

## The Appendix

### HKEX's Practical tips to effective risk management & internal control system: highlights

#### *What you should know/do*

#### KEY QUESTIONS TO ASK WHEN MAKING DECISIONS

##### General corporate transactions *(Table from P.3)*

- E.g. acquisition, disposal, financial assistance
- **Q: Is the transaction in the issuer's best interests?**
  - Detailed sub- questions include: parties involved, relationship, overall cost and benefit of the transaction
- **Q: Are the terms of the transaction fair and reasonable?**
  - Detailed sub- questions include: consideration, payment, other terms
- **Q: Have internal controls/relevant regulations been followed?**
  - Detailed sub- questions include: board/shareholder approval, information and record keeping, conflicts of interest, compliance

##### GENERAL INTERNAL CONTROLS AND GOVERNANCE PRACTICES *(Table from P.6)*

##### Transfer and use of funds *(P.6)*

- Is the **approval hierarchy** clear?
  - Examples of components include: monetary thresholds for different levels of authorisation, and separate authorisation methods
- **How to safeguard funds?**
  - Implement **cash and treasury controls**
  - E.g. segregate duties
  - E.g. safeguard important assets like company chops and cheque books; verify authenticity of approvals etc.
  - E.g. maintain audit trail
- **Are funds sufficiently monitored?**
  - Ensure continuous oversight and early identification of red flags
  - E.g. regular updates like monthly management account

##### Delegation of duties *(P.6)*

- **Is delegation reasonable?**

- E.g. to what extent duty can be delegated; nature and risk of the matter justify delegation
- **Is there adequate supervision?**
  - E.g. timely and regular reporting, with timely documentation (*including follow actions*)
- **Regular training?**

**Documentation and record retention (P.7)**

- **Are relevant policies adequate?**
  - E.g. ensure written policies (*and updates*) are easily accessible by staff
  - E.g. maintain robust IT controls
- **Are board papers and minutes of sufficient quality?**