



Finance Department

Internal Control over Financial Reporting Policy

MBZUAI-FIN-ICFR-POL-V1.0

Effective Date 24/04/2023

Table of Contents

1. Document Control Information	3
2. Glossary of Terms.....	3
3. Introduction	5
4. Objective	5
5. Scope.....	6
6. Internal Control over Financial Reporting Policy	6
6.1. Roles and Responsibilities.....	6
6.2. Internal control framework	9
6.3. Documentation	9
6.4. Communication and training	9
6.5. Improvements.....	10
7. Related Documents.....	10
8. Version History.....	10

1. Document Control Information

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Policy Review

Person responsible	Workflow	Date
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Executive Director IEQA & OD	Endorse	N/A
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2. Glossary of Terms

Term	Definition
Control Effectiveness	A rating of how well risk mitigations are expected to reduce the impact and/or likelihood of an associated risk event. For example, a high control effectiveness indicates that the controls should significantly reduce the negative outcomes associated with a risk.
COSO	Committee of Sponsoring Organizations of the Treadway Commission. Five major U.S. professional associations initially organized it and includes included representatives from industry, public accounting, investment firms, and the New York Stock Exchange. COSO provides thought leadership through the development of frameworks and guidance on enterprise risk management, internal control and fraud deterrence.

Department	Finance Department	Approval Date	24/04/2023
Policy Number	MBZUAI-FIN-ICFR-POL-V1.0	Revision Date	24/04/2025
Policy	Internal Control over Financial Reporting	Policy Owner	Director of Finance Department

Design Adequacy	<p>Design adequacy is a measure of how well a system performs its functions. It is the most desired factor in the definition, design, and early stages of system development.</p> <p>A design adequacy quantification methodology is presented and the relationship between design limitation and adequacy is discussed.</p>
External Auditor	<p>An external auditor performs an audit, in accordance with specific laws or rules, of the financial statements of a university, and is independent of the entity being audited.</p> <p>External Auditors inspect clients' accounting records and express an opinion as to whether financial statements are presented fairly in accordance with the applicable accounting standards of the entity, such as International Public Sector Accounting Standards (IPSAS).</p>
Fraud	<p>An intentional act by one or more individuals among Management, those charged with governance, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage.</p>
Financial Statements	<p>Financial Statements are reports that provide details of the entity's financial information, including assets, liabilities, equities, incomes and expenses, shareholders' contribution, cash flow, and other related information during the period of time.</p> <p>Financial statements are formal records of the financial activities and position of a business, person, or other entity. Relevant financial information is presented in a structured manner.</p>
ICFR	<p>Internal Control over Financial Reporting (ICFR) is a system of processes, policies, and procedures that an organization implements to provide reasonable assurance regarding the reliability of its financial reporting and to help ensure that an organization's financial information is accurate, complete, and timely and that it complies with applicable laws, regulations, and accounting standards.</p>

Department	Finance Department	Approval Date	24/04/2023
Policy Number	MBZUAI-FIN-ICFR-POL-V1.0	Revision Date	24/04/2025
Policy	Internal Control over Financial Reporting	Policy Owner	Director of Finance Department

3. Introduction

The Resolutions issued by the ADAA (Resolution #1 of 2017 and #88 of 2021), requires external auditors of ADAA subject entities to express an opinion on the effectiveness of internal controls ‘relevant to the audit’. The Resolution requires external auditors to issue a separate opinion on the operational effectiveness of internal controls relevant to the audit. In order to issue such an opinion, external auditors will need to carry out extensive testing of the internal control framework in place at ADAA subject entities across areas such as governance, Process cycles controls and IT general controls i.e., test the control design adequacy and operating effectiveness.

In compliance with ADAA resolution ADAA subject entities shall adopt a formal Internal Control Framework, to provide a basis for the management’s assessment of the ICFR (Internal Control Over Financial Reporting). To ensure compliance with the ADAA Resolution, MBZUAI has adopted the COSO 2013 Framework (Committee of Sponsoring Organizations of the Treadway Commission) as the internal framework to test, maintain and monitor adequate and effective internal controls over financial reporting.

4. Objective

The objectives of ICFR policy, along with the associated Framework, includes:

1. Define the adopted internal control framework,
2. Facilitate alignment of ICFR with the entity's overall risk management strategy and comply with any relevant laws and regulations.
3. Establish the responsibilities of Management towards ICFR and the implementation and maintenance of effective internal controls.
4. Detail the reporting obligations for employees and management.

Department	Finance Department	Approval Date	24/04/2023
Policy Number	MBZUAI-FIN-ICFR-POL-V1.0	Revision Date	24/04/2025
Policy	Internal Control over Financial Reporting	Policy Owner	Director of Finance Department

5. Scope

This Policy applies to all functional areas that contribute to the Financial Reporting Process, which will cover the following:

1. Financial reporting process: This covers the entire process of preparing and presenting financial statements, including the preparation of journal entries, financial analysis and reporting, and the management of financial data.
2. Internal controls: This refers to the measures an organization takes to ensure the accuracy, reliability, and integrity of its financial information. This can include things like segregation of duties, access controls, and review procedures.
3. Information technology: This refers to the systems and technology used to support the financial reporting process, including accounting systems, financial reporting tools, and data management systems.
4. Personnel: This refers to the individuals involved in the financial reporting process, including senior management, finance personnel, and external auditors.
5. Compliance: This refers to the compliance with applicable laws, regulations, and accounting standards, including ADAA resolutions, International Public Sector Accounting Standards (IPSAS).

6. Internal Control over Financial Reporting Policy

6.1. Roles and Responsibilities

6.1.1. Management is responsible for ensuring the implementation and maintenance of effective internal controls. This includes regularly assessing the ICFR framework to ensure it remains relevant and effective, monitoring the performance of the controls, and taking corrective action when necessary. Management should also ensure that employees understand their roles and responsibilities in the ICFR framework and receive proper training on the controls and procedures.

6.1.2. Detailed ICFR responsibilities:

6.1.2.1. Responsibility of Senior Management:

6.1.2.1.1. Responsible for the design, implementation, and monitoring of ICFR, through the development of an appropriate internal control framework and internal control procedures for MBZUAI.

6.1.2.1.2. Design, implement, and maintain procedures to monitor compliance with laws, regulations & internal policies.

6.1.2.1.3. Select and apply appropriate accounting policies. Making accounting estimates that are approved and reasonable (ensuring the existence of supporting documents).

Department	Finance Department	Approval Date	24/04/2023
Policy Number	MBZUAI-FIN-ICFR-POL-V1.0	Revision Date	24/04/2025
Policy	Internal Control over Financial Reporting	Policy Owner	Director of Finance Department

- 6.1.2.1.4. Annually assess the effectiveness of ICFR (Assess the entity’s system of internal control in relation to the COSO Framework, focusing on how the entity applies the 17 principles in support of the components of internal control).
- 6.1.2.1.5. Evaluate any change in the University’s internal control over financial reporting that occurred during a fiscal quarter that has materially affected, or is reasonably likely to materially affect, the University’s internal control over financial reporting.
- 6.1.2.1.6. Maintain evidential matter, including documentation, to provide reasonable support for its assessment of ICFR.
- 6.1.2.1.7. Provide quarterly and annual reporting of management’s assessment of the university’s ICFR.
- 6.1.2.1.8. Provide regular reports to the board of trustees or audit committee on the effectiveness of the ICFR framework, including any identified deficiencies and any actions taken to address them.
- 6.1.2.2. Responsibility of Compliance and Risk officer / Manager
 Senior Management would delegate the responsibility of monitoring ICFR to the Compliance and Risk officer / Manager, who would play a critical role in ensuring the reliability and integrity of an entity's financial information and promoting confidence in the financial reporting process. Key responsibilities would include:
 - 6.1.2.2.1. Perform an ICFR assessment to assess the effectiveness of ICFR throughout the fiscal year and monitor the performance of the controls.
 - 6.1.2.2.2. Report to the Senior Management at least annually on potential control weaknesses or deficiencies, incidents of fraud or non-compliance, and any other information relevant to the ICFR framework.
 - 6.1.2.2.3. Perform quarterly follow-ups on the ICFR remediation plans implementation and escalate any delays.
 - 6.1.2.2.4. Liaison with external auditors and provide access to information (as required).
 - 6.1.2.2.5. Provide training and guidance to employees on the ICFR framework, including their roles and responsibilities.
 - 6.1.2.2.6. Stay current with changes to laws, regulations, and best practices relevant to ICFR and ensure that the ICFR framework remains compliant.
- 6.1.2.3. Responsibility of In-Scope Department/Process Owners
 - 6.1.2.3.1. Ensure the controls implemented are adequate in terms of design and operating effectiveness in the course of day-to-day/periodic activities.
 - 6.1.2.3.2. Ensure all activities within the department (with key importance to activities that have an impact on financial reporting) are safeguarded with active and effective controls.

Department	Finance Department	Approval Date	24/04/2023
Policy Number	MBZUAI-FIN-ICFR-POL-V1.0	Revision Date	24/04/2025
Policy	Internal Control over Financial Reporting	Policy Owner	Director of Finance Department

- 6.1.2.3.3. Perform periodic monitoring to ensure controls are operating as required, risks are monitored (pre-dominantly key risks/risks that may result in colossal business impact) and mitigated.
- 6.1.2.3.4. Prepare internal reports (as required by the relevant department to discuss the status of remediation plans, etc.).
- 6.1.2.3.5. Ensure approved remediation plans as captured within ICFR Gap Assessment Report are implemented as per the planned implementation date. Delays in implementing the same must be communicated to authorized personnel.
- 6.1.2.3.6. Any gaps identified during periodic monitoring must be communicated to the authorized personnel, and further investigation and remediation plans must be considered.
- 6.1.2.3.7. Conduct periodic internal meetings with Senior Management to discuss how to strengthen internal controls feasibly and how existing controls affect the relevant COSO principles within the five (5) components of internal control.
- 6.1.2.4. Responsibility of Audit Committee

The Board of Trustees has the general oversight responsibility for all of the University’s activities, including preparing financial statements and designing and operating controls. The board’s oversight of ICFR often is delegated to the Audit Committee, which has responsibility for:

 - 6.1.2.4.1. Overseeing management's assessment of ICFR: The Audit Committee should review management's assessment of the effectiveness of the ICFR and discuss any significant deficiencies or material weaknesses identified.
 - 6.1.2.4.2. Evaluating the external auditor's work: The Audit Committee should review the external auditor's findings and recommendations related to ICFR and discuss any significant issues with the auditor.
 - 6.1.2.4.3. Monitoring management's response to control deficiencies: The Audit Committee should monitor management's response to control deficiencies and ensure that appropriate corrective action is taken in a timely manner.
 - 6.1.2.4.4. Communicating with stakeholders: The Audit Committee should communicate with stakeholders, such as regulators, about the university’s ICFR and the Audit Committee's role in overseeing it.
- 6.1.2.5. Role of External Auditor
 - 6.1.2.5.1. Obtain reasonable assurance if the university has maintained effective ICFR in all material aspects and express an opinion on the operating effectiveness of the ICFR.
 - 6.1.2.5.2. Obtain an understanding of internal controls over financial reporting, identify, and assess the risks, and test and evaluate the design and operating effectiveness of

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Policy Number	MBZUAI-FIN-ICFR-POL-V1.0	Revision Date	24/04/2025
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internal control, based on the assessed risk and perform other procedures as considered necessary in the circumstances.

6.2. Internal control framework

- 6.2.1 MBZUAI has adopted the COSO framework to enable the university to evaluate & monitor existing Internal Controls effectively and efficiently or develop (design/implement) new processes and systems of internal control over financial reporting, that adapt to changing business and operating environments, mitigate risk to acceptable levels, and support sound decision making and governance of the university, concerning financial reporting.
- 6.2.2 Details of ICFR framework implementation methodology in line with the COSO framework are outlined in the “Internal Control Over Financial Reporting (ICFR) Framework” document. This includes the Risk Assessment process, Testing, and Monitoring procedures.

6.3. Documentation

- 6.3.1 Compliance and Risk Officer / Manager should maintain the following:
- Materiality and scoping documentation to identify key processes to be covered under the ICFR testing,
 - Detailed Risk Control Matrices, which include identified risks and key controls,
 - Supporting evidence of Management testing and assessment of ICFR,
 - Approved Management Mitigation Plans.
- 6.3.2 Documentation shall be made available to Audit Committee, External Auditors, and Senior Management upon request.

6.4. Communication and training

- 6.4.1 Compliance and Risk Officer / Manager shall provide periodic training/awareness sessions communicating the ICFR policy and related procedures to personnel involved in the financial reporting process.
- 6.4.2 Compliance and Risk Officer / Manager should obtain the required training to stay current with changes to laws, regulations, and best practices relevant to ICFR.

Department	Finance Department	Approval Date	24/04/2023
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6.5. Improvements

6.5.1 This ICFR policy and the associated ICFR framework shall be reviewed and updated on regular basis to ensure continuous compliance with applicable laws and regulations, reflect leading practices and changes to the COSO framework.

7. Related Documents

Section	Related Document(s)
6.1,6.2,6.3,6.4, 6.5	Internal Control Over Financial Reporting (ICFR) Framework

8. Version History

Version number	Person responsible	Date of change	Comments
V1.0	Director of Finance	21.Feb.2023	First approved version

Department	Finance Department	Approval Date	24/04/2023
Policy Number	MBZUAI-FIN-ICFR-POL-V1.0	Revision Date	24/04/2025
Policy	Internal Control over Financial Reporting	Policy Owner	Director of Finance Department