

ASSESSING THE EFFECTIVENESS OF THE COMPANY'S RISK AND CONTROL PROCESSES

Risk Assessment

1. Does the Company have clear objectives (with measurable performance targets and indicators) and have they been communicated effectively to all employees?
2. Are the most significant internal and external operational, financial, compliance and other risks identified and assessed on an ongoing basis?
3. Are managers clear about what risks are acceptable to the board?

Control environment and Control activities

4. Does the board have clear strategies and policies for dealing with the significant risks that have been identified?
5. Does the Company's culture, code of conduct, HR policies and performance and reward systems support the business and risk management objectives?
6. Does management actively demonstrate commitment to competence, integrity, and the climate of trust within the Company?
7. Are authorities, responsibilities and accountabilities clearly defined? Are all employees clear about what is expected of them and the scope of their freedom to act?
8. Do the people in the Company have the knowledge, skills and tools available to contribute to the achievement of the business and risk management objectives?
9. Are risk statements validated and updated effectively and with sufficient frequency?

Information and communication

10. Does the board receive timely, relevant and reliable reports on progress against business and risk management objectives?
11. Are periodic external reports balanced and effective in communicating the company's position and prospects?
12. Are there established channels of communication for individuals to report suspected breaches of law or regulations or other improprieties?

Monitoring

13. Does the board/management monitor and evaluate the effective application of policies, processes and activities relating to internal control and risk management?
14. Are there specific arrangements for management monitoring and reporting to the board on specific risk areas eg health and safety, environmental matters, fraud etc

*The above list is based on material published by the FRC
Internal Control: Revised Guidance for Directors on the Combined Code (October 2005)*

If you have any questions or you need any assistance with any of the above please contact David Buckle on 01732 228805 (Direct Line) or by e-mail david@dmblaw.co.uk