

# Statement on Internal Control

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The Board of Malayan Flour Mills Berhad is pleased to include the Statement on Internal Control in accordance with paragraph 15.26(b) of Bursa Malaysia Securities Berhad Listing Requirements.

The Board of Directors recognises the importance of maintaining a sound system of internal control over all financial, operational and compliance controls to safeguard shareholders' investment and the Group's assets. The Board acknowledges its responsibility for the Group's system of internal control, risk management, and for reviewing the adequacy and integrity of those systems. The internal control systems are designed to manage rather than to eliminate the risk of failure and can only provide reasonable, and not absolute, assurance against material misstatement or loss. The Group has in place ongoing process to review the effectiveness, adequacy and integrity of the system of internal control.

## **RISK MANAGEMENT**

The Board confirms that there is a risk management plan in place to identify, evaluate and manage significant risks faced by the Group. Risk Management is an integral part of our business operations and this process goes through a review by the Board. During the year, discussions were conducted at different levels of management to identify and address risks identified in the Group. The operational activities of the Group include the assessment of significant risks and the execution of relevant mitigating action plans.

## **OTHER KEY ELEMENTS OF INTERNAL CONTROL**

- The Board meets regularly to monitor and review the overall performance of the Group, to consider the findings and recommendations of committees and senior management and to consider and approve measures to be taken and changes in policies and procedures necessary to address risks and to enhance the system of internal control.
- An independent internal audit department reports directly to the Audit Committee. Internal audit plans are reviewed and approved by the Audit Committee and the plans are to monitor compliance with and adequacy of the Group's system of internal control and to provide assurance on the effectiveness of the Group's system of internal control including policies and procedures. Follow-up reviews on the previous audit reports were carried out to ensure that appropriate actions have been implemented to address control weaknesses highlighted.
- The Group has in place an organisation structure with proper segregation of duties and reporting procedures and authorisation limits and all heads of business units and departments are accountable for ensuring the effective implementation of established policies and procedures.
- The Group has in place a management reporting mechanism whereby financial information is generated and reviewed by management and the Board on a regular basis. Performance and results are monitored on a monthly basis against the results of corresponding period of prior year, with major variances explained and appropriate action taken or plans put in place.

## **OTHER KEY ELEMENTS OF INTERNAL CONTROL (cont'd)**

- The Group Managing Director meets with the senior management regularly to review and resolve key operational, financial, personnel and other key management issues, including issues of risks and internal controls. Significant issues are highlighted and discussed at Board meetings.
- The Credit Committee meets regularly to conduct credit reviews, monitor receivables, progress of legal cases and formulates credit procedures and policies.
- The training and development programs are established to enhance and improve employee competencies and proficiencies. This is implemented through a combination of on-the-job training and classroom training courses.

The Board and Management are committed towards operating a sound system of internal control and the internal control systems will continue to be reviewed, added or updated in line with the changes in the operating environment.

Statement made in accordance with the resolution of the Directors dated 19 March 2012.