

# statement on internal control

(2009)

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## **INTRODUCTION**

The Malaysian Code on Corporate Governance requires listed companies to maintain a sound system of internal control to safeguard shareholders' investment and Group's assets. Pursuant to Paragraph 15.26(b) of Bursa Malaysia Securities Berhad Main Market Listing Requirements, the Board of Directors of Loh & Loh Corporation Berhad is pleased to make the following statement on the state of internal control of the Group for the financial year ended 31 December 2009.

## **BOARD'S RESPONSIBILITIES**

The Board recognizes that internal control is an integral part of managing risks in an effort to achieve corporate objectives. As such, the Board acknowledges the importance of sound internal controls and risk management practices to good corporate governance. The Board affirms its overall responsibility for the LLCB Group's system of internal control and for reviewing its adequacy and integrity to safeguard shareholders' investment and LLCB Group's assets.

The system of internal control is designed to manage risks in order to achieve business objectives. However, as with any internal control system, control can only provide reasonable and not absolute assurance against material misstatement or loss.

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## KEY ELEMENTS OF INTERNAL CONTROL

### 1. Risk Management

Risk management is regarded as an integral part of the business operations. Management at all levels have a collective responsibility for creating a risk aware culture and ensuring that business risk assessment becomes an explicit part of decision making process. There is a continuous process for identifying, evaluating and managing the significant risks faced by the LLCB Group for the financial year under review and up to the date of approval of the annual report and financial statements.

Management is responsible for the identification and evaluation of key risks in the respective areas of business activities on a continuous basis. Risks identified are reported on a timely manner during the periodic management meetings to enable corrective actions to be taken.

### 2. Audit Functions

The internal audit function is under the responsibility of the Internal Audit Department which focused on principal risks affecting the key business processes of the Group. Scheduled internal audit reviews have been carried out in accordance with the approved internal audit plan.

The internal audit reports are tabled at the Audit Committee meetings which are held every quarter. The Board, through the Audit Committee, conducted regular reviews of the system of internal control of the Group.

### 3. Other Key Elements of Internal Control

Other key elements of the system of internal control of the Group include the following:-

- The Group has management reporting procedures which enable significant business issues to be identified and addressed to Management and the Board.
- Organisational structure with well defined lines of responsibility, delegation of authority, segregation of duties and information flow.
- A regular review and monitoring process of performance and status of projects.
- Where appropriate, certain companies have process and procedures in accordance with the requirements of ISO 9002 which is subject to regular review and improvement.
- Continuous training program for management and operational staff to enhance the skill, knowledge and competency to meet their performance and job expectations.
- Visits to operating units by directors and senior management.

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## **CONTROL WEAKNESSES**

The Management continues to take measures to strengthen the controls environment. Any internal control weaknesses that were identified were rectified. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require disclosure in the Annual Report.

The Board of Directors remains committed towards operating a sound system of internal control and have recognised that the system must continuously evolve to support the type of business and size of operations of the Group. The Board will, when necessary, put in place appropriate action plans to further enhance the Group's system of internal control.

## **REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS**

The External Auditors have reviewed the Internal Control Statement in accordance with the Recommended Practice Guide (RPG) 5, Guidance for Auditors on the Review of Directors' Statement on Internal Control, for inclusion in the Annual Report 2009.