

# Audit Committee Report

## ESTABLISHMENT

The Audit Committee was established as a sub committee of the Board of Directors with specific terms of reference that have been approved by the Board. Its principal objectives are to assist the Board in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the holding company and each of its subsidiaries. In addition, the Audit Committee shall:

- evaluate the quality of the audits performed by the internal and external auditors;
- provide assurance that the financial information presented by management is relevant, reliable and timely;
- oversee compliance with relevant laws and regulations and observance of a proper code of conduct; and
- determine the quality, adequacy and effectiveness of the Group's internal control environment.

The Audit Committee comprises the following directors, the majority of whom are independent non-executive directors:

- |  |                                 |
|--|---------------------------------|
| 1. Major General Lai Chung Wah (Rtd)               | - Independent Non-Executive     |
| 2. Dato' Iskandar Michael bin Abdullah             | - Independent Non-Executive     |
| 3. Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah  | - Non-Independent Non-Executive |
| 4. General Dato' Sri Hj. Suleiman bin Mahmud (Rtd) | - Independent Non-Executive     |

The Chairman of the Audit Committee is Major General Lai Chung Wah (Rtd). The Directors' profiles are set out on pages 8 to 13 in the Annual Report.

The Audit Committee meets regularly with senior management and internal audit management, and the external auditors to review the Company's and the Group's financial reporting, the nature and scope of audit reviews and the effectiveness of the systems of internal control and compliance.

## SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE AND THE INTERNAL AUDIT FUNCTIONS

During the financial year ended 31 December 2006, the Audit Committee comprising the following members held a total of five (5) meetings. The details of attendance of the Committee members are as follows:

Name of Committee	No. of Meetings Held	Attended	Percentage of Attendance
Major General Lai Chung Wah (Rtd)	5	5	100%
Dato' Iskandar Michael bin Abdullah	5	5	100%
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah	5	4	80%
General Dato' Sri Hj Suleiman bin Mahmud (Rtd)	5	5	100%

In this financial year, apart from reviewing the quarterly announcements and annual financial statements, the Audit Committee also approved the annual internal audit plan. The risk based plan is developed to cover key operational areas, financial activities and information systems that are significant to the overall performance of the Company and the Group on a cyclical basis.

The Internal Audit Department also conducts audits on an ad hoc basis based on special requests either by the Board of Directors or the Senior Management. It also works closely with the external auditors to resolve any control issues raised by them and assists in ensuring appropriate management based actions are taken.

In this financial year, the Internal Audit Department conducted 34 audit assignments covering selected locations at the Group Corporate Headquarters and subsidiary companies stationed within the Southeast Asian Region, in particular Malaysia, Indonesia and Philippines. In addition, a further 52 audit assignments were carried out over MAA Assurance's Head Office and branches. The Audit Committee receives regular reports from the Head of the Internal Audit Department on the audit results.

## TERMS OF REFERENCE

### 1.0 Membership and Composition

The terms of reference provide a framework for election of the Audit Committee members from amongst themselves, comprising no fewer than three (3) directors, the majority of whom shall be independent non-executive directors.

The members of the Audit Committee shall elect among them an independent non-executive Director as the chairman of the Audit Committee.

No alternate director shall be appointed as a member of the Audit Committee.

In the event of any vacancy in the Audit Committee resulting in the number of members being reduced to below three, the company must fill the vacancy within three months.

### 2.0 Meetings

The Audit Committee meetings shall be conducted at least three (3) times annually, or more frequently as circumstances dictate. The Senior Management's representatives, the Internal Audit representatives, and the External Auditors' representatives attend the meetings when appropriate. Other Board members and employees may attend meetings upon the invitation of the Audit Committee.

# Audit Committee Report (continued)

## 3.0 Quorum

A quorum shall consist of a majority of Audit Committee members who are non-executives directors

## 4.0 Authority

The Audit Committee shall, in accordance with a procedure to be determined by the Board of Directors and at the expense of the Company:

- (a) investigate any activity within its terms of reference. All employees shall be directed to cooperate as requested by members of the Audit Committee;
- (b) have full and unlimited/unrestricted access to all information and documents/resources which are required to perform its duties as well as to the internal and external auditors and senior management of the Company;
- (c) obtain, if it considers necessary, independent professional advice or other advice and to secure the attendance of outsiders with relevant experience and expertise;
- (d) be able to convene meetings with the auditors, external or internal, without the attendance of the Executive Director, whenever deemed necessary; and
- (e) be able to make reports when necessary to the relevant authorities if a breach of any legal or regulatory requirement has occurred.

## 5.0 Duties and Responsibilities

The duties and responsibilities of the Audit Committee are as follows:

- (a) to review:
  - i. with the external auditors on their audit plan, scope and nature of audit for the Company and the Group;
  - ii. with the external auditors on their evaluation of the system of internal controls of the Group and its audit findings ;
  - iii. any problems and reservations arising from the interim and final external audits, and any matters the external auditors may wish to highlight;
  - iv. the quality of external auditors and make recommendations concerning their appointment, termination and remuneration and to consider the nomination of external auditors;
  - v. the liaison between the external auditors, the management and the Board of Directors and also the assistance given by management and employees to the external auditors;
  - vi. the adequacy of the scope, functions and resources of the Internal Audit Department and that it has the necessary authority to carry out its work;
  - vii. the internal audit programme, processes, results of the audit and whether or not appropriate action has been taken as per the recommendations of the Internal Audit Department;
  - viii. quarterly results and year end financial statements prior to the Board of Directors' approval pertaining to:
    - major accounting policy changes.
    - significant and unusual events.
    - compliance with accounting standards and other legal requirements and to monitor any related party transactions and conflict of interest situation that may arise within the Group and to report, if any, transactions between the Group and any related party outside the Group which are not based on arms length terms and which are disadvantageous to the Group.
- (b) to recommend the appointment of the external auditors, and to discuss their audit fees and any questions of resignation or dismissal;
- (c) to monitor organizational compliance with Bursa Malaysia Securities Berhad's requirements; and
- (d) to perform any other functions as may be mutually agreed by the Audit Committee and the Board of Directors.

## 6.0 Secretary

The Secretary of the Company shall also be the Secretary of the Audit Committee. The Secretary shall be responsible for drawing up the agenda in consultation with the chairperson and shall be responsible for keeping the minutes of the meeting of the Audit Committee, circulating them to committee members and ensuring compliance with regulatory requirements. The agenda together with relevant explanatory papers and documents are circulated to the committee members

# Corporate Social Responsibility

MAA Holdings Berhad's commitment in social corporate responsibility is seen through its involvement in charity work and community services. Charity starts at home and we are doing exactly that. Activities are undertaken by its subsidiaries or associated entities.

In 2006, **Malaysian Assurance Alliance Berhad ("MAA Assurance")** undertook the following activities:

- 1) Chinese New Year Gathering at Good Samaritan Home  
Date : 8th February 2006  
MAA Assurance General Insurance Division (Central Zone) and The Budimas Charitable Foundation jointly organised a Chinese New Year gathering for the children of Good Samaritan Home. Lunch was provided as well as festive goodies and angpows were given to the residents. There were also fun-filled games and activities for the children.
- 2) Cheque Presentation to The Budimas Charity Foundation  
Date : 14th April 2006  
MAA Assurance Executive Director/Chief Executive Officer Y.Bhg. Datuk Ramlan Abdul Rashid presented a cheque worth RM300,000 to Budimas trustee, Y.Bhg. Datin Seri Maneesah Tunku Iskandar.
- 3) PENIAGAWATI Royal Charity Dinner  
Date : 20th June 2006  
MAA Assurance supported the Association of Bumiputera Woman in Business and Professions' (PENIAGAWATI) Royal Charity Dinner with a RM10,000 contribution. The dinner was organised to pool funds for the PENIAGAWATI Entrepreneur Fund. A portion of the proceeds was channeled to the PENIAGAWATI Adopted Child Fund and Poor Children's Welfare of Klang (PEYAKIN).
- 5) Cheque Presentation to The Malaysian Charity Draw II  
Date : 19th July 2006  
MAA Assurance supported the Malaysian Charity Draw II with a contribution of RM100,000. The fund raising campaign also included an SMS donation drive, where it raised RM2 million in aid of 10 charity homes, one of which was MAA-MEDicare.
- 6) MAA Assurance General Charity Treasure Hunt 2006  
Date : 20th July 2006  
The Treasure Hunt raised over RM43,500 which was used to purchase a dialysis machine. The machine was tagged on 20th October at the Lions-MAA-MEDicare Johor Bahru (1) Charity Dialysis Centre.
- 7) Blood Donation Drive  
Date : 21st September 2006  
The Blood Donation Drive is conducted annually since its inception in 1999, as part of MAA Assurance's long-held tradition of giving back to the community. Approximately 80 donors showed up to contribute to this worthy cause. The donors comprised MAA Assurance staff, Life and General Agency Support members and also the public.
- 8) Christmas Outing to Port Dickson  
Date : 11 & 12 December 2006  
The children from Good Samaritan Home were treated to a Christmas Outing to Casa Rachado, Port Dickson which was sponsored by MAA Assurance, General Insurance Division.
- 9) Seremban Half Marathon Cheque Presentation  
Date : 5th July 2006  
MAA Assurance was once again co-sponsors of the Seremban Half Marathon with a contribution of RM10,000. The marathon was held on 19th July 2006 at Padang Negeri Sembilan, in conjunction with the 84th birthday celebration of the Yang di-Pertuan Besar Negeri Sembilan.



# Corporate Social Responsibility (continued)

Other Sponsorships included:-

- 1) Women's Aid Organisation  
Date : 3rd January 2006  
An amount of RM5,000 was contributed towards the Centre for Refuge and Child Care.
- 2) Chinese New Year Celebrations 2006  
Date : 19th January 2006  
MAA Assurance contributed RM2,500 towards the purchase of mandarin oranges to be given away to homes for elderly folk and underprivileged children.
- 3) Alicia Ngiam  
Date : 25th April 2006  
In a humanitarian gesture, RM5,000 was contributed towards the medical care of Alicia who suffered critical injuries in an accident and the high medical bills were too much for her single-parent mother.
- 4) Women Journalists Charity Nite  
Date : 30 June 2006  
MAA Assurance contributed RM3,000 towards MAA-MEDicare and to assist a journalist with kidney problems.
- 5) The Saint Vincent De Paul Society  
Date : 22nd May 2006  
RM1,000 was contributed towards the society's efforts to provide tuition fees and grocery for 3 poor patients seeking treatment at the JB MAA-MEDicare Charity Dialysis Centre.
- 6) Amal Perdana Pernim 2006  
Date : 31st May 2006  
Contributed RM2,000 towards the care and welfare of children with HIV and AIDS.
- 7) Donation to Mr. Chong Tuck Meng  
Date : 12th June 2006  
Mr. Chong needed funds for surgery and treatment resulting from his paralysis due to an accident. MAA Assurance donated RM3,000 towards the cost of this medical treatment.
- 8) Lion's Club  
Date : 21st June 2006  
MAA Assurance donated RM5,000 for their charitable activities.
- 9) Pertubuhan Kebajikan Anak-anak Yatim Malaysia (PENYATIM)  
Date : 27th June 2006  
We donated RM10,000 to PENYATIM, an association for disadvantaged children.
- 10) Team HPC Racing for the Children  
Date : 7th August 2006  
We sponsored RM30,000 for the Merdeka Millenium Endurance Race 2006 Fundraiser. The money was contributed towards The Budimas Charitable Foundation and the Ronald McDonald Children's Charity.



MAA Holdings adopted **The Budimas Charitable Foundation ("Budimas")** in November 2001. Budimas is under the royal patronage of our Queen, Duli Yang Maha Mulia Seri Paduka Baginda Raja Permaisuri Agong.

Activities undertaken by Budimas:

- 1) Cheque Presentation/Party at Miracle Home  
Date : 23rd March 2006  
Budimas presented a cheque worth RM30,000 to Miracle Home. This contribution marks the foundation's 4th contribution as part of its 5-year commitment to support the home.
- 2) Cheque Presentation to Bethesda Home  
Date : 22nd June 2006  
A cheque of RM20,000 was presented to Bethesda Children's Mission Home. This is Budimas' 4th contribution to the Home, pledged in 2002 as part of its 5-year commitment to support the Home.
- 3) Cheque Presentation to Asrama Damai  
Date : 9th September 2006  
Budimas contributed RM30,000 to Asrama Damai Anak-Anak Yatim. This also marks Budimas' 4th contribution to the Home as part of its 5-year commitment, pledged in 2002 to support the Home.
- 4) Commencement of Direct Debit Donor Programme  
Date : 26th September 2006  
Through the "Direct Debit Donor Programme", we use direct marketing to recruit donors, where a monthly donation is debited via the donors' bank account or credit card account. Budimas has appointed APPCO Sdn Bhd to assist in the "Direct Debit Donor Programme".
- 5) Budimas 3rd Charity Raffle Draw  
Date : 4th October 2006  
This is the 3rd year that Budimas is organising the Charity Raffle Draw. Tickets were sold at RM5.00 each or RM50.00 per booklet. The Charity Raffle Draw is conducted yearly to raise funds for the foundation. Raised RM721,970.00.
- 6) 'Buka Puasa' Treat  
Date : 13th October 2006  
The children from Asrama Damai Anak-Anak Yatim enjoyed their 'Buka Puasa' at Charlie's Reserve. The children were treated to a sumptuous buffet and presented with gifts and 'duit raya'.
- 7) Cheque Presentation to Good Samaritan Home  
Date : 29th December 2006  
A RM20,000 cheque was presented to Good Samaritan Home which marks Budimas' 4th contribution in its 5-year commitment to support the Home.

**MAA-MEDicare** opened its doors to the public in 1994 to help those with end stage renal failure (ESRF). Eventhough during that time "dialysis" was not a common word and was not understood by many, we were determined to help and set up our first dialysis centre in Jalan Ipoh. In the next 3 years, we established centres in Teluk Intan and Butterworth. Today, we have 11 satelite dialysis centres nationwide providing treatment at subsidised fees.

Activities undertaken by MAA-MEDicare:-

Charity Bazaar

Date : held once every two months, on Sunday mornings

The Charity Bazaar is held once every two months on Sunday mornings at Amcorp Mall. This is one of our most successful fund raising activities as the public is very supportive of the Charity Bazaar by donating items and by turning up to hunt for bargains.

