
Coast Investment & Development Company (K.S.C.P.)
Operations & Settlement Department
Internal Audit Report – Final

October 2025

تمت الموافقة في اجتماع مجلس الإدارة
الجائش لعام ٢٠٢٥ بتاريخ ١١/٣/٢٠٢٥

EXECUTIVE SUMMARY

Background

As part of the Internal Audit Services provided to Coast Investment & Development Company (K.S.C.P), hereinafter referred to as “Coast” or “the company”, RSM Albazie Consulting W.L.L. (RSM) performed an internal audit review during July to September 2025 over the Operations & Settlement Department for the period from 1 July 2024 to 30 June 2025.

This report was prepared for use by the Board of Directors, Audit Committee, and management. Recommendations for improvement are presented for management’s consideration, and management is responsible for the effective implementation of corrective action plans.

Objective and Scope

The objective of this review was to obtain an understanding of and evaluating the Control Environment at Coast pertaining to Operations & Settlement Department processes, to ensure the adequacy and effectiveness of the key internal controls affecting Operations & Settlement Department processes and identify opportunities for control and process improvements.

The following areas were included in scope:

- Existence and compliance of Governance framework such as Organization Structure, Policies and Procedures, Authority Matrix, Job Descriptions, Segregation of Duties, and related management guidelines.
- Submission of quarterly reports to CMA and monthly reports to clients as per Book 7 of CMA.
- Process to calculate Net Asset Value (NAV) of the fund on a periodic basis.
- Process to reconcile internal records with Banks, KCC, Custodian, Brokers, etc. on a periodic basis.
- Maintenance of records of Unit Holders and Client Portfolios records.
- Process to account management fees and custodian fees for Fund and management fees for Portfolios on timely basis.
- Process to allocate corporate actions such as Dividends, Bonus and Right Shares etc. in respect of Fund and Portfolios on periodic basis.

- Periodic submission of required information to senior management to control various processes/functions/activities of the department on a timely basis.

Scope and limitations of our work

The formation of our observations is achieved through a risk-based plan of work, agreed with management, and approved by the Audit Committee. Our work is subject to inherent limitations, as detailed below:

- The internal audit has not reviewed all risks and assurances relating to the organization.
- The work is based on the findings and conclusions from the work undertaken, the scope of which has been agreed with management.
- Where strong levels of control have been identified, there are still instances where these may not always be effective. This may be due to human error, incorrect management judgement, management override, controls being bypassed or a reduction in compliance.

The factors considered which might influence our conclusions are:

- Inherent risk in the area being audited.
- Limitations in the individual audit assignments.
- The adequacy and effectiveness of the risk management and governance control framework.
- The impact of weakness identified.
- The level of risk exposure; and
- The response to management actions raised and timeliness of actions taken.

DEPARTMENT OVERVIEW

Size of the Team

The Operations & Settlement Department at Coast Investments consists of five employees. The department is headed by the Senior Vice President-Asset Management Group, reporting directly to the CEO. Reporting to the Senior Vice President are Assistant VP-Operations, Senior Operations Officer, Senior Portfolios Coordinator and Accountant.

Main Responsibilities and Activities of the Department

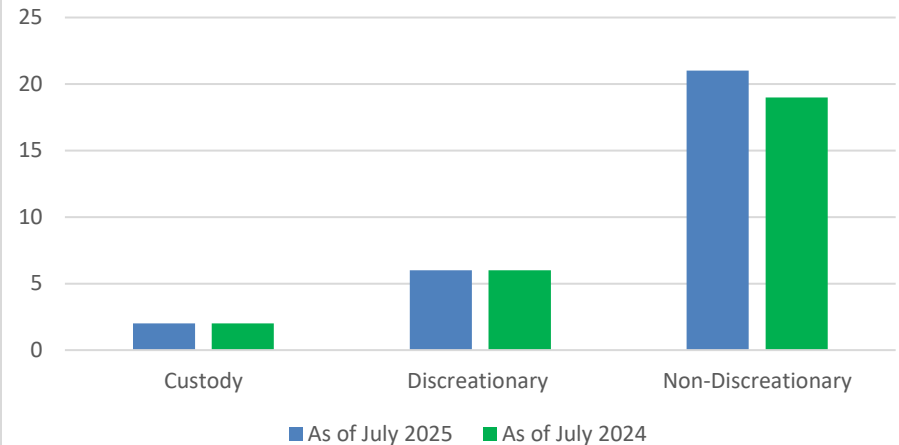
The Operations & Settlement Department is mainly responsible of performing the following functions:

- Ensuring compliance with Kuwaiti Capital Market Authority's regulations.
- Proper calculation for the Net Asset Value of the Fund.
- Reconciliation with brokers, banks, KCC and custodian.
- Maintaining records for client portfolio and unit holders.
- Calculation and collection of management fees.
- Allocation of corporate actions including bonus shares, dividend distribution and right shares for fund and portfolios under management.
- Reporting to senior management on the performance and activities of the department.

Statistics

The chart below depicts the number of portfolios under management classified by type as of 31st July 2025, compared with the previous year. Overall, there have been no major changes in the number or structure of portfolios compared to the prior audit period. The total number of portfolios under management remains largely consistent, with only two new clients added during the current period. The investment composition and nature of portfolio activities have remained stable throughout the year.

Number of Portfolios by Type (2024 vs 2025)



Source: List provided by Operations as of July 31st, 2025

Overall Summary/Highlights

Testing resulted in the identification of **no observations** in the current year. Based on this, an overall report rating of '**Satisfactory**' was assigned to help management understand our assessment of the overall design and operating effectiveness of the company.

The observations, recommendations, and Coast's management responses to address each are described in the Detailed Observation section of this report.

A summary of the Observations noted during the review is noted in the table below:

Overall Rating (See Appendices A&B for definitions)				
	Report Rating	Number of Observations by Risk Rating		
		High	Moderate	Low
Current Audit	Satisfactory	-	-	-
Prior Audit	Satisfactory	-	-	1

EXECUTIVE SUMMARY (CONTINUED)

Status of prior audit observations

#	Prior Audit Observation	Rating	Status	Previous Management response	Follow-up Results	Current Management response
1.	Automation of Approval Process As per better practices, dual control within the system should be implemented for client account opening, ensuring that both the initiation and approval processes are verified by separate individuals. Although the account opening documents are reviewed and approved by the Senior Portfolio Coordinator, Senior Vice President – Compliance and Vice President – Asset Management, we noticed that such process is not implemented on the system.	Low	In-Process	The new system is being implemented, and it will have these features. Target Date: Q1 2025	The Department is in the process of migrating the data into the new system.	The Department is in the process of migrating the data into the new system. Target Date: Q4 2025

APPENDIX A – RATING DEFINITIONS

Observation Risk Rating Definitions		Effort Rating Definitions		
Rating	Definition	Rating	Impact	Effort
Low	Process improvements exist but are not an immediate priority for the Company. Taking advantage of these opportunities would be considered best practice for the Company.	Low	The recommended change, if implemented, would: <ul style="list-style-type: none"> Impact only one location Improve efficiency 	Level of effort to address improvement opportunity meets the following criteria: <ul style="list-style-type: none"> Completion in < 3 months Requires change to no more than two manual processes. Only local/department resources needed
Moderate	Process improvement opportunities exist to help the Company meet or improve its goals, meet or improve its internal control structure and further protect its brand or public perception. This opportunity should be considered in the near term.	Moderate	Opportunity meets the criteria for “Low” impact, and additionally meets one or more of the following criteria: <ul style="list-style-type: none"> Change affects a business segment. Generates cost reduction. Enhances availability of data used to make business decisions 	Level of effort to address improvement opportunity meets the below criteria: <ul style="list-style-type: none"> Completion in 3 to 12 months Requires modification to current system application set up. Cross-functional resources
High	Significant process improvement opportunities exist to help the Company meet or improve its goals, meet or improve its internal control structure and further protect its brand or public perception presents. This opportunity should be addressed immediately.	High	Improvement opportunity meets the criteria for “Low” and “Moderate” impact, and additionally meets one or more of the following criteria: <ul style="list-style-type: none"> Change affects the entire organization. Cost reduction and improved efficiency Improves operating effectiveness of upstream/downstream processes, including those involving third parties 	Level of effort to address improvement opportunity meets the below criteria: <ul style="list-style-type: none"> Completion requires more than 12 months. Requires new system or module or significant programming change to existing system. Entity-wide resources

APPENDIX B – REPORT RATING DEFINITIONS

Report Rating Definitions	
Rating	Explanation
Satisfactory	Adequate internal controls are in place and operating effectively. Few, if any, improvements in the internal control structure are required. Observation should be limited to only low-risk observations identified or moderate observations that are not pervasive in nature.
Marginal	Certain internal controls are either: <ul style="list-style-type: none"> Not in place or are not operating effectively, which in the aggregate, represents a significant lack of control in one or more of the areas within the scope of the review. Several moderate control weaknesses in one process, or a combination of high and moderate weaknesses that collectively are not pervasive.
Unsatisfactory	Fundamental internal controls are not in place or operating effectively for substantial areas within the scope of the review. Systemic business risks exist that have the potential to create situations that could significantly impact the control environment. <ul style="list-style-type: none"> Significant/several control weaknesses (breakdown) in the overall control environment in part of the business or the process being reviewed. Significant non-compliance with laws and regulations. High observations that are pervasive in nature.
Not Rated	Opportunity to improve efficiency or profitability of operations but does not indicate an internal control weakness or a material inefficiency.

APPENDIX C – COSO PRINCIPLES

The COSO Framework sets out the following 17 principles (summarized):

Control Environment	<ul style="list-style-type: none">• Demonstrates commitment to integrity and ethical values• Exercises oversight responsibilities• Establishes structure, authority and responsibility• Demonstrates commitment to competence• Enforces accountability
Risk Assessment	<ul style="list-style-type: none">• Specifies suitable objectives• Identifies and analyzes risk• Assesses fraud risk• Identifies and analyzes significant change
Control Activities	<ul style="list-style-type: none">• Selects and develops control activities• Selects and develops general controls over technology• Deploys through policies and procedures
Information & Communication	<ul style="list-style-type: none">• Uses relevant information• Communicates internally• Communicates externally
Monitoring	<ul style="list-style-type: none">• Conducts ongoing and/or separate evaluations• Evaluates and communicates deficiencies

APPENDIX D – REPORT DISTRIBUTION LIST

For each observation noted previously in this report, a responsible person and target date was identified as a means to assign responsibility for the agreed-upon resolution. It is management's responsibility to verify that action plans are carried out and observations are adequately addressed.

Report Distribution List

Name	Title
Mr. Abdul Wahab Mohammad Ali Al Wazzan	Chairman - Audit Committee
Mr. Ayad Al Sumait	Audit Committee Member
Mr. Osama Al Ayoub	Audit Committee Member
Mr. Asaad Ahmad A. Al-Banwan	Chief Executive Officer
Mr. Jassem Al-Zaid	Senior Vice President – Asset Management Group
Mr. Fares Halal Madi	Senior Vice President – Compliance & Legal Affairs Group
Ms. Geethu Jacob	Internal Audit Officer

We appreciate the cooperation and assistance from all involved with this.



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