



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 in the following areas:

- Improve the quality of the accounting functions and system of internal controls;
- Review significant audit matters raised 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;
- Enhance the independence of both external and internal auditors' function;
- Strengthen the role of Independent Directors by enhancing their knowledge of the operations of the Company;
- Ensure effectiveness of code of ethics and adherence by all employees of the Companies and
- Promote good corporate governance practices and integrity to reduce opportunity for fraud.

SUMMARY OF ACTIVITIES

During the financial year ended 31 December 2007, 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 Attended
Major General Lai Chung Wah (Rtd) (Chairman, Independent Non-Executive Director)	5/5
Dato' Iskandar Michael bin Abdullah (Member, Independent Non-Executive Director)	5/5
General Dato' Sri Hj. Suleiman bin Mahmud (Rtd) (Member, Independent Non-Executive Director)	5/5
Tunku Dato' Yaacob bin Tunku Tan Sri Abdullah (Member, Non- Independent Executive Director) resigned w.e.f. 24 August 2007	4/4
Datuk Razman Md. Hashim (Member, Independent Non-Executive Director) appointed w.e.f. 24 August 2007	0/1

In line with the terms of reference of the Committee, the following activities were held during the financial year:

- 1 Review external auditor's reports on significant accounting matters, internal control recommendations, audited financial statements and audit plan;
- 2 Review audited financial statements before recommendation for Board of Director's approval;
- 3 Recommend the reappointment of external auditor and audit fee;
- 4 Review quarterly unaudited financial results and recommendation for Board of Director's approval for announcement;
- 5 Review internal audit plan, resources, performance and audit matters raised in the internal audit report; and
- 6 Review legal matters and ensure compliance to regulatory requirements and applicable accounting standards.

Separate Audit Committee meetings were also held in 2 of the subsidiaries i.e. Malaysian Assurance Alliance Berhad and MAA Takaful Berhad. The Audit Committee of MAA Holdings Berhad placed reliance on the reports produced by the Audit Committee of the subsidiaries. During the financial year, the Audit Committee of Malaysian Assurance Alliance Berhad held 6 meetings whereas MAA Takaful Berhad held 2 meetings. The Group Managing Director, Executive Director, Independent Non-Executive Director, external auditors and members of senior management were also invited to attend the meetings.



Audit Committee Report (continued)

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.

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 programs, 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 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.

7.0 Summary of Internal Audit Activities

During the financial year, the group internal audit team consisted of 7 staffs audited 19 companies and 8 branches i.e. 84% of the audit targets. In addition, to the audit plan for the year, they have also audited additional 2 branches and conducted ad hoc review on 3 companies on the request of the Audit Committee and senior management. The audit included subsidiaries' operation in Indonesia and Philippines. These audits focused mainly on operational and compliance areas and all the audit results have been duly reported to the Audit Committee.