



بسم الله الرحمن الرحيم

Internal Control System Regulation

AL khaleej Training and Education Company

(Saudi Joint Stock Company)

Approved by the resolution issued by the Board of Directors on 02/12/1444 AH
corresponding to 20/06/2023 AD



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Internal Control System Regulation

Introduction:

The Board of Directors shall adopt an internal control system for the Company to evaluate the policies and procedures related to risk management, apply the provisions of the Company's corporate governance rules adopted by the Company, and comply with the relevant laws and regulations, and this system shall ensure that clear standards of responsibility are followed at all executive levels of the Company and that related party transactions are conducted in accordance with their own provisions and controls. Internal control is represented in a set of written procedures in the form of a specific plan aimed at protecting the resources, property, and assets of the company from any undesirable behavior, achieving the accuracy of financial statements and information produced by the accounting system in the company, and achieving the efficiency of the use of human and material resources in an optimal manner within the scope of compliance with policies, systems, laws, and regulations that govern the nature of work within the company. Accordingly, after reviewing the Companies Law and its amendments, reviewing the Capital Market Law and the Bylaws, reviewing the Corporate Governance Regulations issued on 25/06/1444H corresponding to 18/01/2023G, and reviewing the Company's Articles of Association, the Board of Directors of Alkhaleej Training and Education Company, with its powers to issue the Internal Control System Regulations, decided.

Article One: Definition of Internal Control

Internal control can be defined as a set of organizational plans designed to maintain the company's assets control their use, and review the accuracy and documentation of accounting data. Increase and stimulate the operational efficiency of the company. And encourage the company's employees to follow and adhere to its policy. Improving the organizational structure and working to achieve the company's objectives.

It can also be defined as a system to ensure that the company's objectives are achieved effectively and efficiently, that reliable financial reports are issued, and that laws, regulations, and policies are complied with. Internal control is a broad concept, which includes everything that controls the potential risks of the company.

Article Two: Objectives of Internal Control

The objectives to be achieved from the internal control system are as follows:

1. Control of the company: In order to control the various activities of the company, its factors of production, its expenses, costs and returns, and the various policies developed in order to achieve its objectives, it should define its objectives, structures, methods, and procedures, in order to access and identify credible information that reflects its real situation, and help create control over the various elements to be controlled.
2. Asset protection: Through definitions, we realize that the most important objectives of the internal control system are to protect the company's assets by imposing physical protection and accounting protection for all elements of assets, which enables the company to survive and preserve its assets from all possible risks as well as to advance its production with the contribution of existing assets to enable it to achieve the set goals.
3. Ensuring the quality of information: In order to ensure good quality of information, the accuracy and degree of reliance on accounting data should be tested under an information system that processes data in order to reach correct and accurate information results.



4. Encouraging efficient work: The tightening of the internal control system by all means within the company enables to ensure the best and most efficient use of the company's resources, and to achieve effectiveness in its activity by controlling costs by reducing them at their minimum.
5. Encouraging compliance with administrative policies: Compliance with the administrative policies set by the management requires the implementation of its orders because encouraging and respecting administrative policies would ensure that the company has clearly defined objectives within the framework of the organizational plan for the optimal application of orders.

Article III: Elements of Internal Control

Through the definition of internal control and its objectives, the most important elements included in the internal control system in the company can be identified as follows:

First: Accounting Control:

It aims to choose the accounting accuracy of information and the extent of reliability on it. This control depends on the optimal use of the computer to follow the method of double entry and keeping total control accounts and processing parallel to the periodic review and the work of periodic audits and others, this type of control is achieved through the following aspects:

1. Develop and design an integrated document system suitable for the company's operations
2. Develop an integrated and sound accounting system consistent with the nature of the company's activity
3. Develop a sound inventory system for the company's assets and property in accordance with generally accepted accounting rules
4. Develop a system to monitor and protect the company, its assets, properties, and affiliates to ensure their existence and use in what has been allocated to it, including the possibility of using appropriate control accounts.
5. Develop an appropriate system for the data of the liability accounting records for the company's assets with the results of the actual inventory of the assets in the company's possession on a periodic basis, followed by the need to examine and study the reasons for any discrepancies that may be revealed by this comparison
6. Develop a system for preparing trial balances periodically to verify the accuracy of the data and financial information recorded during the period for which the trial balance is prepared
7. Develop a system for approving the result of inventory and inventory adjustments at the beginning of the period from one or more officials in the company.

Second: Administrative Control:

It aims to raise production efficiency and follow the established policies. It is based on the preparation of financial and administrative reports, estimated budgets, statistical studies, production reports, programs, training, etc. This type of control is achieved through the following aspects:

1. Determine the main general objectives of the company as well as the sub-objectives at the level of departments and sections that help achieve the main general objectives, with the development of accurate employment represents these goals so that it is easy to employ
2. Develop a system to control the organizational plan in the company to ensure the achievement of the procedures and steps and thus achieve the objectives set.
3. Develop a system for estimating the elements of activity in the company of all kinds periodically at the beginning of each fiscal year to be the basis for making comparisons and determining negative deviations in particular.
4. Develop a special system for the decision-making process that ensures the safety of its adoption in a manner that does not conflict with the interests of the company and the objectives it aims to achieve and the results reached, or on the basis that any decision is taken only on the basis of certain foundations and criteria and after a thorough study justifying the need to take this decision.

Third: Internal Control:

It includes the organizational plan and all means of coordination and procedures aimed at protecting the company's assets from embezzlement, loss, or misuse, and the internal control in order to achieve its objectives depends on the evaluation of work with self-monitoring, where the work of each employee is subject to review by another employee who participates in the implementation of the process, and also depends on determining the terms of reference, authorities, and responsibilities.

Article IV: Components and principles of internal control

Any regulatory system includes basic components that must be carefully studied and studied when designing or implementing any control system so that a reasonable guarantee can be reached to achieve the regulatory objectives.

First: Control Environment:

The positive regulatory environment is the basis for all standards, as it gives a system and an environment that affects the quality of regulatory systems, and there are many factors that affect them, the most important of which are:

1. The integrity of the management and employees and the ethical values they maintain.
2. Management's commitment to efficiency so that they maintain a certain level of competence, which allows them to carry out their duties in addition to understanding the importance of developing the application of effective internal control systems.
3. Management philosophy, which means management's view of accounting information systems, people management, and others.
4. The organizational structure of the company, defines a management framework for planning, directing, and controlling operations to achieve the company's objectives.
5. The company's management style in delegating powers and responsibilities.
6. Effective policies of manpower in terms of employment, training, and other policies.
7. The relationship of the owners with the company and the relationship of stakeholders with the company.

Second: Risk Assessment:

Internal control systems allow the field to assess the risks faced by the company, whether they are internal or external influences, and setting fixed and clear goals for the company is a prerequisite for evaluating risks, so risk assessment is the identification and analysis of related risks associated with achieving the goals specified in the long-term performance lines and the moment of identifying risks, it is necessary to analyze them to identify their effects in terms of their importance and estimate the possibility of their occurrence and how to manage them and the steps to be taken by.

Third: Supervisory Activities:

Control activities are policies, procedures, and mechanisms that support management orientations and ensure that procedures are taken to address risks, such as endorsements, confirmations, performance audits, maintaining security procedures, and maintaining records in general.

Fourth: Information and Communications:

The information must be recorded and communicated to management and to those who need it within the company in a manner and time frame that helps them carry out internal control and other responsibilities so that the company can operate and monitor its operations and must make appropriate, reliable and timely communications with regard to internal and external events. As for communication, it is effective when it includes the flow of information from top to bottom or vice versa horizontally, in addition to the management ensuring that there is appropriate communication with other external parties that may have an impact on the company's achievement of its goals, in addition to the need for effective management to purify important information to achieve the best important, reliable and continuous communication of this information.

Fifth: System Monitoring:

Internal control systems must be designed to ensure that controls continue as part of internal processes, and internal control systems must include policies and procedures to ensure that audit results are carried out quickly and within a specific time frame.

Article Five: Establishing independent units or departments in the company

1. In order to implement the approved internal control system, the Company establishes units or departments for risk assessment, management, and internal audit.
2. The Company may outsource external parties to exercise the functions and competencies of risk assessment and management units or departments, and internal audit, without prejudice to the Company's responsibility for such tasks and competencies.

Article Six: Functions of the Internal Audit Unit or Department

The Internal Audit Unit or Department shall evaluate the internal control system, supervise its implementation, and verify the extent to which the company and its employees comply with the applicable laws, regulations, instructions, policies, and procedures of the company.

Article VII: Composition of the Internal Audit Unit or Department

The Internal Audit Unit or Department shall consist of at least one internal auditor who shall be appointed by the Audit Committee and shall be accountable to it. The composition and functioning of the Internal Audit Unit or Department shall take into account the following:

1. Its employees shall have competence, independence, and training, and shall not be assigned any other work other than the internal audit work and the internal control system.
2. The unit or department reports to, associates with, and is accountable to the Audit Committee.
3. The remuneration of the director of the audit unit or department shall be determined upon the proposal of the audit committee in accordance with the company's policies.
4. Be able to access and obtain information, documents, and documents without restriction.

Article Eight: Internal Audit Plan

The Internal Audit Unit or Department operates according to a comprehensive audit plan approved by the Audit Committee, and this plan is updated annually. Key activities and processes should be reviewed at least annually.



Article IX: Internal Audit Report

1. The Internal Audit Department shall prepare a written report on its work and submit it to the Board of Directors and the Audit Committee at least quarterly. This report shall include an assessment of the company's internal control system and the findings and recommendations of the unit or management, and a statement of the actions taken by each department regarding the processing of the findings and recommendations of the previous audit and any observations thereon, especially in the event of lack of timely treatment and the reasons for this.
2. The Internal Audit Department shall prepare a written general report and submit it to the Board of Directors and the Audit Committee on the audits conducted during the financial year and compare them with the approved plan, indicating the reasons for any breach or deviation from the plan (if any) during the quarter following the end of the fiscal year concerned.
3. The Board of Directors shall determine the scope of the Internal Audit Department's report based on the recommendation of the Audit Committee, provided that the report shall include, in particular, the following:
 - Control and supervision procedures for financial affairs, investments, and risk management.
 - Assess the evolution of risk factors in the company and existing systems to face drastic or unexpected changes in the financial market.
 - Evaluate the performance of the Board of Directors and senior management in implementing the internal control system, including determining the number of times the Board has been notified of control issues (including risk management) and the manner in which it has addressed these issues.
 - Failures in the application of internal controls, weaknesses in their application, or emergencies that have affected or may affect the Company's financial performance, and the procedure followed by the Company in addressing such failures (in particular the problems disclosed in the Company's annual reports and financial statements).
 - The extent to which the company adheres to internal control systems when identifying and managing risks.
 - Information describing the company's risk management processes.

Article Ten: Keeping Internal Audit Reports

The Company shall keep audit reports and business documents clearly stating what has been achieved, its findings, recommendations, and what has been taken in this regard.

Article XI: Final Provisions (Publication, Entry into Force and Amendment)

1. These Regulations shall be applied and complied with by the Company as of the date of its approval by the Board of Directors.
2. This policy is published on the company's website to enable shareholders, the public and stakeholders to view it.
3. This policy is periodically reviewed, if needed, by the Remuneration and Nomination Committee, and any amendments proposed by the Committee are submitted to the Board for approval.
4. This policy is complementary to what is stated in the laws and regulations of the regulatory authorities in the Kingdom of Saudi Arabia and is not a substitute for them, and in the event of any conflict between what is stated in the regulation and the laws and regulations of the regulators, the laws and regulations of the regulators shall prevail.