



# AUDIT POLICY





## Policy Approval

**This policy was approved by Board of Directors decision issued on 07/31/2023**



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### **The Purpose**

The Purpose of this audit policy is to ensure compliance with company policies and legal requirements, identify potential security risks, and maintain the integrity of the organization.

### **The Scope**

This policy applies to all employees, contractors, and suppliers who have access to the company's systems or data. The purpose of this policy is to provide guidelines to management on the steps to be taken to ensure the independence of our audit services concerning audit and non-audit services performed for the company.

### **Application and Authority:**

The entity with the authority to approve this policy is the Board of Directors or the Audit Committee. The Audit Committee is responsible for overseeing internal audit operations and ensuring their efficient and consistent implementation. The Internal Audit team is formed by the Internal Audit Manager in coordination with the Audit Committee.

The scope of internal audit includes reviewing financial, administrative, organizational, compliance with laws, and policy-related processes. The annual audit plan is determined based on the organization's priorities and related risks.

### **Related parties and their responsibilities:**

#### **1. Board of Directors / Audit Committee:**

- Define the audit policy and provide the guiding framework for audit operations.
- Monitor the policy's implementation and review and approve periodic audit reports.
- Ensure the independence and efficiency of the Internal Audit Manager and audit teams.
- Provide strategic guidance to enhance performance and communication between audit teams and senior management.

#### **2. Internal Audit Manager:**

- Appoints and oversees the internal audit team.
- Plans and executes audit operations based on annual plans.
- Provides audit reports and recommendations to the Audit Committee.
- Ensures the team follows auditing standards and necessary guidance.

#### **3. Internal Audit Team:**

- Execute authorized audit operations in line with plans and objectives.

- Collect evidence, evaluate processes, identify weaknesses, and suggest improvements.
- Provide detailed reports with recommendations for performance enhancement.
- Interact with different departments to obtain necessary documents and information.

#### 4. Various Department Management:

- Promote collaboration and interaction with the internal audit team and offer necessary support.
- Provide required information and documents for audit operations.
- Respond to recommendations and work on improving relevant processes.

#### 5. Employees:

- Offer support and cooperation to the internal audit team and contribute by providing information and evidence.
- Collaborate in implementing improvement measures and adopt appropriate behaviors.

Providing coordination and cooperation between these various parties ensures that audit operations are implemented in an integrated and effective manner, which contributes to achieving the policy objectives and enhancing performance and transparency in the company.

#### Guidelines

Any auditor retained by the Company for audit and review purposes must be independent and must not act in a way that impairs or appears to impair their independence. At a minimum, auditors must not act in any capacity that could reasonably be perceived as one of the following:

- Acting as or on behalf of management.
- Auditing their own work.
- Being affected by other existing or potential work that does not require scrutiny.

#### Review frequency:

The company's accounting books will be audited annually, or more frequently, if necessary, to ensure their accuracy. The audit must be conducted by an independent auditor or a team of auditors with appropriate experience and skill.

1. Examination of supporting documents: The auditor must examine supporting documents, such as invoices, receipts and bank statements; To verify the accuracy of financial records.

2. Testing internal controls: The auditor must test the company's internal controls, such as segregation of duties and approval processes; To ensure that financial transactions are accurately recorded, and assets are properly protected.

## Audit Procedures

1. **Define the Audit Scope:** Identify the selected departments and processes for the audit operations, document their objectives, and ensure alignment with standards.
2. **Prepare the Audit Plan:** Define the objectives, procedures, and timelines for the audit process.
3. **Execute the Audit:** Perform audit operations, accurately document observations and conclusions.
4. **Evaluate Compliance:** Assess the extent of compliance with standards and regulations and document the results.
5. **Generate Reports:** Prepare detailed reports including observations and recommendations and present them to the management.

## Audit Firms perform several audit functions as follows:

- Annual review of financial data.
- Annual review of technology/software data (reporting on controls in a services organization, if applicable).
- Internal audits.
- Other audit processes that may be required.

To eliminate any conflicts of interest, the audit firm selected to perform the internal audit function must not be the same firm that conducts any other regular audits. Work outside the scope of the internal audit is expected to be the exception. If this exception occurs, any audit-related or non-audit-related services performed by this firm will need to be approved in accordance with the prior approval process specified below for non-audit work.

All auditor assignments must be for one year. To ensure consistency in reporting, auditors should be appointed by the Board of Directors based on recommendations made by the Audit Committee. The auditors may be renewed, subject to annual evaluation by the relevant committee and approval by the Board of Directors, without the need for a bidding process. However, the audit firm must not be renewed for more than ten consecutive years without requesting competitive bids. Procurement of audit services must be sourced from local Tier 1 firms. Throughout the audit period, auditors will adhere to relevant professional standards to protect against potential threats to independence.

## Internal Audit:

At Al-Andalus Real Estate, our goal, as outlined in our audit policy and internal audit methodology, is to establish a structured and dependable framework for evaluating internal operations and risks, enhancing performance, and ensuring compliance with standards and policies. To achieve this, we employ a risk-based audit methodology, which involves analyzing and assessing potential risks associated with various company operations and activities. This approach proves most effective in defining the audit scope and prioritizing areas based on their potential risk levels.

The internal auditor is appointed by the Chairman of the Audit Committee and holds the responsibility of conducting audits and offering insights on the company's operations and management activities. By adhering to a well-organized and systematic approach to assess and enhance risk management, controls, performance measurement, and governance processes, the internal auditor plays a crucial role in aiding the company in reaching its goals and objectives. Internal audits may cover financial, performance, operational, and compliance aspects.

The role of the internal auditor is to assist the Audit Committee, Board of Directors and Executive Management in discharging their fiduciary and administrative responsibilities effectively. This is achieved by providing information, analyses, assessments, advice and recommendations relating to the activities reviewed, and by enhancing effective controls for recording and reporting operational activities including asset protection.

#### **The specific objectives of the internal auditor are:**

- Providing an objective and independent assessment of the ability, efficiency and effectiveness of management's controls over the company's human and material resources. This includes reviewing and evaluating the financial situation and the effectiveness and efficiency with which resources are used,
- Monitor and evaluate risk management procedures and internal controls, ensuring that financial and operational risks are understood and managed appropriately,
- Advise stakeholders on findings and recommendations relating to significant risks, performance and governance issues. Also, identify business risks, finance and internal control/business system to key decision makers,
- Determine the extent of accounting for the company's assets, protect them from losses of all kinds, and verify the existence of the assets.
- Monitor whether organizational units operate in accordance with company policies and procedures, provincial and federal laws and regulations, contractual obligations and sound business practices,
- Review processes or programs to ensure whether results are consistent with established goals and objectives and are being implemented as planned,
- Review the reliability, integrity and adequacy of financial and operational information and the methods used to identify, measure, classify and report the information,
- Conduct audits of specific areas or functions in accordance with generally accepted auditing standards as required from time to time,
- Enhancing transparency and accountability in the company's financial operations by allowing the internal auditor to work with external auditors in their examination of the company's financial records and annual financial statements.

#### **Retention:**

Audit data will be retained for a minimum of six months or as required by regulatory or legal requirements.

#### **Review Cycle:**



The Internal Audit Manager is responsible for ensuring the review of this policy and amending it as necessary, at least annually, with any proposed changes presented to the Audit Committee.

### Concepts and Terminology:

- **Internal Audit:** An independent and objective process to evaluate and improve the effectiveness of control, risk management, and compliance with standards and policies within the company.
- **Review:** A detailed process within auditing that involves collecting evidence, evaluating it, and directing attention to improvements in operations and the organizational system.
- **Risk-Based Approach:** An auditing approach that relies on analyzing and evaluating potential risks to define the scope of the audit and set priorities.
- **Internal Audit Manager:** The person responsible for leading and coordinating internal audit and setting the strategic direction for these processes.
- **Internal Audit Team:** A group of professionals responsible for executing internal audit and review processes and providing reports and recommendations based on their findings.
- **Internal Risks:** Events or conditions that may impact on the company's ability to achieve its objectives as expected.
- **Evidence:** Information and documents used to substantiate the findings and evaluations of the auditing process.
- **Recommendations:** Proposed actions that go beyond the audit processes and aim to improve performance and reduce risks.

### Final provisions

- 1- This policy will enter into force as of the date of its approval by the Board of Directors.
2. This policy is reviewed periodically - when needed - or when changes are introduced in the policies of higher applications or legislative requirements, or after any important event that may require a change in this policy, and any proposed amendments are presented to the Governance Department, which studies and reviews the proposed amendments and recommends them. To the CEO for approval.
3. The Internal Audit Department works to share with other departments any amendments or proposals to this policy and to seek their views and comments in order to achieve the goal behind it.