

# Audit Committee Report

## Audit Committee

The Audit Committee comprises the following Directors:

**Stephen Geh Sim Whye**  
*Chairman, Independent Non-Executive Director*

**Tan Yuen Fah**  
*Independent Non-Executive Director*

**Megat Dziauddin bin Megat Mahmud**  
*Independent Non-Executive Director*

**Kung Beng Hong**  
*Non-Independent Non-Executive Director*

**Ou Shian Waei**  
*Independent Non-Executive Director*

## Terms of Reference

### 1. Policy

It is the policy of the Company to establish an Audit Committee to ensure that the internal and external audit functions are properly conducted and that audit recommendations are being carried out effectively.

### 2. Objectives

The objectives of this policy are:

- a) to comply with the relevant regulatory and statutory requirements on Audit Committee; and
- b) to provide independent oversight of the Company and subsidiaries' financial reporting and internal control system and ensuring checks and balances within the Company and subsidiaries.

### 3. Composition of the Audit Committee

The Audit Committee shall be appointed by the Directors which shall fulfil the following requirements:

- a) the Audit Committee must be composed of no fewer than three members;
- b) all the Audit Committee members must be Non-Executive Directors, with a majority of them being Independent Directors;
- c) the members of the Audit Committee shall elect a Chairman from among themselves who shall be an Independent Director; and
- d) at least one member of the Audit Committee:
  - i) must be a member of the Malaysian Institute of Accountants; or
  - ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least three years' working experience; and
    - aa) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
    - bb) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
  - iii. fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad.

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

### 4. Secretary to the Audit Committee

The Company Secretary shall be the Secretary to the Audit Committee.

### 5. Quorum

Two members of the Audit Committee shall constitute a quorum at any meeting and majority of members present must be Independent Directors to form a quorum.

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### 6. Attendance at Meetings

- The Group Chief Internal Auditor is invited to attend all meetings of the Audit Committee.
- The Group Chief Financial Officer and the External Auditors are normally invited to attend meetings as and when necessary.
- Other Board members and employees may attend meetings upon the invitation of the Audit Committee.
- The Secretary of the Audit Committee shall provide the necessary administrative and secretarial services for the effective functioning of the Audit Committee. The minutes of meetings are circulated to the Audit Committee Members and to all other members of the Board.

### 7. Frequency of Meetings

The Audit Committee shall meet at least four times a year. However, the frequency of meetings would increase depending on the scope of the audit activities and the number of audit reports produced.

### 8. Functions of the Audit Committee

The functions of the Audit Committee are as follows:

- a) To consider the appointment of the External Auditors, the audit fee and any questions of resignation or dismissal and whether there is reason (supported by grounds) to believe that the External Auditors are not suitable for re-appointment;
- b) To discuss with the External Auditors before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- c) To recommend the nomination of a person or persons as the External Auditors;
- d) To approve the provision of non-audit service by the External Auditors;
- e) To ensure that there are proper checks and balances in place so that the provision of non-audit services does not interfere with the exercise of independent judgement of the External Auditors;
- f) To assess objectivity, performance and independence of the External Auditors (for example by reviewing and assessing the various relationships between the External Auditors and the Company or any other entity);
- g) To review:
  - with the External Auditors, the audit plan;
  - with the External Auditors, their evaluation of the system of internal controls;
  - with the External Auditors, their audit report;
  - the assistance given by the Company's officers to the External Auditors;
  - the consolidated financial statements of the Company; and

- any related party transactions and conflict of interest situation that may arise within the Group including any transaction, procedures or course of conduct that raises questions of management integrity;
- h) To review the quarterly and year-end financial statements of the Company, prior to the approval of the Board of Directors, focusing particularly on:
    - any changes in accounting policies and practices;
    - significant adjustments arising from the audit;
    - any other significant and unusual events;
    - the going concern assumption; and
    - compliance with accounting standards and other legal requirements;
  - i) To discuss problems and reservations arising from the interim and final audits, and any matter the External Auditors may wish to discuss (in the absence of Management where necessary);
  - j) To review the External Auditors' Management letter and Management's response;
  - k) To meet with the External Auditors without the presence of Management at least twice a year;
  - l) To propose best practices on disclosure in financial results and annual reports of the Company in line with the principles set out in the Malaysian Code on Corporate Governance, other applicable laws, rules, directives and guidelines;
  - m) To review the effectiveness of internal controls and risk management processes;
  - n) To do the following:
    - review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
    - review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and ensure that appropriate actions are taken on the recommendations of the internal audit function in a timely manner;
    - review any appraisal or assessment of the performance of members of the internal audit function;
    - approve any appointment or termination of senior staff members of the internal audit function;
    - take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning;
    - consider the major findings of internal investigations and Management's responses;
    - establish an appropriate mechanism to address and manage situations where there is a threat to the objectivity of the internal audit; and
    - establish a mechanism to assess performance and effectiveness of the internal audit function;

- o) Where the internal audit function lacks the expertise needed to perform the audit of specialised areas, external experts may be engaged. However, the Audit Committee remains responsible for ensuring that audit of specialised areas is adequate;
- p) In situations that external experts are engaged to carry out review of specialised areas where internal audit is not or not sufficiently proficient, the Audit Committee should ensure that:
  - terms and scope of the engagement, the working arrangement with the internal auditors and reporting requirements are clearly established; and
  - if the External Auditors are engaged, the Audit Committee is responsible for ensuring that such engagement does not compromise the independence of the External Auditors in their roles as statutory auditors of the Company;
- q) To verify the allocation of share options/share grants/share save (where applicable) pursuant to the Company's Employees' Share Scheme at the end of each financial year as being in compliance with the criteria of allocation pursuant to the Employees' Share Scheme and to issue a statement verifying such allocation to be included in the annual report; and
- r) To consider and examine any other matters as defined by the Board.

## 9. Authority of the Audit Committee

The Audit Committee is authorised by the Board to:

- a) investigate any matter within the scope of the Audit Committee's duties;
- b) have full and unrestricted access to any information in the Company;
- c) obtain independent professional advice or other advice, whenever deemed necessary;
- d) make recommendations for improvements of operating performance and management control arising from internal and external audit recommendations;
- e) have the resources which are required to perform its duties;
- f) have direct communication channels with the External Auditors and person(s) carrying out the internal audit function or activity, if any; and
- g) be able to convene meetings with the External Auditors, the Internal Auditors or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary.

The Chairman and/or members of the Audit Committee are authorised by the Board to engage on a continuous basis with senior management, the Chairman, the Group Chief Executive Officer, the Group Chief Financial Officer, the Group Chief Internal Auditor and the External Auditors in order to be kept informed of matters affecting the Company.

## 10. Reporting of Breaches to the Bursa Malaysia Securities Berhad

Where the Audit Committee is of the view that a matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of Bursa Malaysia Securities Berhad's Listing Requirements, the Audit Committee must promptly report such matter to the Bursa Malaysia Securities Berhad.

## Audit Committee Meetings Held in the Financial Year Ended 31 March 2014 (FY2014)

During the FY2014, a total of six Audit Committee meetings were held. The details of attendance of the Committee members are as follows:

| Name of Committee Member         | Attendance |
|----------------------------------|------------|
| Stephen Geh Sim Whye             | 6/6        |
| Tan Yuen Fah                     | 6/6        |
| Megat Dziauddin bin Megat Mahmud | 6/6        |
| Kung Beng Hong                   | 6/6        |
| Ou Shian Waei                    | 6/6        |

## Summary of Activities

The Audit Committee has during the FY2014 carried out the following duties:

- a) Reviewed the quarterly results and made recommendations to the Board for approval;
- b) Reviewed with the External Auditors, the draft Audited Financial Statements of the Company and the Group for the financial year ended 31 March 2013 (FY2013);
- c) Reviewed with the External Auditors, their report on the Limited Review of Half Year Financial Statements for the six months period ended 30 September 2013;
- d) Reviewed with the External Auditors, their management letter together with Management's responses to the audit findings for the FY2013;
- e) Reviewed with the External Auditors, their audit plan for the FY2014;
- f) Reviewed the non-audit services rendered by the External Auditors;
- g) Considered the re-appointment of the External Auditors and their audit fees for the FY2014;

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- h) Reviewed the Audit Committee Report, Statement on Risk Management and Internal Control and Risk Management Report for inclusion in the 2013 Annual Report;
- i) Reviewed the allocation of share options and share grants pursuant to the Employees' Share Scheme of the Company during the FY2013;
- j) Reviewed the internal audit reports with Internal Auditors;
- k) Reviewed with the Internal Auditors, the internal audit plan for the FY2014;
- l) Reviewed recurrent related party transactions entered into by the Company and its subsidiaries;
- m) Reviewed the Revision to the Terms of Reference of Audit Committee;
- n) Reviewed the Fraud Overview Report;
- o) Reviewed the External Auditors Suitability & Independence Assessment Policy;
- p) Reviewed the operations of Group Corporate Secretarial;
- q) Reviewed the Annual Re-assessment of the Group Chief Internal Auditor;
- r) Reviewed the Internal Procedures for Related Party Transactions and Recurrent Related Party Transactions;
- s) Met with the External Auditors without the presence of Management twice during the year; and
- t) Met with the Internal Auditors without the presence of Management twice during the year.

Subsequent to FY2014, the Audit Committee carried out the following duties:

- a) Reviewed with the External Auditors, the draft Audited Financial Statements of the Company and the Group for the FY2014;
- b) Reviewed with the External Auditors, their management letter together with Management's responses to the audit findings for the FY2014;
- c) Reviewed the non-audit services rendered by the External Auditors;
- d) Considered the re-appointment of the External Auditors and their audit fees for the financial year ending 31 March 2015 (FY2015);
- e) Reviewed recurrent related party transactions entered into by the Company and its subsidiaries;
- f) Reviewed with the Internal Auditors, the internal audit plan for the FY2015;
- g) Reviewed the internal audit reports with Internal Auditors;
- h) Reviewed the Audit Committee Report, Statement on Risk Management and Internal Control and Risk Management Report for inclusion in the 2014 Annual Report;

- i) Reviewed the allocation of share options and share grants pursuant to the Employees' Share Scheme of the Company during the FY2014;
- j) Met with the External Auditors without the presence of Management; and
- k) Met with the Internal Auditors without the presence of Management.

### Group Internal Audit Function

The Group has a well established group internal audit function. Its primary role is to assist the Audit Committee to discharge its duties and responsibilities by independently reviewing and reporting on the adequacy and effectiveness of the system of internal controls that mitigate critical risks.

The authority of the Group Internal Audit is provided in the Internal Audit Charter, which formally documents the roles, duties and responsibilities of the Internal Auditors. The Group Chief Internal Auditor reports directly to the Group Audit Committee of the Alliance Bank Group and the Audit Committee of the Company jointly and reports administratively to the Bank's Group Chief Executive Officer.

Group Internal Audit adopts a risk-based approach that deploys audit resources to focus on significant risk areas and thus, enhance the effectiveness and efficiency of the audit function by prioritising the audits of areas which have been assessed as having potentially higher risks.

Group Internal Audit works collaboratively with Risk Management to monitor the risk governance framework and the risk management processes that are applied to ensure an acceptable level of risk exposure which is consistent with the risk management policy of the Group. The Internal Auditors also work closely with the External Auditors to resolve any control issues raised by them to ensure that significant issues are duly acted upon by Management.

The cost incurred for the Group's internal audit function during the financial year amounted to RM5.7 million.

### Statement on Employees' Share Scheme (ESS)

The Audit Committee confirms that the share options and share grants offered/awarded to eligible employees of the Company and its subsidiaries pursuant to the ESS during the financial year under review had been made in accordance with the criteria of allocation pursuant to the Bye-Laws of the ESS.