - g. all related party transactions.
- review of preliminary announcements of results prior to external communication and publication;
- facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);

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- review of management letter issued by external auditors and management's response thereto;
- ensuring coordination between the internal and external auditors of the company;
- review of the scope and extent of internal audit, audit plan, reporting framework and procedures and ensuring that the internal audit function has adequate resources and is appropriately placed within the company;
- consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto;
- ascertaining that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure are adequate and effective;
- review of the company's statement on internal control systems prior to endorsement by the Board and internal audit reports;
- instituting special projects, value for money studies or other investigations on any matter specified by the Board, in consultation with the chief executive officer and to consider remittance of any matter to the external auditors or to any other external body;
- determination of compliance with relevant statutory requirements;
- monitoring compliance with these Regulations and identification of significant violations thereof;
- review of arrangement for staff and management to report to audit committee in confidence, concerns, if any, about actual or potential improprieties in financial and other matters and recommend instituting remedial and mitigating measures;
- recommend to the Board the appointment of external auditors, their removal, audit fees, the provision of any service permissible to be rendered to the company by the external auditors in addition to audit of its financial statements, measures for redressal and rectification of non-compliances with the Regulations. The Board shall give due consideration to the recommendations of the audit committee and where it acts otherwise it shall record the reasons thereof; and
- consideration of any other issue or matter as may be assigned by the Board.

For Ideal Spinning Mills Ltd.  
*Rajiv Singh*  
Director

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