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محاسبون قانونيون
ALMADAR
Certified Accountants

14th May 2025

Final Report - Internal Audit Quality Assurance Review

Coast Investment and Development Company KSCP

1 January 2022 to 31 December 2024

تمت الموافقة في اجتماع مجلس الإدارة
السابع لعام ٢٠٢٥ بتاريخ ٢٩/٥/٢٠٢٥

Contents and distribution list

Members of the Audit Committee	
Abdul Wahab Mohammed Ali Al Wazzan	Chairman
Ayad Abdulla Ahmed Al Sumait	Member
Osama Abdullah Khaled Al-Ayoub	Member

Independent Auditor's Opinion

M/s. Audit Committee Members
Coast Investment and Development Company KSCP
14th May 2025

In accordance with the terms of appointment dated 6th October 2024, we, have conducted an Internal Audit Quality Assurance Review ("IAQAR") of the internal audit function and procedures of Coast Investment and Development Company KSCP for the (3) years period from 1 January 2022 to 31 December 2024 ("The period").

The principal objectives of the quality assessment were to assess the internal audit activity's conformance to the requirements of the Kuwait Capital Markets Authority ("CMA") and the general application of International Standards for the Professional Practice of Internal Auditing ("Standards"), evaluate the internal audit activity's effectiveness in carrying out its mission (as outlined in its charter and expressed in the expectations of Company's management), and identify opportunities to enhance its management and work processes, as well as its value to the Company.

The assessment was also conducted in accordance with the guidelines published by the CMA, Fifth Rule "Apply Sound Systems of Risk Management and Internal Audit", of Chapter Six of Module Fifteen "Corporate Governance" of the Executive Bylaws issued under decision number 72 for the year 2015 of Law No. 7 of 2010.

Opinion as to General Conformance

It is our overall opinion that the internal audit activity at the Company generally conforms to Standards, Policies, and Procedures, and the Code of Ethics.

The report issued with this opinion letter includes details of the assessment results and any identified opportunities for further improvements.

Other Matters

This report has been prepared on the basis of the information made available to us and sets out the factual information upon which our assessment is based. In compiling this report, we have relied on information provided by the company management without our own verification.

In the event that new information is brought to our attention, subsequent to issuing this report, our assessment may be materially affected. We are, however, under no obligation to amend or update our report in light of any additional information, subsequent events, or any other reason.

Any party other than the company that obtains access to this paper or a copy and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, Al Madar Moores Rowland Kuwait does not assume any responsibility and will not accept any liability in respect of this report to any party other than the company.

We are not aware of any relationships between the Company and the Auditor performing this assignment that, in our professional judgment, may reasonably be thought to bear on our independence that has occurred during the period under the scope.

Yours Sincerely,

المـــــدار
لتدقيق الحسابات
AL MADAR
For Auditing Accounts

Al Madar Moores Rowland – Certified Accountant
Member of Moores Rowland
State of Kuwait

Executive Summery

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Background

With reference to the Kuwait Capital Markets Authority ("CMA") Executive Bylaw Module Fifteen (Corporate Governance), Chapter Six, Article 6-9, which stated, "...In addition, another auditing firm shall revise and evaluate the internal audit department/office/ unit periodically every three years, provided that both the Internal Audit Committee and the Board of Directors shall be provided with a copy of such report".
As per the engagement letter dated 6th October 2024, Coast Investment and Development Company KSCP has appointed us to perform the Internal Audit Quality Assurance Review ("IAQAR") over the internal audit function for the (3) years period from 1 January 2022 to 31 December 2024 ("The coverage period").

Objective and Scope

The objectives of the Internal Audit Quality Assurance Review ("IAQAR") were to assess:

- Conformance with mandatory internal auditing requirements, including the Standards;
- Organization reputation and credibility with its stakeholders;
- Whether the Audit Committee and management expectations of Internal Audit are being met; and
- Identify opportunities, offer recommendations for improvement, and provide counsel to the Internal Audit Function for improving their performance and services and promoting their image and credibility.

The scope of the IAQAR focused on the value of the Internal Audit contribution to the business outcomes of Coast Investment and Development Company KSCP, and to form an opinion on conformance to the Standards.

Mission

Review the internal audit activity's ability to conduct both assurance and consulting activities to add value and improve the organization's operations.

Internal Audit Reports issued by the Internal Audit Department during our coverage period are as follows;

Particular	Year 2022	Year 2023	Year 2024	Total
Internal Audit Reports issued	10	10	10	30 Reports

Work Performed by Auditor

The standards applied to Internal Audit are the 'International Standards for the Professional Practice of Internal Auditing ("Standards") contained in the International Professional Practices Framework ("IPPF") issued by the Institute of Internal Auditors ("IIA").

Standard applied to the Internal audit;

- International Standards for the Professional Practice of Internal Auditing (IPPF) issued by the Institute of Internal Auditors ("IIA").
- COSO Framework - Guidelines for internal control and risk management.
- ISO 31000: International standard for risk management principles.
- The assessment was also conducted in accordance with the guidelines published by the CMA, Fifth Rule "Apply Sound Systems of Risk Management and Internal Audit", of Chapter Six of Module Fifteen "Corporate Governance" of the Executive Bylaws issued under decision number 72 for the year 2015 of Law No. 7 of 2010.

The following procedures are carried out during our assessment of the Internal Audit Function;

- Review the internal audit policies and procedures manual and compliance with the Internal Audit Charter;
- Review the department organization structure and the reporting lines to the CEO and the Audit Committee;
- Review the Audit Committee and Board of Directors' minutes of meetings;
- Review the internal audit plans and related approvals;
- Review the internal audit reports in accordance with the approved plan; and
- Review the audit programs, working papers, and related supporting documents. Review compliance of the internal audit with mandatory internal audit requirements, including standards and requirements of the Capital Market Authority.
- Conduct risk assessments to identify areas of potential risk and prioritize audit activities accordingly.
- Review the company documents to ensure that the organization adheres to relevant laws, regulations, and internal policies.

Work Performed by Auditor

Recent developments in internal audit standards

In January 2025, the IIA released new Global Internal Audit Standards, set to become effective in January 2025, which further focus on below areas;

- Strengthen Governance Frameworks:
- Unified framework combining all components into one cohesive document.
- Emphasizes emerging risks, including cybersecurity, AI, and ESG.
- Ethics embedded within the standards, guiding all audit activities.
- Positions internal auditors as key advisors in governance improvement.
- Stronger focus on internal and external assessments with greater emphasis on audit value.
- Explicit responsibilities, including ensuring independence, allocating resources, and acting on findings.

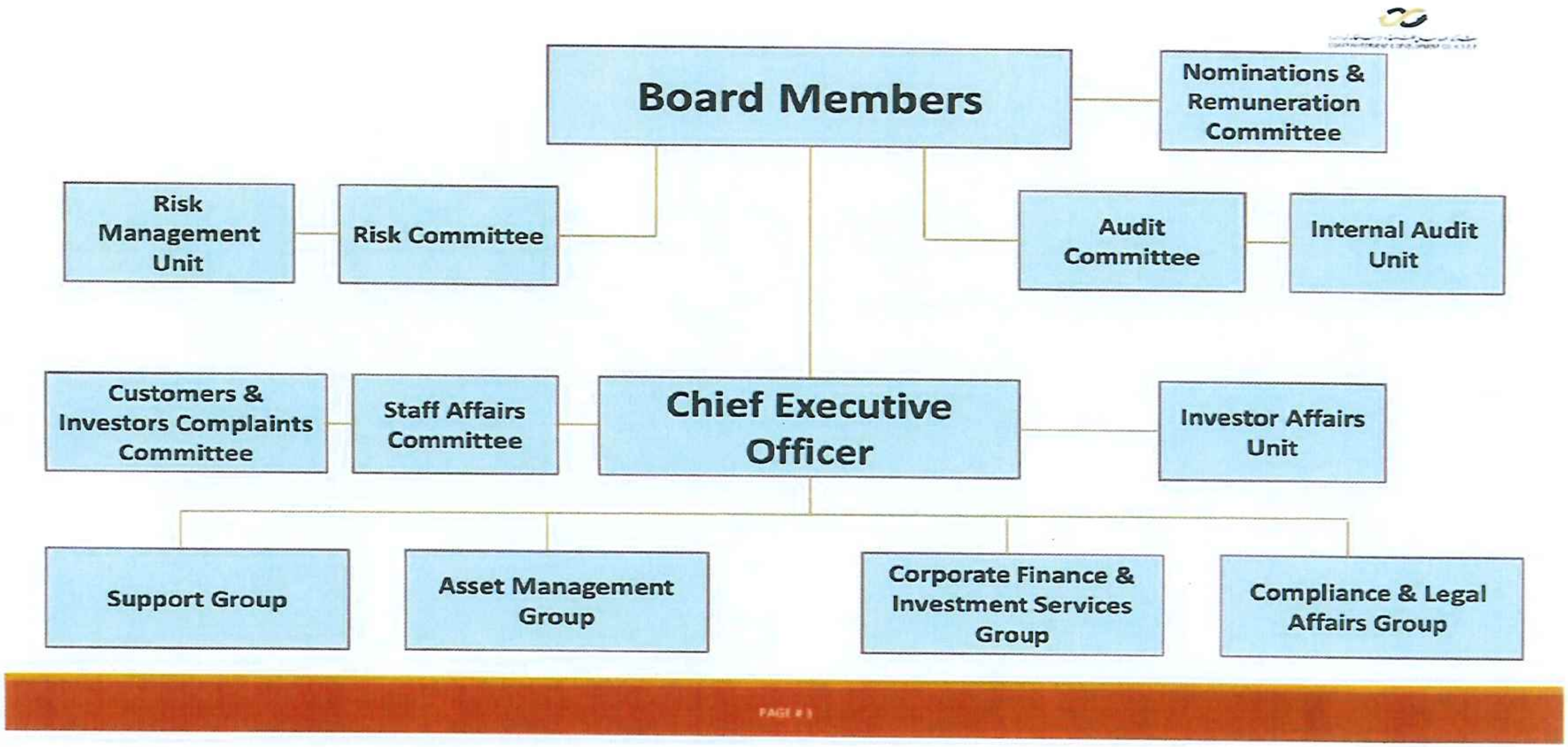
Further to the activities mentioned above, we have conducted interviews with key stakeholders, get their insights and points of view regarding the performance of the internal audit function and considered the same during our assessment.

Conclusion

It is our overall opinion that the internal audit activity at the Company generally conforms to Standards, Policies and Procedures, and the Code of Ethics.
The report issued includes details of the assessment results and any identified opportunities for further improvements which are mentioned in the review result section of this report.

Organizational Structure

The Internal Audit Department submits its reports functionally to the Audit Committee directly and administratively to the CEO.



Source: The above organizational structure was provided by the Company.

Current Cycle Review Results

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Summary of IIA Conformance

The Internal Audit Quality Assurance review concluded that at the time it was conducted, the Internal Audit function at Coast Investment and Development Company KSCP. was achieving the expectations of the Audit Committee and management. Based on the internal assessment conducted in line with the International Standards for the Professional Practice of Internal Auditing (IIA Standards), we confirm that the internal audit activity complies with these standards in all material aspects. This conclusion is supported by the results of our external assessments conducted over the past three years.

Domain	Principle	Related Standards	Evaluation Rating
Domain 1: Purpose of Internal Auditing			
Domain 2: Ethics and Professionalism	1. Demonstrate Integrity	1.1 Honesty and Professional Courage	
		1.2 Organizational Ethical Expectations	
		1.3 Legal and Ethical Behavior	
	2. Maintain Objectivity	2.1 Individual Objectivity	
		2.2 Safeguarding Objectivity	
		2.3 Disclosure of Impairments to Objectivity	
	3. Demonstrate Competency	3.1 Competency	
		3.2 Continuous Professional Development	
	4. Exercise Due Professional Care	4.1 Conformance with Global Internal Audit Standards	
		4.2 Due Professional care	
		4.3 Professional Skepticism	
	5. Maintain Confidentiality	5.1 Use of Information	
		5.2 Protection of Information	

Domain	Principle	Related Standards	Evaluation Rating
Domain 3: Governing the Internal Audit Function	6. Authorized by the Board	6.1 Internal Audit Mandate	
		6.2 Internal Audit Charter	
		6.3 Board and Senior Management Support	
	7. Positioned Independently	7.1 Organizational Independence	
		7.2 Chief Audit Executive Qualifications	
	8. Overseen by the Board	8.1 Board Interaction	
		8.2 Resources	
		8.3 Quality	
		8.4 External Quality Assessment	

Domain	Principle	Related Standards	Evaluation Rating
Domain 4: Managing the Internal Audit Function	9. Plan Strategically	9.1 Understanding Governance, Risk Management & Control Processes	
		9.2 Internal Audit Strategy	
		9.3 Methodologies	
		9.4 Internal Audit Plan	
		9.5 Coordination & Reliance	
	10. Manage Resources	10.1 Financial Resources Management	
		10.2 Human Resources Management	
		10.3 Technological Resources	
	11. Communicate Effectively	11.1 Building Relationships & Communicating with Stakeholders	
		11.2 Effective Communication	
		11.3 Communicating Results	
		11.4 Errors and Omissions	
		11.5 Communicating the Acceptance of Risks	
	12. Enhance Quality	12.1 Internal Quality Assessment	
		12.2 Performance Measurement	
		12.3 Oversee and Improve Engagement Performance	

Domain	Principle	Related Standards	Evaluation Rating
Domain 5: Performing Internal Audit Services	13. Plan Engagements Effectively	13.1 Engagement Communication	
		13.2 Engagement Risk Assessment	
		13.3 Engagement Objectives and Scope	
		13.4 Evaluation Criteria	
		13.5 Engagement Resources	
		13.6 Work Program	
	14. Conduct Engagement Work	14.1 Gathering Information for Analyses Evaluation	
		14.2 Analyses and Potential Engagement Findings	
		14.3 Evaluation of Findings	
		14.4 Recommendations and Action Plans	
		14.5 Engagement Conclusions	
		14.6 Engagement Documentation	
	15. Communicate Engagement Results and Monitor Action Plans	15.1 Final Engagement Communication	
		15.2 Confirming the Implementation of Recommendations or Action Plans	

Domain	Principle	Related Standards	Evaluation Rating
Domain 5: Performing Internal Audit Services	13. Plan Engagements Effectively	13.1 Engagement Communication	
		13.2 Engagement Risk Assessment	
		13.3 Engagement Objectives and Scope	
		13.4 Evaluation Criteria	
		13.5 Engagement Resources	
		13.6 Work Program	
	14. Conduct Engagement Work	14.1 Gathering Information for Analyses Evaluation	
		14.2 Analyses and Potential Engagement Findings	
		14.3 Evaluation of Findings	
		14.4 Recommendations and Action Plans	
		14.5 Engagement Conclusions	
		14.6 Engagement Documentation	
	15. Communicate Engagement Results and Monitor Action Plans	15.1 Final Engagement Communication	
		15.2 Confirming the Implementation of Recommendations or Action Plans	

Follow-Up on Previous Review Results

Detailed Enhancement

2	Organizational Independence	Partially Conforms

Description - Opportunity for improvement

Standard 7.1 – Organizational Independence

The chief audit executive must confirm to the board the organizational independence of the internal audit function at least annually. This includes communicating incidents where independence may have been impaired and the actions or safeguards employed to address the impairment.

IIA Standards Performance Gaps
During our review, we noted the internal auditor has not confirmed the independence to the audit committee on an annual basis.

Recommendation

The internal audit department should confirm to the audit committee its independence on an annual basis.

Current Follow Up Status

During our follow-up process, we noted that the internal audit department has confirmed to the audit committee its independence, and hence, the gap is closed.

Appendixes

Appendix (A) - Findings Rating Scale Definitions

Significance Rating	Description	Frequency
Does Not Conform (DNC)	This means the evaluator has concluded that the activity is not aware of, is not making good-faith efforts to comply with, or is failing to achieve many/all of the objectives of the individual Standard or element of the Code of Ethics, section and major category. These deficiencies will usually have a significant negative effect on the activity's effectiveness and its potential to add value to the organization. They may also represent significant opportunities for improvement, including actions by senior management or the Board.	00
Partially Conforms (PC)	This means the evaluator has concluded that the activity is making good-faith efforts to comply with the requirements of the individual Standard or element of the Code of Ethics, section, and major category, but has fallen short of achieving some of the major objectives. This will usually represent some significant opportunities for improvement in effectively applying the Standards or Code of Ethics and/or achieving their objectives. Some of the deficiencies may be beyond the control of the activity and may result in recommendations to senior management or the Board of the organization.	00
Generally Conforms (GC)	This means the evaluator has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual Standard or element of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformity to a majority of the individual Standards or elements of the Code of Ethics, and partial conformity to the others, within the section/category. There may be significant opportunities for improvement, but these should not represent situations where the activity has not implemented the Standards or the Code of Ethics, is not applying them effectively, or is not achieving its stated objectives.	00

Appendix (B) – Timeline

Event	Date
Kick-off Date	March 2025
Exit Meeting and Observation Log	April 2025
Draft Report	April 2025
Management Response Received	May 2025
Final Report	May 2025

Management Responsibilities

It is the responsibility of management to ensure that there are adequate controls and activities in place to ensure that business objectives can be met and that the risks are minimized. Based on the work we have carried out; we provide an objective assessment of the adequacy and effectiveness of controls and activities established by management to manage the identified risks. Management regularly reviews internal audit findings and implements corrective actions.

Third-party reliance

- This report has been prepared solely for the Company's information and should not be distributed in whole or in part to any other party without Al Madar Moores Rowland's prior written consent.
- This report has been prepared at the request of the Company, by the terms of Al Madar Moores Rowland's engagement letter. Other than our responsibility to the Company, neither Al Madar Moores Rowland nor any employee of Al Madar Moores Rowland undertakes responsibility arising in any way from reliance placed by a third party on this report. Any reliance placed is that party's sole responsibility.
- Kindly refer to our letter of engagement for full details of responsibilities and other terms and conditions.
- This report has been prepared as outlined in the scope section. The services provided in connection with this engagement comprise an advisory engagement, which is not subject to assurance or other standards issued by the International Auditing Assurance Standards Board, and consequently no opinions or conclusions intended to convey assurance have been expressed.
- Due to the inherent limitations of any internal control structure, it is possible that fraud, error, or non-compliance with laws and regulations may occur and not be detected.
- This document does not constitute audit, tax, consulting, business, financial, investment, legal, or other professional advice, and you should consult a qualified professional advisor before taking any action based on the information herein. Al Madar Moores Rowland, its affiliates, and related entities are not responsible for any loss resulting from or relating to reliance on this document by any person.
- During the course of our review, we have conducted interviews and, where necessary, testing/verification work to support our assessment of the adequacy and effectiveness of current arrangements.
- No warranty of completeness, accuracy, or reliability is given about the statements and representations made by, and the information and documentation provided by, Company's management consulted as part of the process.
- Al Madar Moores Rowland has indicated within this report the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted within the report.
- It is our reporting protocol to balance our reporting of positive practice with areas for attention. This enables the Company to build upon its strengths whilst focusing upon key findings and associated recommendations, which, if acted upon, should enhance the control environment and improve the management of key risks.
- The matters raised in this report are only those that came to our attention during the course of our internal audit assessment and are not necessarily a comprehensive statement of all the weaknesses that exist.
- Recommendations for improvements should be assessed by management for impact before they are implemented. Effective implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

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We are pleased to hear your feedback via: