

# STATEMENT ON INTERNAL CONTROL

## **BOARD RESPONSIBILITY**

The Board acknowledges their overall responsibility for the sound system of internal control of the Company and its subsidiaries (the “Group”) and the review of its adequacy and integrity throughout the Group in order to safeguard the Group’s assets and shareholders’ investment.

In ensuring a sound system of internal control is being implemented, the Board relies upon the Audit Committee together with the support of the Group’s Internal Audit Department (GIAD) to monitor and review the adequacy and integrity of the system of internal control.

Due to limitations that are inherent in any system of internal control, the system adopted by the Group is designed to manage rather than to eliminate the risk of failure to achieve business objectives. The system of internal control can only provide reasonable but not absolute assurance against any material misstatement or loss.

## **KEY INTERNAL CONTROL PROCESS**

### **Risk Management**

The Board acknowledges that risk management is a key discipline within the system of internal control, to ensure that risks which may affect the Group’s business objectives are identified and managed in a timely manner.

The Group adopts an Enterprise Risk Management approach in managing risks faced by the Group. Project risks are being managed as early as tendering stage (for construction projects) and feasibility study/land acquisition stage (for property development projects). This process continues during the project implementation stage where periodic risk reporting is being made and it ends with a project’s risk closing report upon completion of the particular project.

The Board, through the Risk Management Committee (“RMC”) adopts an ongoing risk management process in identifying, documenting, evaluating, monitoring and managing significant risks. Risk Management Policy, Project Risk Management Manual/Guideline and Project Risk Management Process provide a structured and focused approach in managing risks faced by the Group.

The RMC comprises an Independent Non-Executive Director (as Advisor) and key management personnel from across the Group, i.e. Technical Department, Contract Department, Finance & Accounts Department, Legal Department and Property Division. The RMC meets every two (2) months to review the risk assessment reports collated by the Risk Manager. Such risk assessment reports will then be escalated to the Management Committee for review at its periodic meetings. The Management Committee consists of Executive Directors, Heads of Department and other Senior Management personnel.

All risk assessment reports are distributed to the Executive Directors for their information.

### **Internal Audit Function**

GIAD provides independent assessment on the adequacy, efficiency and effectiveness of the Group’s internal control system.

The GIAD carries out scheduled reviews on the state of internal control of the Group’s business activities and key business processes based on the annual audit plan approved by the Audit Committee. GIAD adopts a risk-based approach when establishing its audit plan and executing the audit.

### **Audit Committee**

The Audit Committee (“AC”), which is chaired by an independent non-executive director, receives reports from both internal and external auditors on a regular basis.

Reports prepared by GIAD on the status of the adequacy, efficiency and effectiveness of the system of internal control of the Group’s business activities and key businesses are articulated in AC meetings on a periodic basis.

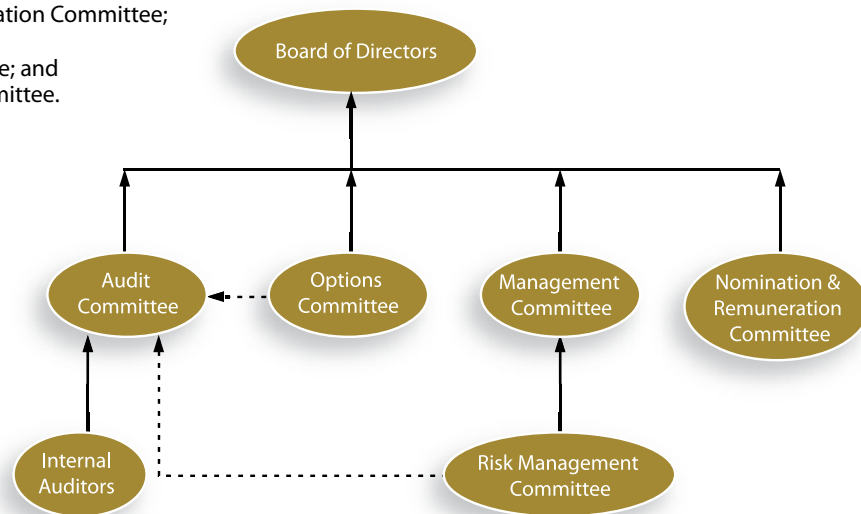
The external auditors provide assurance in the form of their annual statutory audit of the financial statements of the Group. Any areas for improvement identified during the course of their audit are brought to the attention of the AC through management letters, or are articulated at AC meetings.

# STATEMENT ON INTERNAL CONTROL (cont'd)

## Other Key Elements

Apart from the above, other key elements of the Group's Internal Control System include the following:-

- Clearly defined operating structure, lines of responsibilities and delegated authority. Various Board and Management Committees have been established to assist the Board in discharging its duties. These includes the following:-
  - Audit Committee;
  - Nomination & Remuneration Committee;
  - Options Committee;
  - Management Committee; and
  - Risk Management Committee.



**WCT Berhad Oversight Structure**

- Policies, procedures and guidelines are documented to provide guidance to all levels of employees and are reviewed and updated as and when necessary.
- The ISO 9001: 2008 and OHSAS 18001:2007 Management Systems, which are subject to regular reviews and improvement, continuously manage and control the quality requirements of the Group's products and services and also safety and health at work place.
- Comprehensive and adequate financial information, operational information and key business indicators are presented to the Management and the Board in a timely manner allowing them to review Group's performance.
- Proper guidelines for hiring and termination of staff, and annual performance system are in place. Training and development programmes are identified and scheduled for employees to acquire the necessary knowledge and competency to meet their job expectations.
- Regular visit to operating units and projects by Senior Management, Audit Committee members and Internal Auditors.
- In respect of any joint venture entered into by the Group, the Management of the joint venture (which comprises representatives from the Group and the joint venture partner) is responsible for overseeing the administration, operation and executive management of the joint venture. Financial and operational information of the joint venture is regularly provided to the Management of the Group.
- In respect of associate company, the Management of the Group has significant influence in the management of the associate company. Representative of the Group sits on the Board of the associate company and attends its Board meetings. Financial and operational information of the associate company is provided to the Management of the Group on periodic basis.

The Board confirms that the Group's existing system of internal control is adequate and effective and will continue to be reviewed and/or updated with changes in business environment. There were no significant internal control problem and no material losses were incurred during the financial year as a result of weaknesses in internal control.