

Audit And Examination Committee Report

The current composition of the Audit and Examination Committee (“AEC”) of the Company and the attendance of each member at the AEC meetings held during their tenure in office in respect of financial year ended 31 March 2016 (“FY2016”) are set out in the table below.

The AEC held six (6) meetings during FY2016.

NAME OF COMMITTEE MEMBERS	NUMBER OF AUDIT AND EXAMINATION COMMITTEE MEETINGS		
	Held During Tenure in Office	Attended	%
Voon Seng Chuan (Chairman) (Appointed as member on 20 August 2015 and assumed Chairmanship on 30 October 2015) (Independent Non-Executive Director)	3	3	100
Soo Kim Wai (Appointed as member on 20 August 2015) (Non-Independent Non-Executive Director)	3	3	100
Seow Yoo Lin (Appointed as member on 30 June 2016) (Independent Non-Executive Director)	-	-	-
Dato’ Azlan Hashim (Retired as director on 20 August 2015) (Non-Independent Non-Executive Director)	3	0*	0
Tan Sri Datuk Dr Aris Osman @ Othman (Retired as director on 20 August 2015) (Independent Non-Executive Director)	3	3	100
Tan Sri Datuk Clifford Francis Herbert (Retired as director on 20 August 2015) (Senior Independent Non-Executive Director)	3	3	100
Shayne Cary Elliott (Resigned as director on 15 October 2015) (Non-Independent Non-Executive Director)	3	3	100
Chin Yuen Yin (Resigned as director on 30 October 2015) (Independent Non-Executive Director)	4	3	75
Dato’ Rohana binti Mahmood (Resigned as member on 30 June 2016) (Senior Independent Non-Executive Director)	3	2	67

* due to health reasons

The Chief Financial Officer and Chief Internal Auditor or their representatives attended all meetings of the AEC to present their respective financial and audit reports. As and when necessary, the AEC would request the attendance of relevant personnel at its meeting to brief the AEC on specific issues arising from the financial and audit reports.

The AEC also held private sessions with the external auditors and the Chief Internal Auditor without the presence of Management.

Minutes of the AEC meetings were tabled to the Board of Directors (“Board”) for notation. The AEC Chairman conveyed to the Board matters of significant concern as and when raised by the external auditors or Group Internal Audit.

Terms Of Reference Of The AEC

The functions of the AEC are as follows:

- 1) To provide an independent oversight of the Company/Group's financial reporting and internal control systems that facilitates appropriate checks and balances within the Company/Group.
- 2) To serve as an independent and objective party in the review, where appropriate, of the financial information of the Company/Group that is presented by the Management to the Board and shareholders.
- 3) To review the quarterly results and year-end financial statements of the Company/Group prior to approval by the Board to ensure compliance with accounting standards and legal requirements, and to ensure fair and transparent reporting and prompt publication of the financial accounts.
- 4) To review and recommend any changes in accounting policies and improvement in the system of internal control, where deemed necessary.
- 5) To determine that the Company/Group has adequate established policies, procedures and guidelines, operating and internal controls, and that they are being complied with and are operating effectively in promoting efficiency and proper conduct, and protecting the assets of the Company/Group.
- 6) To evaluate the adequacy and effectiveness of the internal control and risk management control systems of the Company/Group through the review of the reports of both external and internal auditors that highlight internal accounting, organisational and operating control weaknesses, and to determine that appropriate corrective actions are being taken by the Management.
- 7) To recommend the annual appointment, resignation or removal of external auditors.
- 8) To review and consider any request to dismiss the external auditor or reasons for resignation by the external auditor.
- 9) To review and deliberate scope of audits, audit plans and audit reports, and ensure coordination where more than one audit firm is involved.
- 10) To negotiate and recommend to the Board for approval the annual audit fees or special audit fees and/or non-audit service fees.
- 11) To ensure the adequacy and appropriateness of the scope, functions and resources of the internal audit function and that they have the necessary authority to carry out their work.
- 12) To establish a mechanism to assess the competency, performance and effectiveness of the internal audit function.
- 13) To review and approve the scope of audits, audit plans and audit reports of the internal auditors, and ensure issues are being managed and rectified appropriately and recommend actions to be taken by Management, where appropriate.
- 14) To approve the appointment, performance evaluation, transfer and dismissal of the Chief Internal Auditor in consultation with the respective AEC of the subsidiaries within the Group.
- 15) To ensure that audit of specialised areas is adequate by directing the engagement of external experts to carry out the review, if required, and ensure that the terms and scope of the engagement, the working arrangement with the internal auditors and reporting requirements are clearly established.
- 16) To review and recommend for Board's approval related party transactions and conflict of interest situations that may arise within the Company/Group including transactions, procedures or course of conduct that raises questions of Management and Directors' integrity, and keep the Board informed of such transactions in a timely manner.



Summary Of Key Activities

The following is a summary of the main activities carried out by the AEC during the FY2016:

Internal Audit

- Reviewed and approved the Group Internal Audit's annual audit plan, including its resource needs and its assessment of the risk levels of the various auditable areas to ensure that audit emphasis was given on critical risk areas.
- Reviewed the adequacy and effectiveness of the system of controls, reporting and risk management to ensure there is a systematic methodology in identifying, assessing and mitigating risk areas.
- Reviewed reports of Group Internal Audit (including internal investigations, follow up on resolution of issues raised in reports issued by Regulators, external auditors and other external parties) and considered Management's response and accordingly directed Management to take the necessary remedial action. The Committee also followed-up on resolution of major issues raised in the reports and requested for separate presentations by Management where necessary.
- After each AEC meeting, a summary of Internal Audit reports deliberated at the meeting is tabled to the Board.
- Reviewed the progress of Group Internal Audit in completing its audit plan and assessed the performance of Group Internal Audit and the Chief Internal Auditor.
- Approved enhancements to the Risk-Based Audit Planning Methodology.

External Audit

- Reviewed the appointment of the external auditor and their independence and effectiveness for statutory audit, audit-related and non audit-related services.
- Reviewed/Approved their audit plan, annual audit fees and scope of work for audit and non-audit assignments.
- Reviewed the external auditor's results and report as well as the Management's consequent responses to the findings of the external auditor.

Financial Reporting

- Reviewed the quarterly results and financial statements of the Group before recommending them to the Board for approval.
- Reviewed the annual audited financial statements of the Group with the external auditor prior to submission to the Board for approval.
- Compliance with the following regulatory requirements was ensured:
 - Provisions of the Companies Act, 1965, Financial Services Act 2013 and Islamic Financial Services Act 2013
 - Capital Markets And Services Act, 2007
 - Securities Commission Act, 1993
 - Main Market Listing Requirements of Bursa Malaysia Securities Berhad
 - Applicable accounting standards in Malaysia
 - Other relevant regulatory requirements
- Reviewed the Statement on Risk Management and Internal Control.

Related Party Transactions

- Reviewed related party transactions and the adequacy of the Group's procedures in identifying, monitoring, reporting and reviewing related party transactions.
- Reviewed quarterly reports on recurrent related party transactions of a revenue and trading nature.
- Reviewed and deliberated on the draft Circular to Shareholders on Recurrent Related Party Transactions.

Internal Audit Function

The Group has an in-house internal audit function that is carried out by Group Internal Audit ("GIA") and headed by the Chief Internal Auditor ("CIA"), Thein Kim Mon. The CIA reports directly to the AEC.

GIA operates under a charter from the AEC that gives it unrestricted access to review all activities of the Group. The internal auditing function is conducted on an AmBank Group-wide basis to ensure consistency in the control environment and the application of policies and procedures.

GIA focuses its efforts on performing audits in accordance with the audit plan, which is prioritised based on a comprehensive risk assessment of all activities undertaken by the Group. The structured risk assessment approach ensures that all risk-rated areas are kept in view to ensure appropriate audit coverage and audit frequency. The risk-based audit plan is reviewed annually, taking into account the changing financial significance of the business and risk environment.

GIA also performs investigations and special reviews, and participates actively in major system development activities and project committees to advise on risk management and internal control measures.

The AEC approves the annual audit work plan, and a risk-based audit approach is used to ensure that the higher risk activities in each business unit are audited each year.

The audit activities can be summarised as follows:

- Scheduled and mandatory audits
- Systems development life-cycle review of major IT infrastructure projects
- Special focus/thematic reviews
- Unscheduled reviews and investigations

The main objective of the audit reviews is to assess the adequacy and effectiveness of risk management and systems of internal controls in the following areas:

- Retail Banking
- Islamic Banking
- Wholesale Banking
- Investment Banking
- General Insurance
- Funds & Asset Management
- Other Non-Financial Institutions
- Support Functions

GIA plays an active role in ensuring compliance with the requirements of Regulatory Authorities. GIA also works collaboratively with the external auditor, Risk Management department and Group Regulatory Compliance to ensure maximum reliance and avoid duplication of effort.

There is an effective process for ensuring prompt resolution of audit issues. GIA tables regular updates to the AEC on the progress of significant issues until such issues are satisfactorily resolved.

For the financial year, total costs incurred on the Group's internal audit function amounted to RM14.7 million (FY2015: RM16.6 million).

Details of the Group's internal control system are set out in the Statement on Risk Management and Internal Control appearing on pages 70 to 71 of this annual report.

Key Risk Areas And Internal Focus

