

INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)

Establishing adequate internal control and ensuring effective control environment is high on Grameenphone management agenda. Grameenphone has instituted Internal Control over Financial Reporting (ICFR) and established a monitoring mechanism to ensure operational effectiveness of those controls. At Grameenphone, internal controls are specifically designed to address the risks related to financial reporting. Internal controls over financial reporting are intended to provide reasonable assurance that Grameenphone’s financial statements are not materially misstated and give true and fair view of transactions and financial position of the company.

Grameenphone has adopted internal control model developed by the Committee of Sponsoring Organisations of the Treadway Commission (COSO), which is widely recognised as a definitive standard for measurement of effectiveness of internal control system. Internal controls in Grameenphone are part of Grameenphone’s overall corporate governance structure and are very much embedded in the business processes affecting the financial reporting.

Grameenphone follows a risk-based approach for designing and implementing effective internal controls. Currently, the entire financial reporting of Grameenphone encompasses 19 inter-related processes. Risk assessment exercise is performed for each of the processes on annual basis. As part of the risk assessment, each process is evaluated through probability and impact matrix and categorised into a four-point ordinal scale (Very High, High, Medium and Low). Internal controls are designed and deployed to mitigate identified risks to an acceptable level.



Figure 1: COSO Internal Control Framework

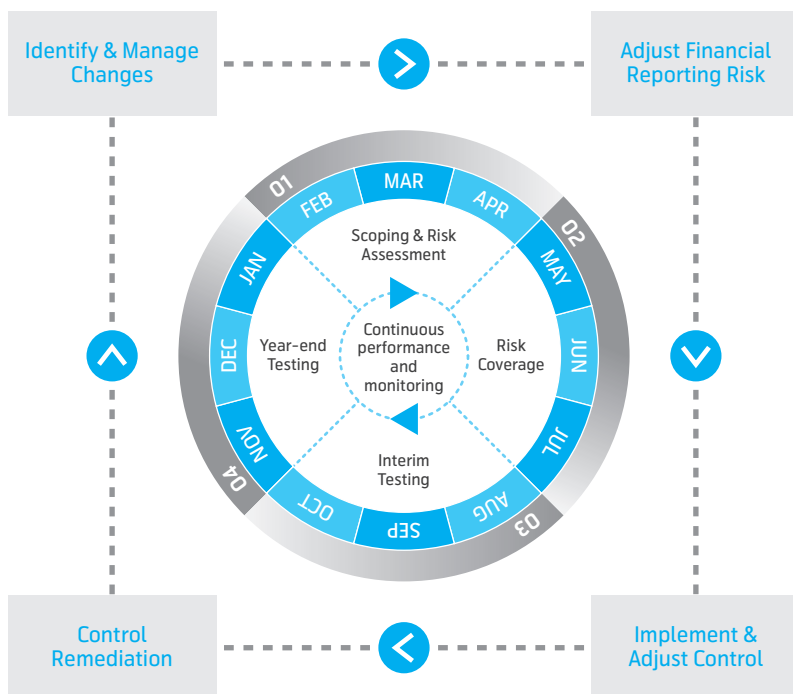


Figure 2: ICFR Routine in Grameenphone

Operating effectiveness of controls is monitored throughout the year. Effectiveness of the controls are tested in two different phases, i.e. Interim Testing and Year-end Testing. An independent audit firm is engaged to test the effectiveness and adequacy of instituted controls.

Grameenphone has a dedicated internal control team, accountable for conducting activities related to internal controls over financial reporting. The team is adequately resourced and empowered to deliver its responsibilities. ICFR team works independent of but closely with Internal Audit and Telenor Group ICFR team to ensure risks are identified, reported and mitigated timely.