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AUDIT COMMITTEE INSTITUTE

Audit Committee Roundtable Highlights - 2010

Going Forward: Risk & Reform –
Implications for Audit Committee Oversight

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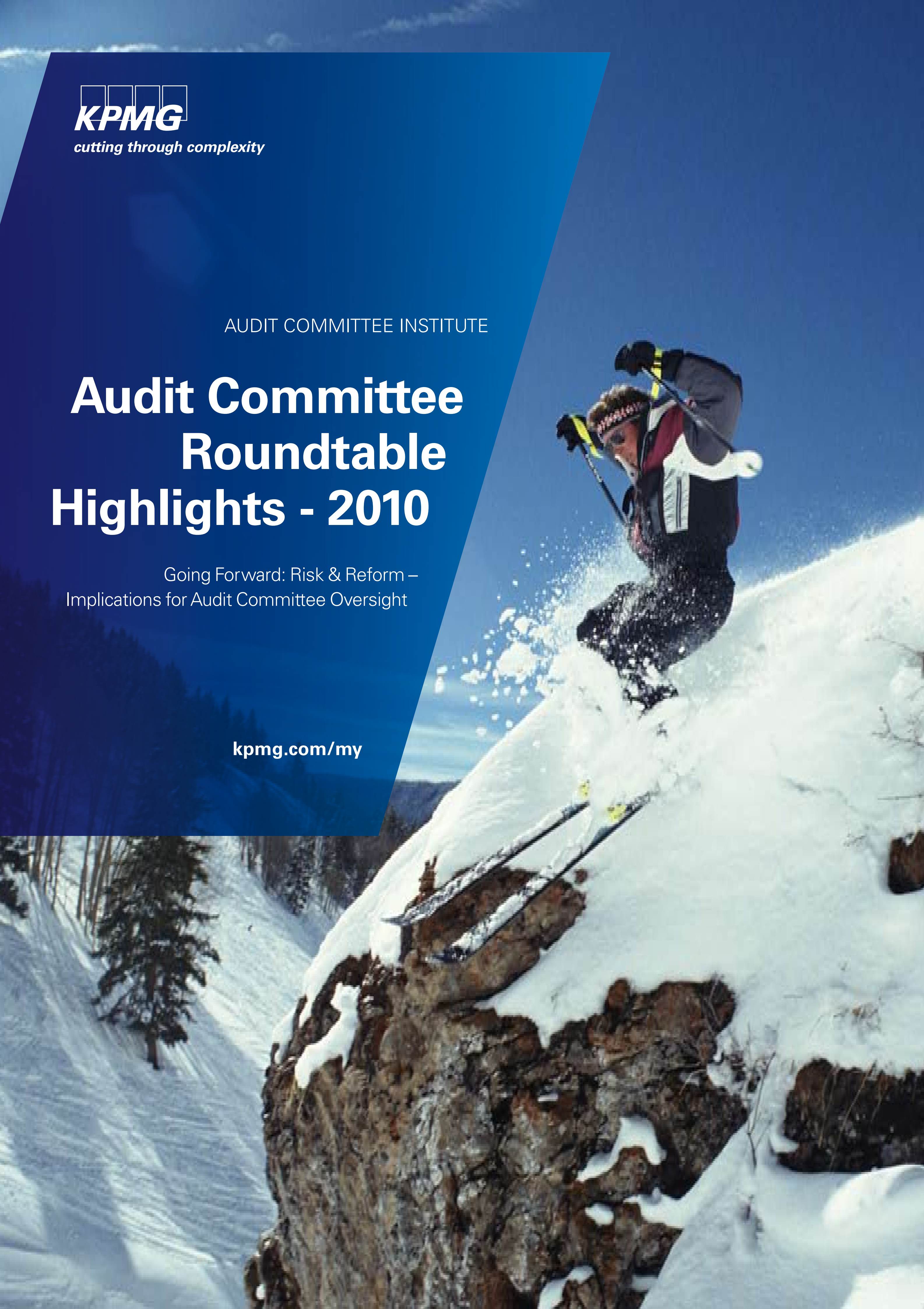

Foreword

Some three years have gone by since the 2008/2009 financial meltdown in the West although the effects thereof can still be somewhat felt even in this part of the world. It still remains a challenge for corporations to consolidate and to be able to arise from the ashes. Henceforth, it is little wonder that listed corporations face constant scrutiny from shareholders, regulators, employees and even society at large. Simply put - the margin for error has become wafer thin.

Organizations are largely affected by the need not only to be efficient in their businesses, but also the imperatives to incorporate various other elements like corporate responsibility and ethics, once sidelined as secondary. Rhetorically, corporate transformation remains the *sine qua non* or prerequisite for corporations to rebound from the economic upheavals. Risk and reform, which hitherto were given scant attention, are now steadfast in the minds of corporate players and stakeholders alike, in the hope that the past does not repeat itself.

Changes to the way business must be managed invariably came "fast and furious", evidenced by the rapid pace and extent of corporate governance codes across the globe being reviewed and revised, with some even revamped, to identify and redress the root causes culminating in the financial fiasco. Terms like risk, remuneration and sustainability have become corporate buzzwords, as can be seen in significant changes to the corporate governance codes and requirements of the following jurisdictions:

- South Africa's King III 2009 – inclusion of the sustainability agenda and the governance of risk;
- India's Corporate Governance Voluntary Guidelines 2009 – focusing on the tenure of independent directors and the internal audit function;
- The Financial Reporting Council's UK Corporate Governance Code 2010 – emphasis on risk management, disclosures and transparency as well as remuneration;
- The Australian Stock Exchange's Corporate Governance Principles and Recommendations 2010 – aspects of market integrity, board diversity and executive remuneration; and
- The NYSE Commission on Corporate Governance 2010 – sustainable growth in shareholder value, incorporating the management faction into governance and shareholders' rights.

Apart from the myriad of changes that have taken place, other notable developments include the UK Treasury commissioning of the Walker Review in 2009, which resulted in recommendations pertinent to the functioning of the Board. The more stringent measures that have taken place include the enactment of legislations to disclose, amongst others, executive remuneration via the introduction of the Dodd Frank Act 2011, in the United States and the proposed amendments to Australia's Corporations Act - also in the disclosure of directors' and executive remuneration.

The clichéd saying that "times have changed" can never be more appropriately coined for an organization, and in particular, for the Audit Committee. While organizations and Audit Committees have acknowledged the importance of risk oversight in maintaining the integrity of the financial reporting process, the reality of the challenges lies not only in the application but also in the embodiment of the culture and mindset towards risks and reform within an organisation.

Larry Rittenberg, Professor and Chairman Emeritus of the Committee of Sponsoring Organisations of the Treadway Commission, advocates that, in embedding a successful risk management framework within an organization, it cannot be merely a project, rather a systemised approach of understanding the most basic business assumptions has a more sustainable and effective potential.

Closer to home, the Securities Commission of Malaysia released the Corporate Governance Blueprint on 8 July 2011 with 35 recommendations for public feedback. The thrust of the blueprint is to enable Corporate Malaysia to scale the heights of good governance as the country moves forward, realizing its high income nation status by 2020.

In light of this, in year 2010, the ACI Malaysia organised several Roundtable discussions entitled, "Going Forward: Risk and Reform – Implications for Audit Committee", to assist organizations and their Audit Committees to further gauge their roles in the context of global transformation. I hope the contributions of participants at the various Roundtable sessions, and comments proffered by KPMG in Malaysia, which are set out in the subsequent sections of this document, will prove insightful.

David Lim
Chairman
Audit Committee Institute Malaysia

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Going Forward: Risk & Reform – Implications for Audit Committee Oversight

The fallout from the financial crisis, and the general sense that thinking "outside the box" might have better positioned companies to weather the crisis, are creating greater demands on boards and audit committees to strengthen risk management and oversight activities.

Of late, risk management has inevitably become a "regular feature" on the corporate governance agenda of most corporations.

In the United States, the Committee of Sponsoring Organisations of the Treadway Commission (COSO) Enterprise Risk Management Framework emphasizes the imperatives and the various elements of risk management.

In the United Kingdom, the financial fiasco resulted in a revamp of the country's corporate governance code which took effect from 29 June 2010 where, for the first time, risk appetite is now on the Board's agenda for deliberation. Risk appetite is loosely equated with the extent of risk that an organization is prepared to accept in order to achieve its objectives.

In Australia, the AUS/NZS 4360:2004 has become the benchmark for risk management to such an extent that many countries have adopted that standard, although recently the ISO31000 provides a new paradigm on the same subject matter. A recent Standard & Poor research found that 73% of the 200 listed Australian companies use the audit committee to oversee risk management. Audit committees are increasingly preferred as a vehicle for board oversight of risk management, while still acknowledging that the full board is primarily responsible for risk management.

The situation is not very different in Malaysia, where the Board has the stewardship responsibility under the Malaysian Code on Corporate Governance to "identify principal risks and ensure the implementation of appropriate systems to manage these risks". For practical reasons, the Board may delegate this task to a Risk Management Committee or even the Audit Committee.

While Malaysia may have been largely insulated from the ill effects of the financial crisis, the focus going forward is on strengthening the integrity of our capital markets through ongoing risk management activities, augmented by appropriate regulatory reforms. The 2 key changes to the Capital Markets and Services Act, 2007 concern the introduction of the following sections:

- Section 317A - A director or an officer of a listed corporation or any of its related corporations shall not do or cause anyone to do anything with the intention of causing wrongful loss to the listed corporation or any of its related corporations irrespective of whether the conduct causes actual wrongful loss; and
- Section 320A. (1) A person shall not influence, coerce, mislead or authorize any person engaged in:

(a) preparation of the financial statements of a listed corporation or any of its related corporations; or

(b) performance of an audit of the financial statements of a listed corporation or any of its related corporations, to do anything which he knows or ought reasonably to have known may cause the financial statements or audited financial statements to be false or misleading in a material particular.

The errant persons upon conviction shall be punished with imprisonment for a term not exceeding 10 years and be liable to a fine not exceeding RM10 million.

This draconian piece of legislation, which was enacted largely to enable the Securities Commission to take pertinent punitive actions against perpetrators, especially in light of the spate of media reported financial shenanigans involving Kenmark, LFE and Linear Corporation, invariably demand board and audit committee members to have a comprehensive understanding of their role and possess the necessary skills and competence to discharge their fiduciary duties effectively.

Audit committees are increasingly preferred as a vehicle for board oversight of risk management, while still acknowledging that the full board is primarily responsible for risk management.

Risk and reforms in the aftermath of the economic downturn

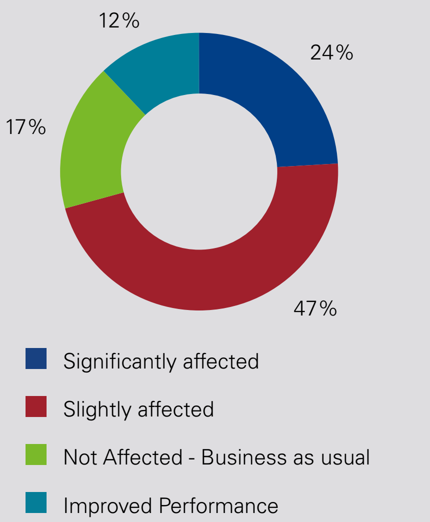
In the aftermath of the economic downturn, companies are bracing for more scrutiny by the public and regulators in terms of their risk management measures and governance activities.

As such, audit committee members of public listed companies in Malaysia discussed these issues in depth during the Audit Committee Institute Malaysia's 2010 Audit Committee Roundtable Series held over 6 sessions from March 2010 to July 2010. Open dialogue amongst Roundtable panelists and attendees - as well as real-time surveys conducted at each session - highlighted key issues and emerging practices that audit committees and boards should consider in their oversight of risks and challenges posed by the aftermath of the economic downturn.

The following are 9 key takeaways from the Roundtables, including related survey findings:

Financial performance during the economic downturn

Q1: How has the recent economic downturn affected your company in terms of financial performance?



It is not surprising to note that the majority of participants (71%) indicated that their companies' performances were at least somewhat affected by the recent downturn.

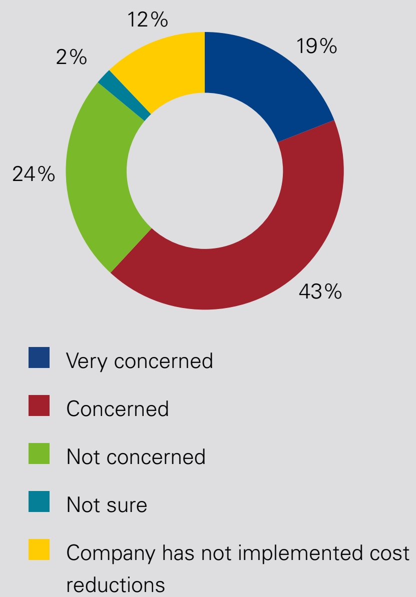
Comments were received from respondents mentioning that export oriented businesses, especially those who traded with Europe or the United States, were more severely hit than others. Whilst the worst may seem to be over, some commentators on global economies are not dispelling thoughts of a "double dip", what with the lacklustre economic recovery recorded by developed nations.

An interesting observation from participants' response was that some companies showed improvement in their financial performance despite the market turmoil.

A participant quipped, "There will always be some businesses which are recession-proof, for example the gaming and entertainment industries".

Targeted and strategic cost reduction strategies

Q2: How concerned are you that the cost reductions undertaken by your company in response to the economic downturn have not been properly targeted and strategic?



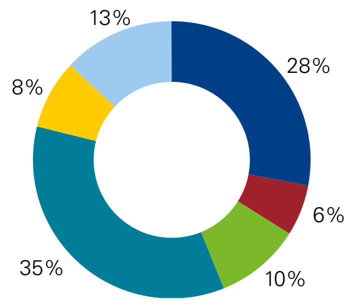
A hefty 62% of respondents indicated they were at least somewhat concerned that the cost reductions undertaken by their companies were not properly nor strategically targeted in response to the downturn.

Typically, where cost reductions were seen to bring positive vibes, the common themes were:

- having the right people in the right functions and developing core and specialist skills. This also included concurrence that certain skills may be developed through training, new-hires or externally co-sourced;
- having a strategic 2 to 5-year plan on resources that is periodically reviewed and communicated to the business and operational functions, instead of "knee-jerk" reactions in trying to contain cost by laying off resources (which will have more far-reaching implications when the economy rebounds – talents cannot be groomed "overnight"); and
- having a dynamic risk-based internal audit plan which is updated quarterly and is reviewed and approved by the audit committee for comprehensiveness vis-à-vis the level of activities (e.g. internal audit resources should be focused on areas of higher vulnerability in the company instead of being spread out to cover all areas of the company's activities), instead of postponing internal audit projects or reducing substantially the scope of internal audit coverage in the name of cost-saving.

Areas of concern for cost reduction strategies

Q3: In what areas are you most concerned about the impact of cost reductions undertaken by your company?



- Internal controls
- Fraud risk
- Financial reporting integrity
- Employee talent and training
- Legal/Regulatory compliance
- Company has not implemented significant cost reduction

Cost-cutting measures ranging from reduced or deferred information technology projects to resource planning were unfortunately found to be improperly targeted – the cutting of corners, particularly on resources earmarked for internal controls and risk management has somewhat posed a concern for most respondents, especially on the loss of talents due to lay-offs.

Most respondents voiced concerns about the sustainability of the cost reductions undertaken by the companies. The impact of cost-cutting on their companies' employee talent and training (35%) was of greatest concern. Other fears included the adverse impact on internal controls (28%), financial reporting integrity being impaired (10%), non-compliance with legal and regulatory requirements (8%) and fraud risk (6%). 13% of respondents declared that the companies have not implemented any significant cost reductions but continued business as usual – this is not surprising since some companies thrived during the period of turmoil as can be seen in the preceding response under Q1.

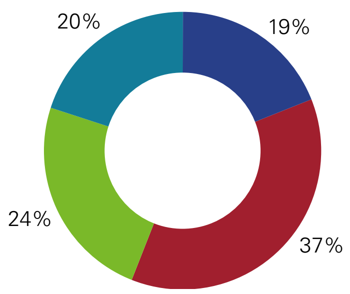
Risk should be included in multiple discussion forums

Risk-focused directors need honest answers to several questions:

- Does your board truly invite and embrace management/ executive sessions to articulate risk issues?
- Does your audit committee indulge in the 3 lines of defence system, i.e. with the first involving the system of checks and controls imposed on key employees in the various business lines, the second typically, the risk management unit that sets and monitors risk management policies and the third comprising the internal audit that reviews and reports risk mitigating strategies?

Our role in the company's risk appetite

Q4: What role does your Board or Audit Committee play in the development of the company's risk appetite?



- Approves a formal, written statement of the company's risk appetite
- Approves the company's risk appetite generally, but not a formal statement of risk appetite
- Discusses company's risk appetite at least annually
- Does not discuss the company's risk appetite

The board of directors and its audit committee are expected to play a critical role in risk management by establishing the right environment or tone-at-the-top and overseeing management's approach to risk management, especially the effectiveness of remedial measures deployed by management to address the myriad causes giving rise to business risks. To be able to carry out this responsibility expeditiously, it is vital for the board to determine the risk threshold beyond which the organization should not even seek to venture – this is called "risk appetite".

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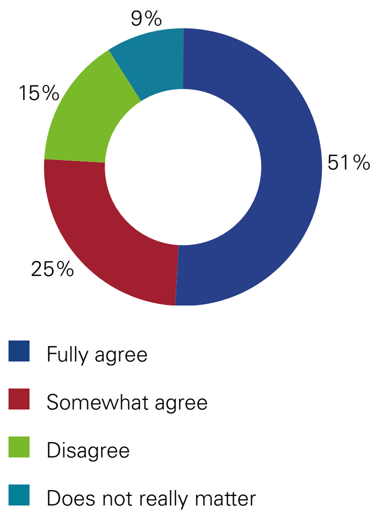
Despite the critical importance for the board to set the tone on risk appetite, it is disconcerting to note that 20% of respondents indicated that their boards or audit committees did not even discuss their companies' risk appetite at meetings.

The Best Practice AAI of the Malaysian Code on Corporate Governance Revised 2007 ("Code") promulgates the board's explicit responsibility to, amongst others, identify principal risks and to ensure the implementation of the appropriate systems to manage these risks.

The Listing Requirements and the Code are, however, surprisingly silent on the audit committee's role in risk management. For many Malaysian public companies today, it's not uncommon for boards to delegate the oversight of risk management to the already challenged audit committee or to a Management-led risk committee which may report directly to the audit committee!

Attestation from external auditors on the system of internal controls

Q5: Current legislation mandates a Statement on Internal Control which is reviewed by external auditors. Do you agree that the external auditors should render a positive opinion instead of the present "negative" opinion?



Developments from the West:

The New York Stock Exchange's (NYSE) Final Corporate Governance (CG) Rules call for the audit committee to discuss guidelines and policies to govern the process by which risk management is accomplished and to discuss the entity's major financial risk exposures.

UK CG Code June 2010 states that the board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. This was codified in law through the **"Disclosure & Transparency Rules (DTR) 7.2.5"**, which mandates the CG statement to include a description of the main features of the company's internal control and risk management systems in relation to the financial reporting process.

Most Roundtable attendees, i.e. 76%, agreed that the external auditors should attest the Statement on Internal Control (SIC) and render a "positive" opinion, i.e. confirming the effectiveness of the company's system of internal control.

In Malaysia, new rules and supervisory changes have been introduced of late. Apart from establishing the Audit Oversight Board (AOB) in April 2010, which provides for an independent oversight over external auditors of public interest entities, including public-listed companies (PLCs), the Securities Commission has more recently established the International Corporate Governance Consultative Committee (ICGCC) to advise, challenge and establish a new set of policy recommendations for a 5-year corporate governance blueprint to replace the existing Code which is more than 10 years old.

In this regard, the external auditors' role is increasingly being scrutinized and under the public's "spotlight". Auditors are obligated by law to "whistle-blow" the discovery of any breaches of securities laws, listing requirements of the stock exchange, the Companies Act 1965 or any matter which may adversely affect the financial well-being of the company.

Under current legislation, Malaysian public listed companies are not required to report their corporate governance practices or internal control activities to the same extent as they report their financial statements.

Whilst the external auditors are required to express their opinion on the financial statements of the listed company, the corporate governance statement as well as the SIC of the company are not mandated to carry an opinion of the external auditors – although the Listing Requirements stipulate that the SIC must be reviewed by the external auditors with a "negative" assurance statement issued to the board (not the shareholders) of the public listed company.

The current arrangement on SIC reporting does not sit well with the regulators as the statement is "boiler plate–like" in most situations, regardless of the challenges faced by the various listed companies, especially those in distress or under PN17. A special task force has recently been set up to look into how the SIC reporting can be revamped to provide more value to shareholders and the public.

Apart from the US Sarbanes Oxley Act 2002 that requires internal controls over financial reporting to be attested by the external auditors, the recent SEC's proxy disclosure rules create opportunities for auditors to report on and provide their opinions about the organization's compliance with its governance, risk management and internal controls.

Following this, the International Standards for the Professional Practice of Internal Auditing has recently proposed a new professional practice standard, i.e. Standard 2450: *Overall Opinions*, which details the requirements for the work that internal auditors must do if they choose to provide an overall opinion.

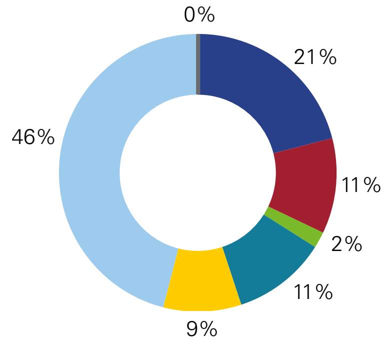
Key questions to be considered by the audit committee/board:

- What are the main impediments of an external audit of the internal controls of the company?
- Information flow, communication and clarity are critical to understanding the company's risks and whether risk management is reflected in the internal controls embedded in the systems and processes of company. Are we getting quality information and having frank discussions about the state of the business, including the company's risk management processes?
- Do the audit committee members understand the importance of, and is emphasis placed in, reviewing whether internal control systems are effective?

The audit committee's primary oversight responsibilities

Current:

Q6: In addition to financial reporting risks, for what categories of risk *does* your Audit Committee have primary oversight responsibility? (Select the most important one)

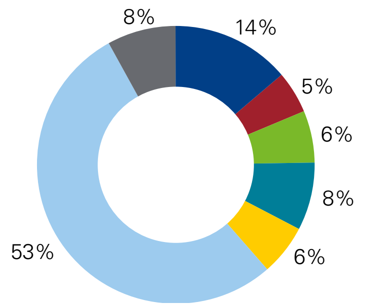


- Financial risks (e.g. access to capital, cash flow, debt covenants, interest rate, credit, etc)
- Legal/Regulatory compliance risks
- Reputational risk
- Operational risks, including IT Security
- Strategic risks
- A combination of the above
- None of the above

Audit committees, which comprise wholly non-executive directors with a majority independent, are entrusted with the responsibility of ensuring the integrity of the company's financial statements, managing financial reporting risks through internal control systems and the functioning of its audit function and regulatory compliance.

Ideal:

Q7: In addition to financial reporting risks, for what categories of risk *should* your Audit Committee have primary oversight responsibility? (Select the most important one)



- Financial risks (e.g. access to capital, cash flow, debt covenants, interest rate, credit, etc)
- Legal/Regulatory compliance risks
- Reputational risk
- Operational risks, including IT Security
- Strategic risks
- A combination of the above
- None of the above

Questions 6 and 7 seek to determine the audit committees' take on what is required of them (insofar as risk oversight is concerned) apart from having the primary oversight role on financial reporting risks.

There is strong correlation between the current and ideal scenarios, based on responses received. For example 46% of the Roundtable participants emphasised that the audit committee members had (compared to 53% who mentioned the audit committee SHOULD have) primary oversight responsibility over a combination of various risks relevant to the organisation.

Whilst respondents agreed that in addition to its core responsibility for oversight of financial reporting, 21% mentioned that they have oversight responsibility over financial risks, 11% indicated an oversight for both legal/regulatory compliance risks and IT security/privacy risks, with a small percentage (9%) dwelling on strategic risks (even though the Code specifically provides that the Board is fully responsible for reviewing and adopting the company's strategy).

Only 2% of participants believed that audit committee members should cover reputational risk oversight. Most respondents agreed that the primary oversight of strategic risks rests with the full board.

Organizations of all types, sizes and complexity are facing a variety of risks that affect the reliability of financial statements and effectiveness of internal controls. Audit committees should be provided with adequate risk assessment information to enable them to make informed decisions on the financial reporting process.

A poll conducted on the state of corporate governance in India in early 2009 indicated that audit committees should focus on enhancing their skills in the following areas:

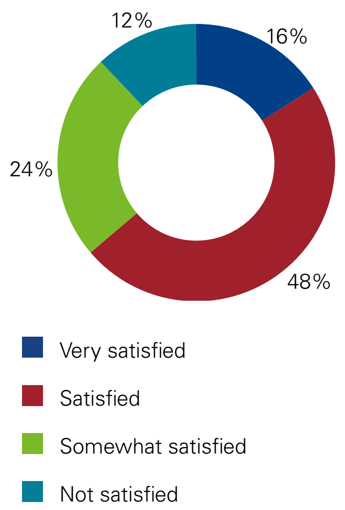
- better understanding of risk, strategy and business models;
- understanding implications of the external environment on financial forecasts and performance;
- monitoring fraud risk, especially relating to senior management override of internal controls;
- monitoring "tone at the top" in difficult times;
- ensuring that the board's strategic direction is in the best interest of all, including minority shareholders; and
- effective oversight of internal and external auditors.

Nevertheless, audit committees must be vigilant and possess sufficient knowledge on non-financial risks, i.e. operational, strategic and enterprise-wide risks that may have financial reporting implications.

Audit committees should call on the chief risk officer, who manages exposures to risk and related policies, head of strategy and internal auditor, along with the external auditor, to attend audit committee meetings and provide their input for audit committee members' deliberation.

Risk-based internal audit plan

Q8: How satisfied are you that your company's internal audit plan is risk-based and focuses on the critical risks to the enterprise-strategic and operational risks, as well as financial reporting and compliance risks?

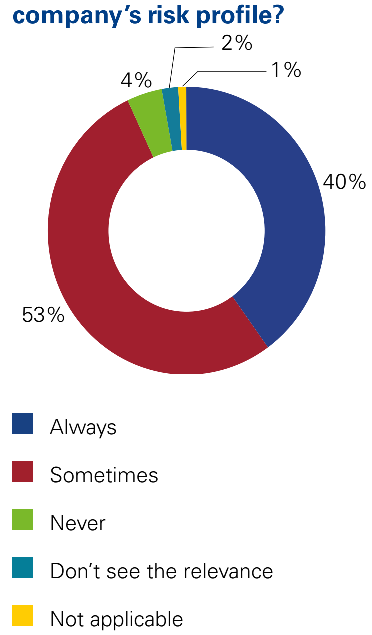


A hefty 88% of respondents were at least somewhat satisfied that the internal audit plan is risk-based with good focus on enterprise-strategic and operational risks. This is commendable and somewhat expected especially when the risk based approach was introduced almost 10 years ago by the *"Statement on internal controls – A guidance to directors of public listed companies,"* a publication of the Task Force on internal control.

It is vital for audit committees to ensure that internal auditors adopt a risk-based approach in assessing the adequacy and integrity of internal controls deployed over the company's operational effectiveness, reliability of financial reports and compliance with applicable rules and regulations. This is to enable internal audit coverage to be prioritized to tackle areas of higher vulnerabilities followed by others. Even recommendations by the internal auditors are prioritized to ensure Management implements remedial measures on higher risk matters. The quality and reliability of the internal audit recommendations depends on whether such improvements are related to the identified risks and intended controls.

Audit findings used to assess risk profile

Q9: In carrying out the risk oversight role, are findings of the internal audit function evaluated to determine the relevance of the company's risk profile?



A heartening 93% of respondents indicated that findings of the internal audit function are evaluated in assessing the relevance of the company's risk profile which is normally compiled and rated by Management, since it is Management who should know the risks of the company's business best.

This "check and balance" mechanism invariably augurs well for the company's risk management process as resources can then be deployed optimally to address areas of higher concerns so that reasonable assurance can be obtained on the outworking of the company's internal control system vis-à-vis the objectives served.

As a guide, some key considerations by the audit committee in ensuring an adequate internal audit risk management plan are:

- assessing the adequacy and effectiveness of risk management processes and controls;
- reviewing how Management develops and maintains an internal control system that is adequate and effective in managing risks;
- reviewing entity-level controls that are relevant to the organization's integrity and ethical values, Management's philosophy and operating style, the organizational structure, human resources policies and procedures, the competency and integrity of personnel, and the assignment of authority and responsibility; and
- challenging Management's decisions pertaining to internal control when it is appropriate.

Internal audit's involvement in risk assessment can range from no role at all to active and continuous evaluation of risk levels at regular intervals or when needed and monitoring of risk-related activities through a regular audit plan.

Most respondents agreed that a close working relationship between the audit committee and internal auditor can improve the effectiveness of corporate governance for the following 2 reasons:

- the independence and objectivity of auditors can be strengthened when they report their findings directly to the audit committee; and
- by reviewing internal audit findings, the audit committee can fulfill their responsibilities related to financial reporting, internal controls, risk management, governance, and other matters relating to whistle blowing and integrity.

In South Africa, the King III Report (effective 1 March 2010) on corporate governance requires companies to establish internal audit function which provides assurance over the company's governance, risk management and internal controls.

King III places more emphasis on the role of internal audit in that the latter is required to provide a written assessment of the system of internal controls and risk management to the board, as well as a written assessment of the internal financial controls to the audit committee.

While internal audit is typically not accountable or responsible for risk management, it should facilitate and provide the added assurance regarding the adequacy of the company's risk management processes. Audit committees are increasingly:

- asking whether the internal audit plan is risk-based and focuses on the critical risks to the company. A typical comment from members of audit committee is, "internal audit should not be merely conducting compliance audit, but its focus should be on the strategic and operational risks, including their related controls"; and
- asking whether the internal audit function is adequately resourced with the right expertise.

Conclusion

Our Roundtable discussions with directors indicated an overwhelming belief that risk management should be part of a variety of discussions and not confined to the risk portion of the board's agenda. Of late, Corporate Malaysia has been experiencing that the model of the shareholder-owner who looks to long-term business viability has since been severely shaken. The emergence of new shareholders with little long-term interest has augmented risk-taking for short-term gains. Thus, boards of today need to be engaged with Management in order to ask the right questions and demand answers. To be able to do this, directors need to be business savvy and risk literate. The failure of boards/audit committee members to assess and manage risks responsibly lies at the centre of many corporate failures.

It is critical that clarity is sought between the board's risk oversight objectives and audit committee's risk oversight implications. Risk oversight will vary from company to company, but every audit committee should maintain a sharp focus on its overarching company's objectives and to be adequately satisfied that the risk appetite in the company's business strategy is appropriate; that Management has implemented a system to manage the company's risks and that the system operates to inform the board of major risks facing the company; and that there is an appropriate culture of risk-awareness throughout the organization.

There is clearly an intense focus on risk management today, given what has happened in the financial markets and the economy. The types of conversations that boards/audit committees should be having about risk are:

- Can Management provide a holistic view of the company's major risks—both on and off the balance sheet? What are the top five risks facing the business?
- How tolerant is Management of risks (including low-probability yet "catastrophic" risks)?
- How rigorously does Management stress-test key risk assumptions?
- Are the board's information sources sufficiently varied and objective?
- How does culture—including incentive compensation—impact the company's risk profile?

Audit committees are ever more committed to ensure that the impact of strategic, financial, operational and governance risks are properly reflected in the financial statements and related disclosures. A top priority for directors is to satisfy themselves that Management understands these risks and is managing the risks effectively.

Bursa Malaysia recently amended its listing requirements, which involve inter-alia, enhanced corporate disclosure pertaining to a listed issuer's quarterly report and reasons for cessation of office of a director, chief executive, chief financial officer and external auditors. Taking into consideration such reforms (including forthcoming ones as encapsulated in the Corporate Governance Blueprint 2011) to tighten governance practices in Malaysia, it remains to be seen whether enforcement will be as timely to punish recalcitrant directors or officers – for herein lies, perhaps, the all-important missing piece of the jigsaw puzzle that will position Corporate Malaysia well in the eyes of prospective investors, both local and foreign.

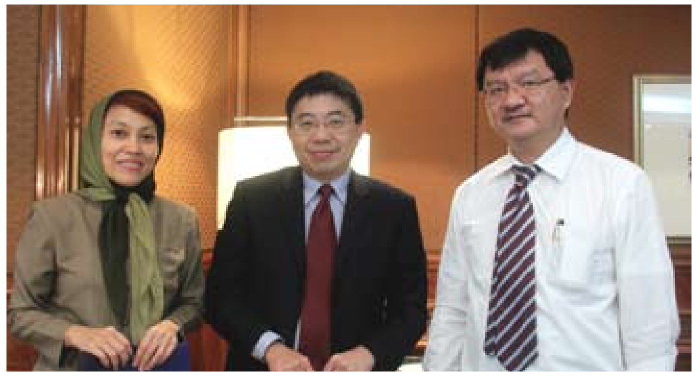
Audit Committee Roundtables 2010 - Guest Speakers

Public Bank Berhad Director, **Y Bhg Dato' Dr Haji Mohamed Ishak Bin Haji Mohamed Ariff** and the Malaysian Society for Transparency and Integrity, **Y Bhg Datuk Paul Low**
Kuala Lumpur

KPMG in Malaysia Audit Partner, **En Abdullah Abu Samah**, ACI Malaysia Chairman, **Mr David Lim** and Maybank Director, **Y Bhg Tan Sri Dr Hadenan Bin A Jalil**
Penang

Penang Bar Committee Chairman, **Mr Mureli Navaratnam**, ACI Malaysia Chairman, **Mr David Lim** and Partner with KPMG in Malaysia (Penang office), **Mr Ooi Kok Seng**
Penang

KPMG in Malaysia Partner, **Mr Seow Yoo Lin**, Kolej Universiti Islam Antarabangsa Selangor (KUIS) Rector/Chief Executive Officer, **Y Bhg Prof Dato' Dr. Aziuddin Ahmad** and Universiti Putra Malaysia Associate Professor, **Dr. Arfah Salleh**
Kuala Lumpur



Universiti Putra Malaysia Associate Professor, **Dr. Arfah Salleh**, Sunway University College Associate Professor and Head of the School of Business, **Dr. Foo Yin Fah** and Partner with KPMG in Malaysia (Johor office), **Mr Ang Ah Lek**
Johor Bahru

ACI Malaysia Chairman, **Mr David Lim** and Financial Reporting Foundation Chairman, **Y Bhg Datuk Ali Bin Abdul Kadir**
Kuching

Photos from Audit Committee Roundtables 2010

Press Metal Bhd, **Y Bhg Tuan Haji Mohamad Faiz Bin Abdul Hamid** and KPMG in Malaysia Managing Partner, **En Mohamad Raslan Abdul Rahman**
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Sime Darby Berhad, **Y Bhg Dato' Sri Mohamed bin Sulaiman** and KPMG in Malaysia Partner, **Mr Seow Yoo Lin**
Penang

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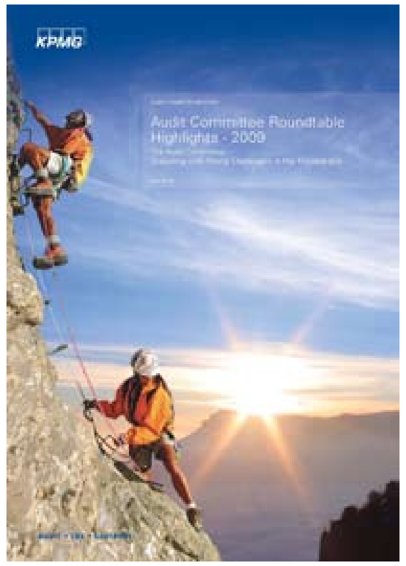
Kuala Lumpur

Partner with KPMG in Malaysia (Kuching office), **Mr Chin Chee Kong**, ACI Malaysia Chairman, **Mr David Lim** and KPMG in Malaysia IARCS Lead Partner, **Mr Lee Min On**
Kuching

ACI Malaysia Chairman, **Mr David Lim,** Hai-O Enterprise Bhd**, Datin Sunita Mei-Lin Rajakumar** and XingQuan International Holdings Ltd, **Dato' Siow Kim Lun**
Kuala Lumpur

Clockwise L to R: Sime Darby Bhd, **Y Bhg Dato' Sri Mohamed bin Sulaiman**, Ann Joo Resources Bhd, **Y.A.M Tunku Naquiyuddin Ibni Tuanku Jaafar**, KPMG in Malaysia Partner, **Mr Seow Yoo Lin**, Public Bank Berhad, **Y Bhg Tan Sri Dato' Thong Yaw Hong**, Puncak Niaga Holdings Bhd, **Y Bhg Tan Sri Dato' Seri Dr Ting Chew Peh**, Fiamma Holdings Bhd, **Y Bhg Tan Sri Azizan bin Husain** and Former KPMG in Malaysia Managing Partner, **Paul Geh Cheng Hooi**
Kuala Lumpur

ACI Thought Leadership



Audit Committee Roundtable Highlights – 2009

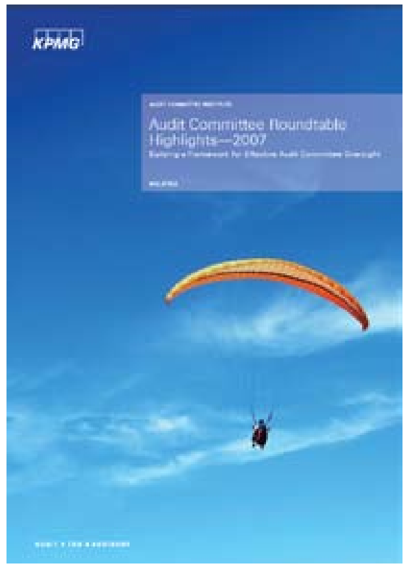
The Audit Committee – Grappling with Rising Challenges in the Marketplace

This survey highlights the results of 154 participants over 6 interactive Roundtable discussions held during the last two quarters of 2009. It shows the participants' concerns, perspectives and preparedness on risk management in the midst of an economic downturn.

Audit Committee Roundtable Highlights – 2008

Oversight of Risk Management - Considering the Audit Committee's Role and Responsibilities

To help Audit Committee members, directors and senior management gain a better understanding in the oversight of the risk management process, ACI Malaysia hosted a series of roundtable discussions in 2008. This report is a compilation of the feedback provided by Audit Committee members and directors at the roundtable discussion series.



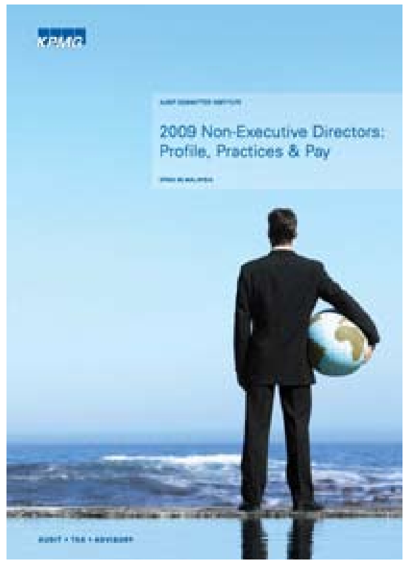
Audit Committee Roundtable Highlights – 2007

Building a Framework for Effective Audit Committee Oversight

In 2007, ACI Malaysia held a series of five roundtable discussions where 90 audit committee members and directors attended to explore the audit committee framework and oversights. This is the first report by ACI Malaysia which is a compilation of the feedback provided by the participants at the roundtable discussion series.

Shareholders' Questions 2010

Today's globalized environment has produced a new breed of shareholders, more technically savvy and more aware of their rights than their predecessors, the result of which directors can expect a challenging array of questions to be raised during the upcoming AGMs.



2009 Non-Executive Directors: Profile, Practices & Pay

ACI's maiden study on the profile, practices and pay of Non-Executive Directors of top 300 Market Capitalised Bursa listed companies. This publication has been very well received by Directors as well as other corporate players.

Contact us

Should you have any feedback on this report, or wish to obtain a complimentary copy, please drop us a note at **info@kpmg.com.my**

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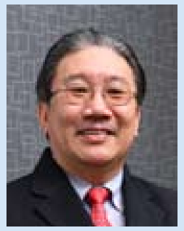

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To learn more about Audit Committee Institute Malaysia or to access our resources, please visit our website (www.kpmg.com.my/aci) or contact us by e-mail (info@kpmg.com.my).

About ACI Malaysia

In recognizing the importance of audit committees, the Audit Committee Institute Malaysia (ACI) was created to assist audit committee members adapt to their changing role.

Sponsored by KPMG in Malaysia, the Institute's primary mission is to communicate with audit committee members to enhance their awareness of, commitment to, and ability to implement effective audit committee processes.

ACI Malaysia engages in a variety of initiatives to assist audit committee members by providing a range of resources through its website, publications and roundtables, all designed to facilitate the exchange of views and insights on audit committee best practices and processes, and other topics of interest.

The Institute has developed a range of tools to assist audit committee members in meeting their oversight role. These tools include:

- Audit Committee Guide – a comprehensive reference for audit committee members. It captures KPMG's insights into what makes a best practice audit committee and provides practical tools to help improve audit committee processes.
- Regular updates – ACI Malaysia will publish regular newsletters to provide audit committee members with timely updates on significant reporting and regulatory changes, and emerging issues.
- Website (www.kpmg.com.my/aci) – Designed to provide audit committee members, board members, senior executives and other interested parties with timely access to a wide range of useful resources. ACI Malaysia's website provides you access to updates on current and emerging issues related to governance, risk management, internal and external auditing, accounting, financial reporting and a library of reference materials.
- ACI Roundtables – ACI Malaysia facilitates interactive roundtable forums which provide a platform for the exchange of views and insights on contemporary topics of interest to board members, audit committees members and senior executives.

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