



SECURITIES AND EXCHANGE COMMISSION
Protecting Investors in the Capital Markets

**THE SECURITIES ACT
SECURITIES (INTERNAL CONTROL REPORTING
FRAMEWORK FOR ISSUERS OF REGISTERED SECURITIES)
GUIDELINES, 2019
(Revised 2024)**

GUIDELINE NO. 1 OF 2019

Effective Date 01/07/2019

Arrangement of guidelines

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1. Title and application

- 1.1 These Guidelines may be cited as the Securities (Internal Controls Over Financial Reporting Framework for issuers) Guidelines, 2019.
- 1.2 These Guidelines are issued pursuant to section 211(1) of the Securities Act, No. 41 of 2016 (hereinafter referred to as “the Act”) to provide guidance to issuers and auditors on the application of **Sections 146, 147 and 149** of the Act. They do not address sections of the Act not directly cited.

2. Scope of these Guidelines

- 2.1 These Guidelines have been designed to guide the implementation of the aforementioned sections of the Act as summarized below—
 - 2.1.1 **Section 146** requires a listed company or company whose securities are registered with the Securities and Exchange Commission (the “Commission”) to file its accounting records, financial records and such other returns with the Commission. This is to be done on a periodic or annual basis as may be prescribed by the Commission by statutory instrument. The section also requires the chief executive officer and the chief financial officer or any other officers or persons performing similar functions in the company, to certify in each report filed, the matters listed in subsection (2)(d),(e) and (f).
 - 2.1.2 **Section 147** requires a listed company or company whose securities are registered with the Commission to establish a system of internal controls over its financial reporting and security of its assets. It also requires the board of directors of a listed company to ensure the integrity of the company’s internal control systems and to report the effectiveness of the same in the company’s annual report.
 - 2.1.3 **Section 149** requires the auditor of a listed company or company whose securities are registered with the Commission to issue a statement as to the existence, adequacy and effectiveness or otherwise of the internal control system of the company. This is to be contained in the auditor’s assurance report of the company.
- 2.2 The Guidelines have been issued to provide clarity on the use of the term internal controls in the Act¹ and to limit the use of the term to internal controls over financial reporting in relation to sections 146 and 149 of the Act.
- 2.3 The following must be noted:
 - 2.3.1 **Certifications:** The Commission will require companies to produce the certifications mandated by section 146 of the Act as part of its annual and

¹ Section 147(3) of the Act defines internal control as policies, procedures and practices put in place by the management or the board of a listed company or company whose securities are registered with the Commission to ensure safety of assets, accuracy of financial records and reports, achievement of corporate objectives and compliance with laws and regulations.

periodic reports. Examples of these certifications are provided in the appendices;

2.3.2 **Company:** In these Guidelines, references to a “company” are references to a listed company or a company whose securities are registered with the Commission; and

2.3.3 **Internal controls over financial reporting (“ICOFR”):** The reference to internal controls over financial reporting incorporates disclosure controls and procedures by reference in the internal control report by management.

2.4 The guidelines for Issuers and their auditors are contained as follows:

Framework	Section	Description
Guidelines Issuers	3	Definition of Internal Control
	4	Assessments and Reporting over the Company's Internal Control by Management
	5	Periodic Evaluations of Internal Control over Financial Reporting
	6	Disclosure Controls and Procedures
	7	Conclusions Regarding Effectiveness of Disclosure Controls and Procedures
	8	Periodic Disclosure by the Signing Officers
	11	Internal control report by management
	12	Certifications
	14	General guidelines
	15	Location of reports required under these guidelines
	16	Reporting on the status of ICOFR Frameworks to the Commission
17	Transitional Period and implementation plan	
Guidelines to Auditors	3	Definition of Internal Control
	9	Guidelines governing the Assurance report on the Company's Internal Controls Over Financial Reporting
	10	Integration of audits of financial statements and internal controls over financial reporting
	14	General guidelines
	17	Transitional period and effective date

3. Definition of Internal Control

3.1 Section 147(3) of the Act defines internal controls as policies, procedures and practices put in place by the management or the board of a listed company or company whose securities are registered with the Commission to ensure safety of assets, accuracy of financial records and reports, achievement of corporate objectives and compliance with laws and regulations.

- 3.2 In these Guidelines the use of the term internal controls has been streamlined to internal controls over financial reporting in relation to sections 146 and 149 of the Act. In this regard controls are critical to ensure safety of assets, ensure achievement of corporate objectives and compliance with laws and regulations.
- 3.3 In these guidelines "internal control over financial reporting" has been defined as:
“ A process designed by, or under the supervision of, the company's Chief Executive Officer and Chief Financial Officers or persons performing similar functions, and implemented by a company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that—
- 1) Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and nature of the assets of the company.***
 - 2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and***
 - 3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or nature of the company's assets that could have a material effect on the financial statements.”***
- 3.4 Section 3.2 entails that Internal control over safeguarding of assets against unauthorized acquisition, use or disposition is a process implemented by an entity's board of directors, management and other personnel which is designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the entity's assets that could have a material effect on the financial statements.
- 3.5 This definition provided in 3.2 does not encompass the elements of the definition by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). The COSO definition relates to the effectiveness and efficiency of a company's operations and a company's compliance with applicable laws and regulations. This is with the exception of compliance with the applicable laws and regulations directly related to the preparation of financial statements, such as the Commission's financial reporting requirements. This is because internal control beyond financial reporting is a very broad subject and may not always have an immediate impact on the users of the financial statements.
- 3.6 The use of the above definition ICFR and the definition in 3.1 is not intended to relegate the emphasis on policies procedures and practices required to be put in place by companies for the achievement of corporate objectives and

compliance with laws and regulations. The expectation is that Companies when designing and implementing ICOFRs will invariably take into account the company's corporate objectives and laws and regulations.

4. Assessments and Reporting over the Company's Internal Control by Management

4.1 The Securities Act read together with these Guidelines require a company's annual report to include an internal control report by management that contains-

4.1.1 a statement of management's responsibility for establishing and maintaining adequate internal control over financial reporting for the company.

4.1.2 a statement identifying the framework used by management to conduct the required evaluation of the effectiveness of the company's internal control over financial reporting.

4.1.3 management's assessment of the effectiveness of the company's internal control over financial reporting as of the end of the company's most recent fiscal year, including a statement as to whether or not the company's internal controls over financial reporting are effective. The assessment must include disclosure of any "material weaknesses" in the company's internal control over financial reporting identified by management. Management is not permitted to conclude that the company's internal controls over financial reporting are effective to the extent that there are one or more material weaknesses in the company's internal controls over financial reporting; and

4.1.4 a statement that the company's auditors had audited the financial statements included in the annual report and had issued an assurance report on the effectiveness or otherwise of the company's internal controls over financial reporting.

4.2 The Securities Act read together with these Guidelines also requires a company to file, as part of the company's annual report, the assurance report of the audit firm that audited the company's financial statements.

4.3 The following key information is relevant in the preparation, assessment and evaluation of internal controls over financial reporting that are implemented by a company :

4.3.1 Evaluation of Internal Control over Financial Reporting

Management must base its evaluation of the effectiveness of the company's internal control over financial reporting on a suitable, recognized control framework that is established by a body or group that has followed due-process procedures, including the broad distribution of the framework for public comment. The COSO Framework satisfies the Commission's criteria and shall be used as an evaluation framework for

the purpose of management's annual internal control evaluation and disclosure requirements.

The use of standard measures that are publicly available drives the enhancement of the quality of the internal control report and will promote comparability of the internal control reports of different companies. These Guidelines require the management report to identify the evaluation framework used by it to assess the effectiveness of the company's internal control over financial reporting.

An appropriate control framework is one which is free from bias, allows reasonably consistent qualitative and quantitative measurements of a company's internal control, is sufficiently complete so that relevant factors which would alter a conclusion about the effectiveness of a company's internal controls are not omitted, and is relevant to an evaluation of internal control over financial reporting.

4.3.2 Auditor's Independence

The auditor is required to provide an opinion on the existence, adequacy and effectiveness or otherwise of internal control over financial reporting. As such, management and the company's independent auditors cannot coordinate their processes of documenting and testing the internal controls over financial reporting. The auditors must apprise themselves of the requirements of the Securities Act on auditor independence which prohibit an auditor from providing certain non-audit services to an audit client or from providing audit services to related entities such as collective investment schemes managed by an audit client or where the audit client is a trustee or custodian.

4.3.3 Material weaknesses in internal control over financial reporting

The Securities Act read together with these Guidelines preclude management from determining that a company's internal control over financial reporting is effective if it identifies one or more material weaknesses in the company's internal control over financial reporting. The term "material weakness" in these Guidelines has the same meaning as that in generally accepted accounting standards, international standards of auditing and other widely used auditing standards.

These Guidelines require management's internal control report to include disclosure of any material weakness in the company's internal control over financial reporting identified by management in the course of its evaluation.

4.3.4 Method of evaluating the effectiveness of internal control over financial reporting

These Guidelines do not specify the method or procedures that are to be applied or performed in an evaluation of the effectiveness of internal control over financial reporting. However, of importance in conducting

such an evaluation is the need for a company to maintain evidential matter, including documentation, to provide reasonable support for management's assessment of the effectiveness of the company's internal control over financial reporting. Developing and maintaining such evidential matter is an inherent element of effective internal controls.

The assessment of a company's internal control over financial reporting must be based on procedures sufficient to evaluate its design and test its operating effectiveness. Controls subject to such assessment include, but are not limited to-

- (a) controls over initiating, recording, processing and reconciling account balances, classes of transactions and disclosure and related assertions included in the financial statements;
- (b) controls related to the initiation and processing of non-routine and non-systematic transactions.
- (c) controls related to the selection and application of appropriate accounting policies; and controls related to the prevention, identification, and detection of fraud.

The nature of a company's testing activities will largely depend on the circumstances of the company and the significance of the control. However, inquiry alone generally will not provide an adequate basis for management's assessment.

An assessment of the effectiveness of internal control over financial reporting must be supported by evidential matter, including documentation, regarding both the design of internal controls and the testing processes. This evidential matter should provide reasonable support for the evaluation of whether the control is designed to prevent or detect material misstatements or omissions, the conclusion that the tests were appropriately planned and performed, and the conclusion that the results of the tests were appropriately considered. The audit firm that is required to provide assurance to, and report on, management's assessment of the effectiveness of the company's internal control over financial reporting will also require the company to develop and maintain evidential matter to support management's assessment. The period for the maintenance of such evidential matters will follow the normal statutory requirements for the maintenance of accounting data.

5. Evaluations of internal control over financial reporting

- 5.1 The company's management, with the participation of the chief executive officer and chief financial officers, are required to evaluate any change in the company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting.

- 5.2 Furthermore, management is required to evaluate any change in the company's internal control over financial reporting that occurred during a reporting period that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting.
- 5.3 Management is required by **Section 146(2)(f)** to disclose any change in the company's internal control over financial reporting, identified in connection with the evaluation required by the Act, that occurred subsequent to the date of the company's last review that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting.
- 5.4 A separate certification is required for the chief executive officer and chief financial officer of the company or other officers or persons performing similar functions, as required by **section 146 (2)** of the Act and as set forth below.
- 5.5 In addition, the company must maintain evidential matter, including documentation, to provide reasonable support for management's assessment of the effectiveness of the company's internal control over financial reporting.

6. Disclosure controls and procedures

- 6.1 Disclosure controls and procedures are controls and procedures designed to ensure that information required by the Act or other laws and regulations to be disclosed by the company in reports submitted to the Commission or other regulators under the Act or any other laws and regulations, is recorded, processed, summarized and reported, within the time periods specified in applicable laws and regulations.
- 6.2 Disclosure controls and procedures include the controls and procedures designed to ensure that information required by the Act to be disclosed by the company in reports submitted to the Commission under the Act, is collected and communicated to the company's management, including its chief executive officer and chief financial officers or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.
- 6.3 While there is substantial overlap between a company's disclosure controls and procedures and its internal control over financial reporting, there are elements of disclosure controls and procedures that cannot be dealt with under internal control over financial reporting and vice versa.
- 6.4 The components of internal control over financial reporting will be included in disclosure controls and procedures for all companies. However, in designing their disclosure controls and procedures, companies are expected to make judgments regarding the processes on which they will rely to meet the applicable requirements.
- 6.5 In doing so, companies should design their disclosure controls and procedures so that certain components of internal control over financial reporting

pertaining to the accurate recording of transactions and disposition of assets or to the safeguarding of assets are included.

- 6.6 The company's management, with the participation of the chief executive officer and chief financial officer, are required to evaluate any change in the company's disclosure controls and procedures that has materially affected, or is reasonably likely to materially affect, the company's disclosure controls and procedures. This evaluation must be made in the annual filing and relates to change which occurred during a reporting period.
- 6.7 Furthermore, management must evaluate changes in the disclosure controls and procedures subsequent to the date of their last evaluation that have materially affected, or are reasonably likely to materially affect, the company's disclosure controls and procedures.

7. Conclusions regarding effectiveness of disclosure controls and procedures

- 7.1 These Guidelines require companies to state the conclusion of the chief executive officer and chief financial officer and officers or persons performing similar functions, that the disclosure controls and procedures are designed to provide reasonable assurance of achieving the objectives and to set forth the conclusion that the controls and procedures are, in fact, effective at the "reasonable assurance" level. Such conclusions may only be made where the officer making the conclusion reasonably believes the same to be true.
- 7.2 The concept of reasonable assurance is built into the definition of internal control over financial reporting that has been adopted in these Guidelines. If management decides to include a discussion of reasonable assurance in the internal control report, the discussion must be presented in a manner that neither makes the disclosure in the report confusing nor renders management's assessment concerning the effectiveness of the company's internal control over financial reporting unclear.
- 7.3 These Guidelines require companies to disclose the conclusions of the company's chief executive officer and chief financial officer or officers or persons performing similar functions, regarding the effectiveness of the company's disclosure controls and procedures based on the evaluation of these controls and procedures required by the Act.
- 7.4 These Guidelines also require separate certification by the chief executive officer and chief financial officer or officers or persons performing similar functions, of the company, as required by **section 146 (2)** of the Act and as set out in **Appendices 1 and 2** hereof. Such certification is to be made in annual report filed by the company and is to be made by the officers signing the report from the categories of officer mentioned above (hereafter referred to as a "signing officer").

8. Annual disclosure by the signing officers

- 8.1 **Section 146(2)(f)** of the Act requires the signing officers to certify in each annual report filed, in accordance with **section 146(1)**, that the signing officers have identified, in the report, whether or not there were significant changes in internal controls or other factors that could significantly affect internal controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.
- 8.2 In line with this requirement, the management of a company is required to provide written representation to the auditors and audit committee of the company stating that the signing officers have disclosed to such auditors and audit committee, the following information based on their most recent evaluation of internal control over financial reporting:
- 8.2.1 all significant deficiencies in the design or operation of internal control over financial reporting which would adversely affect the company's ability to record, process, summarize and report financial data. In addition, the signing officers are required to have identified any material weakness in internal controls for the company's auditors; and
- 8.2.2 any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.
- 8.3 To the extent that a signing officer becomes aware of a significant deficiency, material weakness or fraud requiring disclosure outside of the formal evaluation process or after management's most recent evaluation of internal control over financial reporting, such officer will disclose the same to the company's auditors and audit committee.
- 8.4 A sample of this certification is attached at **Appendix 1**.

9. Guidelines governing the assurance report on the Company's Internal controls over financial reporting

- 9.1 **Section 149** of the Act requires the auditor of a company to issue a statement as to the existence, adequacy and effectiveness or otherwise of the internal control system of the company. This is to be contained in the auditor's assurance report of the company.
- 9.2 Under these Guidelines, the International Auditing and Assurance Standards Board, as adopted by ZICA, shall be the body that sets auditing standards for external auditors to use in connection with the preparation and issuance of assurance reports on the existence, adequacy and effectiveness of internal control over financial reporting of the company, and under Act.
- 9.3 International Standards for Assurance Engagements 3000 ("ISAE 3000") will apply in the attestation on internal controls over financial reporting and in connection with the preparation and issuance of assurance reports on the

existence, adequacy and effectiveness of internal control over financial reporting of the company.

- 9.4 The auditor of a company who issues or prepares an assurance report for the company containing a statement as to the existence, adequacy and effectiveness of the company's internal control over financial reporting must also report on the existence, adequacy and effectiveness or otherwise of the internal control system over financial reporting of the company.
- 9.5 The assurance report on the existence, adequacy and effectiveness of a company's internal control system over financial reporting must be dated, signed by hand, identify the period covered by the report, state the location of the practitioner and clearly state the opinion of the auditor on whether a company has maintained, in all material respects, effective internal control systems over financial reporting as of the reporting date. Alternatively, the assurance report must include an opinion to the effect that an overall opinion cannot be expressed.
- 9.6 If an overall opinion cannot be expressed, the reasons therefore must be stated in the assurance report. The assurance report on the existence, adequacy and effectiveness of the internal control system over financial reporting of a company will be separate from the audit report on financial statements. The opinion on the company's ICOFR should be included and published in the annual report of the Company.
- 9.7 In these Guidelines, a "statement as to the existence, adequacy and effectiveness or otherwise of the internal control system over financial reporting of a company" is a report in which an auditor expresses an opinion, or states that an opinion cannot be expressed, concerning the existence, adequacy and effectiveness of the company's internal control system over financial reporting in accordance with standards on assurance engagements. When an overall opinion cannot be expressed, the external auditor must state why it is unable to express such an opinion.
- 9.8 In line with the requirements in ISAE 3000.69J, an example of an unmodified standard report has been provided in **Appendix 2**.
- 9.9 The assurance report on internal controls shall not be the subject of a separate assurance engagement from the assurance report on the company's annual financial statements. The audit of the company's financial statements must be integrated with the assurance work on its internal controls over financial reporting. Additional guidance on integrated audits is provided in section 10 below.

10. Integration of Audits of a company's financial statements and its internal controls over financial reporting

10.1 Tests of Controls in an Audit of Internal Control.

10.1.1 The objective of the tests of controls in an audit of internal control over financial reporting is to obtain evidence about the effectiveness of controls to support the auditor's opinion on the company's internal control over financial reporting. The auditor's opinion relates to the effectiveness of the company's internal control over financial reporting as of a point in time and taken as a whole.

10.1.2 To express an opinion on internal control over financial reporting as of a point in time, the auditor should obtain evidence that internal control over financial reporting has operated effectively for a sufficient period of time, which may be less than the entire period (ordinarily one year) covered by the company's financial statements. To express an opinion on internal control over financial reporting taken as a whole, the auditor must obtain evidence about the effectiveness of selected controls over all relevant assertions. This requires that the auditor test the design and operating effectiveness of controls he or she ordinarily would not test if expressing an opinion only on the financial statements.

10.1.3 When concluding on the effectiveness of internal control over financial reporting for purposes of expressing an opinion on internal control over financial reporting, the auditor should incorporate the results of any additional tests of controls performed to achieve the objective related to expressing an opinion on the financial statements, as discussed in the following section.

10.2 Tests of Controls in an Audit of Financial Statements.

10.2.1 To express an opinion on the financial statements, the auditor ordinarily performs tests of controls and substantive procedures.

10.2.2 The objective of the tests of controls that the auditor performs for this purpose is to assess control risk. To assess control risk for specific financial statement assertions, the auditor is required to obtain evidence that the relevant controls operated effectively during the entire period upon which the auditor plans to place reliance on those controls.

10.2.3 When concluding on the effectiveness of controls for the purpose of assessing control risk, the auditor also should evaluate the results of any additional tests of controls performed to achieve the objective related to expressing an opinion on the company's internal control over financial reporting. Consideration of these results may require the auditor to alter the nature, timing, and extent of substantive procedures and to plan and perform further tests of controls, particularly in response to identified control deficiencies.

10.3 Effect of Tests of Controls on Substantive Procedures.

10.3.1 If, during the audit of internal control over financial reporting, the auditor identifies a deficiency, he or she should determine the effect of the deficiency, if any, on the nature, timing, and extent of substantive procedures to be performed to reduce audit risk in the audit of the financial statements to an appropriately low level.

10.3.2 Regardless of the assessed level of control risk or the assessed risk of material misstatement in connection with the audit of the financial statements, the auditor should perform substantive procedures for all relevant assertions. Performing procedures to express an opinion on internal control over financial reporting does not diminish this requirement.

10.4 **Effect of Substantive Procedures on the Auditor's Conclusions About the Operating Effectiveness of Controls.**

10.4.1 In an audit of internal control over financial reporting, the auditor should evaluate the effect of the findings of the substantive auditing procedures performed in the audit of financial statements on the effectiveness of internal control over financial reporting. This evaluation should include, at a minimum -

- The auditor's risk assessments in connection with the selection and application of substantive procedures, especially those related to fraud.
- Findings with respect to illegal acts and related party transactions.
- Indications of management bias in making accounting estimates and in selecting accounting principles.
- Misstatements detected by substantive procedures. The extent of such misstatements might alter the auditor's judgment about the effectiveness of controls.

10.4.2 To obtain evidence about whether a selected control is effective, the control must be tested directly; the effectiveness of a control cannot be inferred from the absence of misstatements detected by substantive procedures. The absence of misstatements detected by substantive procedures, however, should inform the auditor's risk assessments in determining the testing necessary to conclude on the effectiveness of a control.

11. **Internal Control Report by management**

11.1 A sample internal control report has been reproduced in detail in **Appendix 3** hereof to provide an example of the internal control reports expected from management by the Commission.

11.2 This example is reproduced to show how the components required to be included in the internal control report may be presented. It is necessary to tailor the same to the circumstances of the company. An internal control report may include information not contained in this example.

11.3 **Signature and filing of Report**

The report must be on signed by the Board and submitted to the Commission along with the company's annual report.

12. **Certifications and attestations**

12.1 **Section 146 (2)** of the Act requires the chief executive officer and chief financial officer or officers or persons performing similar functions (the "signing officers") to make certain certifications as listed therein in each annual report filed—

- 12.1.1 there must be a statement that the signing officers are responsible for establishing and maintaining internal controls and procedures for financial reporting or having such controls and procedures designed under their supervision.
- 12.1.2 the disclosure controls and procedures may be designed under the supervision of chief executive officer and chief financial officer or officers or persons performing similar functions.
- 12.1.3 the statement as to the effectiveness of disclosure controls and procedures and internal controls and procedures for financial reporting should be throughout the period of reliance but as at the report date; and
- 12.1.4 The certifications should include changes in internal control over financial reporting that have materially affected or are reasonably likely to materially affect internal control over financial reporting.
- 12.2 A Sample of the certifications to be used are contained in **Appendix 1** hereto.
- 12.3 The certifying Officers must also provide the auditor and the Audit Committee/ Board with attestations confirming that they have disclosed:
 - (i) All significant deficiencies in the design or operation of internal controls which would adversely affect the company's ability to record, process, summarize and report financial data and hereby identify any material weakness in internal controls; and
 - (ii) any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal controls.
 - (iii) any significant changes in internal controls or other factors that could significantly affect internal controls subsequent to the date of their evaluation.
- 12.4 Sample certifications to auditors/ Board/ Audit Committee to be used are contained in **Appendix 4** hereto.
- 13. Minimum Auditor's qualification criteria specified by the Commission.**
 - 13.1 Section 148 of the Act requires that a listed company or company whose securities are registered with the Commission shall appoint an auditor who is a member in good standing of the ZICA. It also states that such auditor shall not provide auditing services to the company unless the auditor meets the minimum criteria specified by the Commission.
 - 13.2 The minimum criteria are specified in separate Guidelines issued by the Commission.
- 14. General guidelines**
 - 14.1 Certification of disclosure in annual and periodic reports**
 - 14.1.1 Each report must include certifications in the format specified in the Appendices. Filing requirements of such reports and such certifications

must be included as part of the annual and periodic reports. Each Chief Executive Officer and Chief Financial Officer of the company, or persons performing similar functions, at the time of filing of the report must sign a certification.

14.1.2 Each annual report containing financial statements filed by the company pursuant to section must be accompanied by the certifications required by the Act and such certifications must be included with the report in the format specified in the appendices. The chief executive officer and chief financial officer or officers or persons performing similar functions must sign a certification. This requirement may be satisfied by a single certification signed by the company's chief executive officer and chief financial officer.

14.1.3 A person required to provide a certification specified in these guidelines may not have the certification signed on their behalf pursuant to a power of attorney or other form of conferring authority.

14.2 Period end Controls and procedures

14.2.1 Every company must maintain disclosure controls and procedures and internal control over financial reporting.

14.2.2 Each company's management must evaluate, with the participation of the company's chief executive officer and chief financial officer or officers or persons performing similar functions, the effectiveness of the company's disclosure controls and procedures, as of the end of each fiscal period. This evaluation shall be performed by the management of the company.

14.2.3 The framework on which management's evaluation of the company's internal control over financial reporting is based must be a suitable, recognized control framework that is established by a body or group that has followed due-process procedures, including the broad distribution of the framework for public comment.

14.2.4 For purposes of paragraph 13, “disclosure controls and procedures” means the controls and other procedures of the company which are designed to ensure that information required to be disclosed by the company in the reports it submits under the Act, is recorded, processed, summarized and reported, within the periods specified in the Commission's Guidelines and forms. Disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed by the company in the reports it submits under the Act is accumulated and communicated to the company's management, including its chief executive officer and chief financial officer or officers or persons performing similar functions, to allow timely decisions regarding required disclosure.

14.2.5 The definition of “internal control” contained in **section 147 (3)** may be understood to include the process designed by, or under the supervision of, the company's chief executive officer and chief financial officer or officers or persons performing similar functions, and effected by the company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that—

- (a) pertain to the maintenance of records which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company.
- (b) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- (c) provide reasonable assurance regarding the prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets which could have a material effect on the financial statements.

14.3 **Annual Controls and Procedures**

14.3.1 **Disclosure Controls and Procedures**

Where a report is an annual report filed under the Act, it must contain the conclusions of the company's chief executive officer and chief financial officer or officers or persons performing similar functions, regarding the effectiveness of the company's disclosure controls and procedures as at the end of the period covered by the report, based on the evaluation of the controls and procedures.

14.3.2 **Management's annual report on internal control over financial reporting**

Where a report is an annual report filed under the section 146 of the Act, it must contain—

- (a) a statement of management's responsibility for establishing and maintaining adequate internal control over financial reporting for the company.
- (b) a statement identifying the framework used by management to evaluate the effectiveness of the company's internal control over financial reporting.
- (c) management's assessment of the effectiveness of the company's internal control over financial reporting as at the end of the company's most recent fiscal year, including a statement as to whether or not the company's internal control over financial reporting is effective. This must include disclosure of any material weakness in the company's internal control over financial reporting

- identified by management. Management is not permitted to conclude that the company's internal control over financial reporting is effective if there are one or more material weaknesses in the company's internal control over financial reporting; and
- (d) a statement that the external auditor who audited the financial statements included in the annual report containing the disclosure has issued an assurance report on management's assessment of the company's internal control over financial reporting.

14.3.3 Assurance report of the external auditor

Where an internal control statement is an annual report filed under the Act, it must include the external auditor's assurance report on the company's internal control over financial reporting.

14.3.4 Changes in internal control over financial reporting

It is necessary for a company's chief executive officer and chief financial officer or officers or persons performing similar functions, to disclose any change in the company's internal control over financial reporting identified in connection with the evaluation required by the Act. This relates to any change which occurred during the period covered by the annual report, and which has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting.

14.3.5 Maintaining evidence of management's assessment

The company must maintain evidential matter, including documentation, to provide reasonable support for management's assessment of the effectiveness of the company's internal control over financial reporting.

15. Location of reports required under these guidelines

15.1 The annual reports and submissions required under these guidelines must be included in the company's annual report and must be placed in immediately before the company's audited financial statements in the following order:

- Assurance report on Internal Control Over Financial Reporting
- Management Internal Controls Report
- Auditors Assurance Report on ICOFR
- Attestation to Audit Committee/ Board
- Auditors report on financial statements
- Audited Financial Statements

16. Reporting on the status of ICOFR Frameworks to the Commission

16.1 Gap Analysis Reports

16.1.1 Entities that have not established appropriate ICOFR frameworks shall be required to submit on an annual basis a Gap Analysis Report. (See **Appendix 5** for a format of a Gap Analysis Report).

16.2 Reporting on status of ICOFR and Mapping of Key Business Processes to financial statements

16.3 Entities shall be required to submit to the Commission in an electronic form a status of their ICOFR and the mapping of Key Business processes to the audited financial statements. See appendices 6 & 7 for sample returns.

17. Transitional Period and implementation plan

17.1 Companies are required to comply with these Guidelines for financial years beginning on or after 1 January 2019. Implementation of these guidelines will be in two (2) phases as follows:

Phase	Effective dates and transitional period
Phase 1: Annual reports, management certifications and auditors reports on internal controls submitted to the Commission	Financial year ends on or before 31 st December 2023. This implies a transitional period of 5 years to 2023.
Phase 2: Annual reports, management certifications and auditors report on internal controls submitted to the Commission and included in the annual reports available to the public	Financial years beginning on or after 1 January 2024. The full application of sections 146, 147 and 149 comes into effect after 31 st December 2023.

17.1.1 **Phase 1: Submission of required reports and certifications to the Commission:** This is for financial year ends to ending on or before 31st December 2023 and requires—

- (a) assessments and reporting on the company's internal control by management as proposed in the draft guidelines. However, Issuers will not be required to include the report in the company's annual report. Instead, a copy will be filed with the Commission. This is critical during the transitional period, as management will be expected to identify and address deficiencies in internal controls over financial report during this period.
- (b) auditors to issue a separate report on the matters required under the proposed guideline. It is expected that this process will enable both the issuer and the auditor determine the key controls over financial reporting.;
- (c) the Commission to undertake compliance reviews and appropriate supervisory action to ensure any deficiencies noted during this period are rectified by the Issuers.

17.1.2 **Phase 2: Publication and submission of required reports to the Commission:** This will be the full application of the frameworks for all financial periods beginning on or after 1st January 2024. ZICA and SEC will require full compliance with the frameworks from this point onwards. SEC may take enforcement action for breaches identified.

- 17.2 Although Companies will be required to comply with the following implementation plan during the transitional period, they are encouraged to consider early adoption of the milestones highlighted:

Year 1 – 31st December, 2019

The reporting entity performs a GAP assessment that focuses on the internal control framework in place. The objective is for the reporting entity to understand the key weaknesses within their control environment that may pose challenges during reporting. This gap analysis report will be shared with SEC for informative purposes. This report will NOT be distributed to the public.

Expected outputs at end of year 1:

At a minimum, the reporting entity should have:

- 1) Identified its key business processes (BPs) and the activities therein.
- 2) Identified all the control activities in the BPs.
- 3) Identified key controls over financial reporting in each BPs.
- 4) Documented all of the above.
- 5) Provided regular reports to its BOD regarding the progress made in identifying and documenting BPs, activities and related controls; and
- 6) Produced a GAP analysis report.

Year 2 - 31st December, 2020

The reporting entity will perform a self-certification in compliance with Section 146. The self-certification will be provided to the SEC for informational purposes and to help the reporting entity walk through the self-certification process. This report will NOT be distributed to the public.

Expected outputs at end of year 2:

At a minimum, the reporting entity will be expected to have consolidated its progress from year 1 and

- 1) Undertaken an assessment of the design effectiveness of its key controls.
- 2) Remediated Design defects in the controls and/or identified compensating controls.
- 3) Undertaken tests of controls in support of the self-certifications.
- 4) Documented all of the above.
- 5) Provided regular reports to its BOD regarding the progress made towards full implementation of the guidance note.
- 6) Produced a GAP analysis report.

Years 3, 4 & 5 – 31st December, 2023

The reporting entity will perform the self-certification in accordance with Section 146 and submit this to SEC. In addition, the auditor of the entity shall also issue an assurance report on the internal controls in accordance with Section 149 which will be submitted to SEC. These reports will NOT be distributed to the public.

Expected outputs at end of year 5:

At a minimum, the reporting entity will be expected to have consolidated its progress from years 1 to 3 and

- 1) Undertaken an assessment of the design effectiveness of its key controls.
- 2) Remediated Design defects in the controls and/or identified compensating controls.
- 3) Undertaken further tests of controls in support of the self-certifications and to address failures in controls identified in earlier processes.
- 4) Documented all of the above.

- 5) Provided regular reports to its BOD regarding the progress made towards full implementation of the guidance note; and
 - 6) Produced a GAP analysis report.
-

17.3 The above transitional provisions are designed to provide affected Issuers with a five (5) year transition period in which to prepare for full implementation of the proposed framework.

DRAFT

APPENDIX 1: SAMPLE ANNUAL CERTIFICATIONS

[ON COMPANY LETTERHEAD]

[CERTIFICATION BY CHIEF EXECUTIVE OFFICER, CHIEF FINANCIAL OFFICER OR OTHER PERSON OR OFFICER ON ANNUAL INFORMATION]

I, [*identify the certifying individual*], certify that—

1. I have reviewed this annual report of [*identify company*].
2. Based on my knowledge, this report does not contain any untrue statement of a material fact. Nor does it omit to state a material fact which would make the statement misleading in light of the circumstance under which it was made.
3. based on my knowledge, the financial statements and other financial information included in this report, fairly present, in all material respects, the financial condition and results of operations of the company as at, and for, the periods presented in this report.
4. the company's other certifying officers and I are responsible for establishing and maintaining internal controls for the company and have:
 - (a) designed such internal controls to ensure that material information relating to the company and its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared.
 - (b) designed such internal controls to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.
 - (c) evaluated the effectiveness of the company's internal controls and presented in this report our conclusions about their effectiveness as at the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report, any change in the company's internal controls that occurred during the period covered by this annual report that has materially affected, or is reasonably likely to materially affect, the company's internal controls; and
5. the company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of the company's internal controls, to the company's auditors and the audit committee of the company's board of directors (or persons performing similar functions):
 - (a) all significant deficiencies in the design or operation of internal controls which would adversely affect the company's ability to record, process, summarize and report financial data and have identified for the company's auditors any material weaknesses in internal controls; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal controls.

Date:

[Signature]

[Title]

Provide a separate certification for the company's chief executive officer and chief financial officer or officers or persons performing similar functions. The certification must be in the form set forth above.

APPENDIX 2: SAMPLE ASSURANCE REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

ASSURANCE REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING (UNMODIFIED OPINION)

We have audited [*state company name*]'s internal controls over financial reporting as of 31 December 20XX, based on [*state criteria: criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)*].

Auditor's Responsibilities for the Audit of the Internal Control over financial reporting

[*State Company name*]'s management is responsible for maintaining effective internal controls and for its assessment of the effectiveness of internal controls included in the accompanying [*title of internal control's report*]. Our responsibility is to express an opinion on the company's internal controls. In this regard, our firm applies International Standards of Quality Control in the firm's administration and performance of our audit.

Our firm complies with the independence and other ethical requirements of the International Ethics Standards Board for Accountants Code and the Securities and Exchange Commission in Zambia.

Basis for Opinion

We conducted our audits in accordance with the standards of the International Standards for Assurance Engagements 3000. Those standards require that we plan and perform the audit to obtain reasonable assurance that effective internal controls were maintained in all material respects. Our conclusion may not be suitable for another purpose.

Our audit of the company's internal controls included obtaining an understanding of internal controls over financial reporting, assessing the risk that a material weakness exists and testing and evaluating the design and operating effectiveness of internal controls based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provided a reasonable basis for our opinion.

Opinion

A company's internal controls over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal controls over financial reporting includes those policies and procedures that:

1. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company.
2. provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
3. provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of their inherent limitations, internal controls over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, [**state company name**] maintained, in all material respects, effective internal controls as of 31 December 20XX, based on [**Identify control criteria, criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).**]

(include Partner's signature)

(Include Partner's name)

Partner - Practicing

certificate number:

AUD/.....

*Include date
Include location*

Include firm's name

Chartered Accountants

DRAFT

APPENDIX 3: SAMPLE INTERNAL CONTROL REPORT BY MANAGEMENT

Management's Internal Control over Financial Reporting:

Management Responsibility

The management of [**State Company name**] is responsible for establishing and maintaining adequate internal controls over financial reporting. Our internal controls over financial reporting is a process designed under the supervision of our Chief Executive Officer and our Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the company's financial statements for external reporting purposes in accordance with International Financial Reporting Standards. Internal control over financial reporting includes our disclosure controls and procedures designed to prevent misstatements.

Risks in Financial Reporting

The main risks in financial reporting are that it is possible that either financial statements do not present a true and fair view due to inadvertent or intentional errors (fraud), or that the publication of financial statements is not done on a timely basis. These risks may reduce investor confidence or cause reputational damage and may have legal consequences including banking regulatory interventions. A lack of fair presentation arises when one or more financial statements or disclosures contain misstatements or omissions that are material. Misstatements or omissions are deemed material if they could, individually or collectively, influence economic decisions that users make on the basis of the financial statements.

Internal Controls Evaluation Framework

To confine the risks of financial reporting, management of the company has established internal controls over financial reporting with the aim of providing reasonable, but not absolute, assurance against material misstatements or omissions and has conducted an assessment of the effectiveness of the company's internal controls over financial reporting based on the framework established in Internal Control Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). COSO recommends the establishment of specific objectives to facilitate the design, and evaluate the adequacy, of a control system. As a result, in establishing internal controls over financial reporting, management has adopted the following financial statement objectives:

- Existence - assets and liabilities exist and transactions have occurred.
- Completeness - all transactions are recorded, and account balances are included in the financial statements.
- Valuation - assets, liabilities and transactions are recorded in the financial reports at the appropriate amounts.
- Rights and Obligations of ownership - rights and obligations are appropriately recorded as assets.
- Presentation and disclosures - classification, disclosure and presentation of financial reporting is appropriate; and
- Safeguarding of assets - unauthorized acquisition, use or disposition of assets is prevented or detected in a timely manner.

However, any internal control system, including internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, but not absolute, assurance that the objectives of that control system are met. As such, disclosure controls and procedures or systems for internal control over financial reporting may not prevent all errors and fraud. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs.

Organization of the System of Internal Controls over Financial Reporting

Controls within the system of internal controls over financial reporting are performed by all business functions with an involvement in reviewing the reliability of the books and records that underlie the financial statements. As a result, the operation of internal controls over financial reporting involves staff in the following departments: [*state the departments involved, i.e.: Finance, Chief Operating Officer and Risk*].

Finance is responsible for the periodic preparation of financial statements and operates independently from the company's businesses. Within Finance, different functions have control responsibilities which contribute to the overall preparation process:

- Finance specialists are responsible for reviewing the quality of financial data by performing validation and control. They are in close contact with business, infrastructure and legal entity management and employ their specific knowledge to address financial reporting issues arising on products and transactions, as well as validating, reserving and other adjustments based on judgment.
- Finance is also responsible for company-wide activities which include the preparation of the company financial and management information, forecasting and planning and risk reporting. Finance sets the reporting timetables, performs the consolidation and aggregation processes, effects the elimination entries for internal and intercompany activities, controls the period end and adjustment processes, compiles the financial statements, and considers and incorporates comments as to content and presentation made by senior and external advisors.
- Finance is also responsible for developing the company's interpretation of International Financial Reporting Standards and their consistent application within the company and is responsible for the timely resolution of corporate and transaction-specific accounting issues.

Tax is responsible for producing income tax related financial data in conjunction with Finance, covering the assessment and planning of current and deferred income taxes and the collection of tax related information. Tax monitors the income tax position and controls the provisioning for tax risks.

The operation of internal control over financial reporting is also importantly supported by the [*Chief Operating Officer and Risk*]. Although these functions are not directly involved in the financial preparation process, they contribute significantly to the production of financial information:

- [*Chief Operating Officer ("COO")*] is responsible for confirming transactions with counterparties and performing reconciliations, both internally and externally, of financial information between systems, depots and exchanges. The COO also undertakes all transaction settlement activity on behalf of the company and performs reconciliations of account balances.

- [Risk] is responsible for developing policies and standards for managing credit, market, legal, liquidity, operational and vendor risks. Risk identifies and assesses the adequacy of credit, legal and operational provisions.

Controls to Minimize the Risk of Financial Reporting Misstatement

The system of internal control over financial reporting consists of a large number of internal controls and procedures aimed at minimizing the risk of misstatement of the financial statements. Such controls are integrated into the operating process and include those which:

- are ongoing or permanent in nature such as supervision within written policies and procedures or segregation of duties.
- operate on a periodic basis such as those which are performed as part of the annual financial statement preparation process.
- are preventative or detective in nature.
- have a direct or indirect impact on the financial statements themselves. Controls which have an indirect effect on the financial statements include Information Technology general controls such as system access and deployment controls. An example of a control with direct impact would be a reconciliation which directly supports a balance sheet line item.
- feature automated or manual components. Automated controls are control functions embedded within system processes such as application enforced segregation of duty controls and interface checks over the completeness and accuracy of inputs. Manual internal controls are those operated by an individual or group of individuals such as authorization of transactions.
- the combination of individual controls encompasses each of the following aspects of the system of internal control over financial reporting:
- accounting policy design and implementation. Controls to promote the consistent recording and reporting of the company's business activities in accordance with authorized accounting policies.
- reference data. Controls over reference data in relation to the general ledger and on- and off-balance sheet transactions including product reference data.
- new product and transaction approval, capture and confirmation. Controls are intended to ensure the completeness and accuracy of recorded transactions as well as appropriate authorization. Such controls include transaction confirmations which are sent to and received from counterparties to help ensure that trade details are corroborated.
- reconciliation controls, both external and internal. Inter-system reconciliations are performed between relevant systems for all trades, transactions, positions or relevant parameters. External reconciliations include bank account, depot and exchange reconciliations.
- Business Aligned Valuation Specialists focus on valuation approaches and methodologies for various asset classes and perform IPV for complex derivatives and structured products.
- taxation. Controls are designed to ensure that tax calculations are performed properly and that tax balances are appropriately recorded in the financial statements.

- reserving and adjustments based on judgment. Controls are designed to ensure that reserving and other adjustments based on judgment are authorized and reported in accordance with the approved accounting policies.
- balance Sheet substantiation. Controls relating to the substantiation of balance sheet accounts to promote the integrity of general ledger account balances based on supporting evidence.
- consolidation and other period end reporting controls. At period end, all businesses submit their financial data to the company head office for consolidation. Controls over consolidation include the validation of accounting entries required to eliminate the effect of inter- and intra- company activities. Period end reporting controls include general ledger month end close processes and the review of late adjustments; and
- financial statement disclosure and presentation. Controls over compilation of the financial statements themselves including preparation of disclosure checklists and compliance with the requirements thereof, and review and sign-off of the financial statements by senior Finance management. The financial statements are also subject to approval by Management, and the Board and its Audit Committee.

Measuring Effectiveness of Internal Control

Each year, the management of the company undertakes a formal evaluation of the adequacy and effectiveness of the system of internal control over financial reporting. This evaluation incorporates an assessment of the effectiveness of the control environment as well as individual controls which make up the system of internal control over financial reporting taking into account—

- the financial misstatement risk of the financial statement line items, considering such factors as materiality and the susceptibility of the particular financial statement item to misstatement; and
- The susceptibility of identified controls to failure considering such factors as the degree of automation, complexity, and risk of management override, competence of personnel and the level of judgment required.

These factors, in aggregate, determine the nature and extent of evidence that management requires in order to be able to assess whether or not the operation of the system of internal control over financial reporting is effective. The evidence itself is generated from procedures integrated within the daily responsibilities of staff or from procedures implemented specifically for purposes of the internal control over financial reporting evaluation. Information from other sources also forms an important component of the evaluation since such evidence may either bring additional control issues to the attention of management or may corroborate findings. Such information sources include—

- reports on audits carried out by or on behalf of regulatory authorities.
- external auditor reports; and
- reports commissioned to evaluate the effectiveness of outsourced processes to third parties.

In addition, the company's Audit evaluates the design and operating effectiveness of internal control over financial reporting by performing periodic and ad-hoc risk-based

audits. Reports are produced summarizing the results from each audit performed which are distributed to the responsible managers for the activities concerned. These reports also provide evidence to support the annual evaluation by management of the overall operating effectiveness of the internal control over financial reporting.

As a result of the evaluation, management has concluded that internal control over financial reporting is appropriately designed and operated effectively as at [State fiscal yearend].

The external auditor that audited the financial statements has issued an external auditor's report on our assessment of the company's internal controls over financial reporting and it is filed on page of this annual report.

Signed by the Board

DRAFT

APPENDIX 4: SAMPLE CERTIFICATIONS BY SIGNING OFFICERS TO AUDITORS/ AUDIT COMMITTEES

[ON COMPANY LETTERHEAD]

[address of the [Auditors]/ [Audit Committee]/ [Board of Directors]/ [or body performing functions similar to an Audit Committee]

RE: Disclosure to Auditors and Audit Committee

The other certifying officer(s) and I hereby disclose, based on our most recent evaluation of the company's internal controls, to the company's auditors and the audit committee of the company's board of directors (or persons performing similar functions) that—

- (i) there were no significant deficiencies in the design or operation of internal controls which would adversely affect the company's ability to record, process, summarize and report financial data and did not identify any material weakness in internal controls; and
- (ii) There was no fraud, whether or not material, that involved management or other employees who have a significant role in the company's internal controls.

Further, the other certifying officer(s) and I have not become aware of any significant changes in internal controls or other factors that could significantly affect internal controls subsequent to the date of our evaluation.

[Note:

Certifying Officers to provide details of:

- (i) **Significant deficiencies in the design of internal controls over financial reporting**
- (ii) **Material weaknesses in internal controls over financial reporting identified.**

If the certifying officers have become aware of any significant changes in internal controls, this paragraph must be modified, and full details of the matters disclosed including any corrective actions taken with regard to significant deficiencies and material weaknesses]

Signature:

Name:

Position:

APPENDIX 4: FORMAT OF GAP ANALYSIS REPORT

The Gap analysis must provide a snapshot of the status of ICOFRs for the issuer. The GAP analysis report is expected to be the tool to guide management and the SEC on the implementation status for each issuer with regards to establishing and maintaining a system of ICOFRs. At a minimum the Gap Analysis Report should contain the following:

- (1) Introduction
- (2) Governance/ Housekeeping matters
- (3) Progress of implementation of the ICF
 - Mapping of financial statements Key Business Processes (KBPs)
 - Risk Assessment – to assess risks over financial reporting and disclosures.
 - Documentation of the Activities in the each KBP
 - Identification of Control Activities (“controls”) in each KBP
 - Identification of Key Control Activities (“key controls”) in each KBP
 - Evaluation of the design effectiveness of Key controls
 - Results from the testing of operational effectiveness of key controls
 - Control weaknesses/ failures and mitigating measures.
- (4) Reporting on the ICF to Board, Senior Management & others
- (5) Reporting to SEC and other stakeholders
- (6) Mitigation plan

[Note: Gap analysis Report must be accompanied by completed ICOFR status and BPS mapping reports in Appendices 6 and 7]

APPENDIX 6: SAMPLE REPORTING TEMPLATE ON STATUS OF ICOFR

[NAME OF ENTITY] STATUS OF INTERNAL CONTROLS OVER FINANCIAL REPORTING AS AT 31 DECEMBER 2022																							
IDENTIFICATION AND DOCUMENTATION OF KEY BUSINESS PROCESSES					MAPPING OF KBPS TO FINANCIAL STATEMENTS		RISK ASSESSMENT			IDENTIFICATION AND DOCUMENTATION OF KEY CONTROLS OVER FINANCIAL REPORTING					ASSESSMENT OF DESIGN ADEQUACY OF ICOFRs				ASSESSMENT OF OPERATING EFFECTIVENESS OF ICOFRs				
Key Business Process (KBPs) (Please list each KBP)	Key business process documented (YES/ NO/ WIP)*	Identify all the control activities in the BPs (YES/ NO/ WIP)*	Total Number of controls identified for each BPs	Remediation plan for addressing gaps in KPS (YES/ NO/ WIP)*	Number of specific ICOFRs (Risk ID: as assigned)	Number of specific ICOFRs (Control ID: as assigned)	Number of key risks Identified	Number of key risks Documented	Remediation plan for addressing gaps in risk assessments (YES/ NO/ WIP)*	Identify all key controls over financial reporting in each BP (YES/ NO/ WIP)*	Total Number of Key controls identified	Number of Key controls documented	Number of Key controls yet to be documented**	Remediation plan for addressing gaps in KPS (YES/ NO/ WIP)*	Number of Key Controls adequately designed	Number of Key controls not adequately designed***	Number of Key controls missing****	Remediation plan for addressing design deficiencies (YES/ NO/ WIP)*	Total number of key controls tested	Number of Key controls working effectively	Number of Key Controls not working effectively*****	Untested Key controls*****	Action remediation place for failed untested controls (YES/ NO/ WIP) Please provide more details detailed G
e.g Treasury	WIP	YES	XX	XX			XX	XX	NO	NO	XX	XX	XX	XX	XX	XX	XX	WIP	XX	XX	XX	XX	WIP
KBP2																							
KBP3																							
KBP4																							
KBP5																							
KBP6																							
KBP7																							
KBP8																							
KBP9																							
KBP10																							
Total																							

Explanatory notes

* For "NO" and "WIP" responses, the issuer should document in the detailed GAR the challenges faced in achieving the results area. Remediation action plan should provide tentative timeframes for closing the ICOFR deficiencies/ gaps

**The control exists; however, it is not documented, hence resulting in inconsistencies in performance and lack of accountability.

***The control exists; however, its design does not mitigate or prevent the identified risks. Issuer has also not identified compensating controls

**** The control does not exist, as determined by management and/ or other reviewers taking into account the nature of the issuer's operations. Issuer has also not identified compensating controls

***** The control does not operate in the way in was designed and hence does not mitigate or prevent the identified risks

***** Controls not tested during the period, no conclusions reached as to effectiveness or otherwise

APPENDIX 7: SAMPLE REPORTING TEMPLATE – MAPPING OF BUSINESS PROCESS TO FINANCIAL STATEMENTS

EXAMPLE ZAMBIA LIMITED INTERNAL CONTROLS OVER FINANCIAL REPORTING MAPPING OF BUSINESS PROCESS TO FINANCIAL STATEMENTS

Statement of profit or loss and other comprehensive income							
FINANCIAL STATEMENT REPORTING LINE	AUDITED 2022 K'000	KEY BUSINESS PROCESS	SPECIFIC ICFORS	Number of specific ICFORS (Risk IDs as attached)	CONCLUSIONS ON DESIGN EFFECTIVENESS	CONCLUSIONS ON OPERATING EFFECTIVENESS	COMMENTS FROM ISSUER ON REMEDIAL PLANS IF ANY
INCOME							
Interest Income	275,150	e.g Credit					
Interest expense	(38,583)						
Net Interest Income (GP)	236,567						
Net fee and commission income	28,557						
Net trading Income	122,171						
Other operating income	24,210						
Total operating income	411,605						
EXPENSES							
Impairment credit/(loss)							
Operating expenses	-						
Transformation costs							
Impairment reversal on financial Instruments	28,435						
Personnel expenses	(77,795)	E.g HR & Payroll	Indicate ICOFR IDs				
Depreciation right of use	(9,068)						
Lease expenses	(1,453)						
Depreciation	(8,044)						
Other expenses	(94,220)						
Finance cost	-						
INCOME TAXES							
Income tax expense	(76,515)						
Profit for the year	(76,515)						
OTHER COMPREHENSIVE INCOME							
Movement in fair value reserve(FVOCI) debt instrum	(18,689)						
Related tax	5,606						
- Remeasurement of the net defined benefit asset	-						
- Revaluation surplus	-						
- Tax relating to items that will not be reclassified to	(3,502)						
Statement of financial position							
FINANCIAL STATEMENT REPORTING LINE	AUDITED 2022 K'000		SPECIFIC ICFORS		Dec-20	Movements	
ASSETS							
Cash on hand and balances with non-group banks	180,262						
Statutory deposits with bank of Zambia	362,054						
Cash and short term funds at group banks	399,172						
Placement with non-group banks	1,159,720						
Government securities	1,245,684						
Derivative financial instruments	37						
Loans and advances to customers	593,722						
Investments	2,357						
Property, fixtures and equipment	19,892						
Right of use assets	34,759						
Deferred tax	15,097						
Current tax receivables	8,351						
Other assets	3,770						
TOTAL ASSETS	4,024,877						
LIABILITIES							
Deposits from customers	2,977,618						
Derivative Financial Instruments	26						
placements due to non-group banks	-						
Amounts payable to group banks	41,878						
Lease liability	35,730						
Current tax liabilities	-						
Other liabilities	59,656						
TOTAL LIABILITIES	3,114,908						
EQUITY	(909,969)						
Share Capital & Premium	416,000						
Equity award reserve	3,601						
Statutory Reserves	1,000						
Fair value reserve	3,200						
Credit risk reserve	3,073						
Retained Earnings	453,095						
TOTAL EQUITY	909,969						
TOTAL EQUITY AND LIABILITIES	-						
OTHER KEY DISCLOSURES							
FINANCIAL STATEMENT REPORTING LINE	REPORT REFERENCE	KEY BUSINESS PROCESS	SPECIFIC ICFORS		CONCLUSIONS ON DESIGN EFFECTIVENESS	CONCLUSIONS ON OPERATING EFFECTIVENESS	COMMENTS FROM ISSUER ON REMEDIAL PLANS IF ANY
ENVIRONMENTAL							
GOVERNANCE							
SUSTAINABILITY REPORTING							
OTHERS (LIST AS APPROPRIATE)							