Statement of Management Control

Effective Management Control is essential to the efficient and proper functioning of the Company's operations and business. Control, like safety, is one of the primary responsibilities of line management. Control encompasses the way in which the Company directs, restrains, governs and monitors its various activities. A management control system ranges from the governs and monitors its various activities. A management control system ranges from the development of a business plan, to the construction of a physical plant, operation of facilities, measurement and sale of product, billing, and collecting monies from customers. Each employee is an integral part of the management control system and the understanding of the basic concepts of this system is essential to effective controls. Some of the salient features of management controls are stated below:

- 01. The essential requirements of controls are contained in the System of Management Control - Basis Standards Manual (BSM) which provided the basic principles and criteria for an effective system of management control. It does not attempt to describe detailed control procedures for every situation, but rather deals with the broader control issues and provides a framework within which the management has the flexibility to determine the specific control systems best suited to their operations. The standards are an integral part of the activities involved in the effective running of a large decentralized company.
- 02. An effective control system should improve overall efficiency since it establishes clearly the authorities and responsibilities of each person for running the Company's business. The Limits of Authority Manual documents the approvals/review requirements for the various business transactions and the authority that has been delegated to each level of organization.
- 03. Management at all levels is expected to establish systems and procedures which at least meet the control standards for their area of operation. In designing and implementing specific control requirements, management needs to focus attention on particular areas of higher risk and exposure on their activities.
- 04. These systems and procedures are to be considered with broader standards set out in the BSM. The basis for establishing specific controls should be effective, cost/risk justified, suited to operations, clearly defined and documented, easy to interpret and practical to carry out.
  Where it appears that control consistent with the Basic Standards cannot be justified n a cost or risk basis, then they should be discussed with the Finance & Accounts Manager to see whether an exception to these standards should be sought. Where the matter cannot be resolved, senior management should be involved to obtain appropriate approvals for changes. However, until changes are made, compliance should continue.
- 05. Controls should be designed so that they cannot be by-passed without being detected. When a control indicates that management's objectives have not been met, appropriate corrective action should be taken.
- 06. Compliance reviews carried out by Internal Audit represent an integral part of the Control System. These reviews represent a periodic sampling of the control environment and should not be looked upon as a substitute for a good ongoing control environment. They can help identify areas for improvement and training needs.
- 07. The Management responses to audit comments represent a commitment to undertake appropriate specific actions. These comments should be timely.
  and followed up. It is also important to review the audit results to see whether they indicate a more generalized problem than just focusing on the specific comments or on problems identified. Audit can never

identify all problem areas, and management should use audit to see whether the specific comments are indicative of a more general problem.