



## **Mannai Corporation Q.P.S.C**

### **Internal Control System Framework**

#### **Document Version History**

<b>Version No.</b>	<b>Implemented by</b>	<b>Revision / adoption date</b>	<b>Approved by</b>	<b>Reasons</b>
1	Management	28 Feb 2018	Board of Directors	- Corporate Governance Code - Documentation of Internal control system and risk management.
2 (Current version)	Management	27 Feb 2020	- Management - Audit Committee - Board of Directors	- Alignment with the Code. - ERM implementation to have separate policies / procedures. - Improvement in line with ICOFR. - Demonstration of Internal control framework (COSO)

#### **Introduction**

Internal control system is a process effected by Board, management, and other personnel that provides reasonable assurance the Company’s objectives are achieved relating to operations, reporting, and compliance.

The Company’s Internal Control System addresses the individual / divisional rights, duties and responsibilities.

#### **Responsibility**

The Board of Directors is responsible for the Company’s internal control System, the overall aim of which is to safeguard the company’s assets and thereby its shareholders’ investment. The company promotes good corporate governance and ethics through oversight by its Board of Directors and applicable company policies, procedures and practices. Board of Directors is committed to the exercise of its oversight responsibilities over the management and affairs of the company consistent with the highest principles of business ethics.

The Board’s responsibilities for oversight of management of risk and internal controls are set out in its Charter. The Board applies necessary mechanism in setting the rules and procedures for Internal Control and supervising them, to:

- Ensure the integrity of the financial and accounting rules, including rules related to the preparation of financial reports.
- Review annually the effectiveness of the Company’s Internal Control procedures.

Management is responsible for ensuring that systems of internal control, supervision and risk management are in place, good business practices are implemented and followed in all areas, compliance is maintained, fraud risks are identified and mitigated, and effective governance is established. Because of inherent limitations of internal control, errors or irregularities may occur and remain undetected.

Management: (a) sponsors improvements to the internal control environment, always seeking a balance among the effectiveness of the processes, controls and costs, as well as the alignment with the Company's strategic objectives; (b) ensures the implementation of actions in relation to the implementation/adequacy of internal controls; and (c) periodically monitors the evolution of the internal control assessment according to the reports issued by the Risk Management and Internal Control, and Internal / External Audit.

As part of responsibility acknowledgment, the Company aims to specify the rights, duties and responsibilities within the Company and implement an appropriate control mechanism that enables accountability, that determines each one's responsibility and assesses performance. These actions lead to assess the Company's overall performance in accordance with best international standards whether carried out by the Board and its committees or by the internal / external audit, each within their scope of competence. It also aims that each one shall acknowledge responsibility even if authorizes others in performing some of his functions or powers since authorization is only in the task not in the responsibilities.

Internal Audit: (a) independently evaluates the efficiency and effectiveness of internal controls; (b) recommends improvements in internal controls; (c) reports deficiencies in internal controls to Senior Management and the Audit Committee; (d) follows the recommendations of the external auditors; and (e) monitors the implementation of action plans for identified internal control deficiencies.

### **Oversight of Internal Control system by the Audit Committee**

Below is the extract of the Terms of Reference of the Audit Committee in respect of Internal Control system:

- Prepare and present to the Board a proposed Internal Control system for the Company upon constitution, and conducting periodic audits whenever necessary.
- Oversee the Company's Internal Controls, following the External Auditor's work.
- Review the systems of financial and Internal Control.
- Conduct investigations in financial control matters requested by the Board.

### **Mannai Corporation Internal Control Framework**

The Company uses the *COSO Integrated framework for internal control* to effectively and efficiently develop internal control system that adapt to changing business and operating environments, mitigate risks to acceptable levels, and support sound decision making and governance.

### **Components of Internal Control system**

Internal control consists of five integrated components:

#### **1. Control environment**

The control environment forms the basis of internal control, because it includes the culture that the Board and management communicate and by which they work.

The control environment is made up primarily of ethical values and integrity, expertise, management philosophy, organizational structure, responsibility and authority, policies and guidelines, as well as routines.

Below are the Company's adopted Principles pertaining to Control Environment:

- **Demonstrates** commitment to integrity and ethical values
- Exercises oversight responsibility
- Establishes structure, authority, and responsibility
- **Demonstrates** commitment to competence
- Enforces accountability

## **2. Risk assessment**

The company carries out regular risk analyses to review the risk of errors within the financial reporting. Operational risks are also charted.

To limit the risks there are appropriate policies and guidelines as well as processes and controls.

Below are the Company's adopted Principles pertaining to Risk Assessment:

- Specifies suitable objectives
- Identifies and analyzes risk
- Assesses fraud risk
- Identifies and analyzes significant change

## **3. Control activities**

The aim of appropriate control activities is to discover, prevent and correct inaccuracies and deviation. Control activities include actions such as reconciliation, analytical follow-up, comparisons between income and balance sheet items and supporting controls provided by IT systems. These controls are periodically assessed.

Below are the Company's adopted Principles pertaining to Control Activities:

- Selects and develops control activities
- Selects and develops general controls over technology
- **Deploys through policies and procedures**

## **4. Information and communication**

Policies and guidelines are of importance for accurate accounting, reporting and provision of information.

The company's policies and guidelines relating to the financial processes are updated on an ongoing basis whenever required.

Below are the Company's adopted Principles pertaining to Information and Communication:

- Uses relevant information
- Communicates internally
- Communicates externally

## **5. Monitoring**

The Board of Directors continuously evaluates the information provided by the executive management and the Audit Committee. The Audit Committee's task of monitoring the efficiency of internal control by the management team is of particular interest to the Board. This work includes checking that steps are taken with respect to any problems detected and suggestions made by auditors to rectify them.

Below are the Company's adopted Principles pertaining to Monitoring:

- Conducts ongoing and/or separate evaluations
- Evaluates and communicates deficiencies

### **Systems / Documentation to demonstrate Internal Control Implementation**

There are a number of Systems, Policies, Procedures, Manuals, Guidelines, documents, communication and actions in Place to support the existence and implementation of internal control system throughout the company:

- Human Resource Policies, Procedures Manual and addendums
- Documented Job Descriptions & Responsibilities for individuals / departments
- Accounting Manual
- Financial Accounting and reporting policies included in Annual Report
- Procurement Manual
- Authority matrix defined in the ERP system for approvals / revisions
- ICT Revenue recognition and contract management module
- Approval Matrix
- Power of Attorney
- Delegation of Authority
- Commercial Registration, Computer Card, other legal documents
- Table of Authority
- Signatory Matrix
- Organizational chart
- Information Technology Policies and Procedures Manual
- Embedded Controls in the Accounting and Operations Applications / Systems
- System diagnostics and output reports
- Procedures for safeguard of assets
- Physical verification of Assets and guidelines thereon
- Standard Operating Procedures for significant business activities
- Repository of agreements / vetting procedures / Tracker record for supplier agreements
- Up to date Articles of Association in line with the requirements of the Law
- Key reports, spreadsheets and Reconciliations
- Credit Management policies and procedures including credit checks, limit checks and recovery procedures
- Supervision and Review
- Budgetary process and Business Review Meetings
- **TM1 Reporting System (MIS)**
- IT General and application system operations
- E-learning
- Training Calendar
- Mission, vision statements and Mannai Way
- Insurance policies with necessary risks and sum coverage
- Education programs for employees
- Control documents for all activities including
  - o Purchase Requisition
  - o Purchase Order
  - o Inspection Report
  - o Costing Sheet
  - o Goods Received Note
  - o Payment Voucher
  - o Quotations / Costing Sheet / Estimation / Commercial Proposal / BOQ
  - o Agreement
  - o Non-Revenue Ticket
  - o Evaluation Form (s)
  - o Service Report

- Invoice
  - Cash / cheque Receipt
  - Credit Note
  - Debit Memo
  - IoU
  - Test Drive Form
  - Delivery Order
  - Gate Pass
  - Job Card
  - Pick Slip / Material Requisition
  - Project Costing Sheet and other documentation
  - Reconciliation Statements
  - Adjustment Slip
  - Time sheets
  - Receiving documents
  - Capex Form
  - Asset Disposal Form
  - Tender Evaluation Form
  - HR forms
  - IT Forms, etc.
- Policies and procedures pertaining to corporate governance:
    - Board Charter
    - Stakeholder's rights
    - Procedures manual for implementing strategy and objectives
    - Succession Policy
    - Compliance Framework
    - Disclosure system
    - Company's compliance with the laws and regulations & the company's obligation to disclose information
    - Procedures for availing financial services, financial analysis, credit rating etc.
    - Procedures for nominating & engaging external auditors
    - Procedures for orienting new board members
    - Self-control and risk management programs
    - Foundations and standards for evaluating the performance of board and senior executive management
    - Related Party Transactions
    - Dividend Policy
    - Conflict of Interest and Insider trading
    - Whistle-blowing policy
    - Minority Shareholder rights
    - Internal Control System
  - Committees of the Board of directors with defined Terms of Reference and documented minutes of meetings and performance reports:
    - Audit Committee
    - Remuneration Committee
    - Nomination Committee
  - Management Executive Committee
  - Review / accountability mechanism of all significant economic and operating activities
  - Risk management policies and procedures
  - Risk Registers

The management continuously evaluates the adequacy of its systems, processes and controls to ensure that the deviations and risk is minimized. The organization considers the potential for fraud in assessing risks to the achievement of objectives.

### **Control Self-Assessment**

The internal control's self-assessment is the procedure in which the evaluation of processes and controls must be performed by the respective control owners.

In The Company Control is the responsibility of everyone i.e. the employees who work within the processes. As part of self-assessment employees and managers are asked for their assessment of risks and controls in their respective divisional processes.

### **Compliance of the Corporate Governance Code**

As per the requirements of the Governance Code pertaining to Internal Control system,

1. Mannai Corporation's Governance Report includes Company's disclosure on information regarding:

- Internal Control of the Company including the supervision of the financial affairs, investments, and any relevant information.

- Performance assessment of the Senior Executive Management in implementing the Internal Controls system.

- Internal Controls failures if any, wholly or partly, or weaknesses in its implementation, contingencies that have affected or may affect the Company's financial performance, and the procedures followed by the Company in addressing Internal Controls failures (especially such problems as disclosed in the Company's annual reports and financial statements).

2. The Board shall adopt a proposal submitted by the Audit Committee on the Company's Internal Control. The proposal includes control mechanism, duties and functions of the Company's departments and sections, its provisions and procedures of responsibility, and awareness and education programs for employees about the importance of self-control and Internal Controls.

3. The Company has established effective and independent unit for assessment and management of risk, financial audit and overseeing the Company's compliance with the controls of financial Transactions, especially those done with any Related Party. This unit is managed by internal auditor who has qualification and experience in financial audit, performance assessment and risk management, and has an access to all Company's departments to follow-up the unit work. The Board shall issue a decision on appointing and determining functions and remuneration of the internal auditor, and shall be responsible before the Board.

4. Every three months, the internal auditor submits to the Audit Committee a report on: - the Internal Control achievements in the Company - Procedures of control and supervision in respect of financial affairs, investments, and risk management - Comprehensive assessment of the Company's performance regarding its implementation of the Internal Control system - Company's compliance with Internal Control systems.

5. The External Auditor's report must include whatever informs shareholders with the control works and performance assessment in the Company, relating to appropriateness and effectiveness of Internal Control systems implemented in the Company.

### **Internal Control over Financial Reporting (ICOFR) - Management's Self-assessment**

The Board of Directors is responsible for establishing and maintaining adequate internal control over financial reporting ("ICOFR") as required by Qatar Financial Markets Authority ("QFMA").

Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Group's consolidated financial statements for external reporting purposes in accordance with International Financial Reporting Standards (IFRS). ICOFR also includes our disclosure controls and procedures designed to

prevent misstatements.

Mannai Corporation has established ICOFR with the aim of providing reasonable but not absolute assurance against material misstatements. Assessment includes design and operating effectiveness of the ICOFR based on the criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). COSO recommends the establishment of specific objectives to facilitate the design and evaluate the adequacy of a control system.

The system of ICOFR consists of a large number of internal controls and procedures aimed at minimizing the risk of misstatement of the consolidated financial statements. Such controls are integrated into the operating process.

While having an effective system of ICOFR is the objective, evidencing the effectiveness is also very important. Management maintains reasonable support for its assessment. Management maintains documentation sufficient to demonstrate effectiveness for all components and principles. ICOFR assessment is iterative and aligns with Company priorities. ICOFR risk assessment connects key risks with assertions and supports the overall strategy, control selection, and testing approach.

As part of an ongoing assessment of 'what could go wrong' within a financial reporting element, management shall consider the nature and extent of any changes in the risks to reliable financial reporting. Such changes can result from a variety of sources, including company reorganization, nature of transactions entered into, overall business environment, and accounting requirements.

Scoping involves risk assessment at all relevant levels within the entity, from the consolidated entity level down to the business process level. Determination of significant components of the entity and their significant accounts is part of scoping. Materiality is established for significant accounts and documentation is prepared.

The ICOFR approach requires identification of risks, relevant controls, understanding of the business processes, the flow of transactions and documentation of the process. Procedures are required to be performed to update and corroborate the understanding every year. Those procedures include a walkthrough to obtain an understanding of the flow of transactions for all relevant assertions of every significant account and disclosure.

In walkthrough, entire process from initiation of the transaction to recording amounts in the general ledger is documented

<b>ICOFR Management Steps</b>	
1. Plan & Scope (Output: Scoping Sheet, Sampling Strategy)	- Define boundaries of assessment. - Define materiality - Identify In Scope Entities / Accounts - Identify Significant Processes - Sampling / Testing strategy
2. Document Risks & Controls (Output: Risk & Control Matrix)	Obtain understanding (guidelines, policies, procedures, manuals, process flows, narratives, EUC, etc.) Document risks and controls (key / Non-key) for all

	significant processes & sub processes and identify COSO components.
3. Evaluate Design & Operating Effectiveness (Output: Test of Design & Test of Effectiveness lead sheet)	Evaluate the design and operating effectiveness for key controls.
4. Identify & Correct Deficiencies (Output: Remediation Log)	Identify, accumulate and evaluate design and operating effectiveness deficiencies. Communicate and correct.
5. Report on Internal Control (Output: ICOFR Management Assessment Report)	Prepare management's written assurance on the effectiveness of ICOFR.
6. Independent Audit of Internal Control (Output: External Auditors Report)	Independent auditor to conduct the audit and report on management's assessment.

### **Approvals**

Alekh Grewal Group CEO & Director	
Ewan Cameron Group CFO	
Sheikh Khalifa Bin Abdulla Al Thani Chairman – Audit Committee	
Sheikh Suhaim Bin Abdulla Al Thani On behalf of Board of Directors	