	Engineering Zone Co. Ltd. Inspection Department Quality Procedure	No.	EZC-QP-20
		Revision No.	03
		Date	28-05-2024

RISK AND OPPORTUNITY MANAGEMENT


EZC-QP-20

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REVISION/REVIEWED HISTORY

Revision	Review Date / Rev Date	Description of Changes	Authorized By
00	01-Jun-2021	First Issue	GENERAL MANAGER
01	14-Aug-2021	Top management committed to impartiality added.	GENERAL MANAGER
01	01-Aug-2022	Reviewed with No Changes.	GENERAL MANAGER
02	10-Sep-2022	Added ILAC P15 requirements	GENERAL MANAGER
02	01-Jun-2023	Reviewed with No Changes	GENERAL MANAGER
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	Engineering Zone Co. Ltd. Inspection Department Quality Procedure	No.	EZC-QP-20
		Revision No.	03
		Date	28-05-2024


1. SUMMARY

- 1.1. The Engineering Zone Company has established, implemented and maintained this procedure for managing risks and opportunities throughout the company.
- 1.2. Responsibility and authority for this procedure are spread across various functions and defined within this procedure.
- 1.3. Note: this procedure has adopted definitions for key terms developed specifically by Engineering Zone Company and determined appropriate for its use within the unique requirements of its management system. It does not adopt current ISO definitions, which Engineering Zone Co. has determined are not sufficient for its use.
- 1.4. Engineering Zone Co. is taking inspection activities impartially being a third-party inspection agency.
- 1.5. Engineering Zone Co. is responsible for the maintaining impartiality of all inspection activities provided to the clients and does not allow commercial, financial or other pressures to compromise impartiality. To maintain such impartiality, Engineering Zone Co. has Marketing team, who deals with the clients and co-ordinate the activities as well as Inspection team, who carries-out inspection at the identified locations.
- 1.6. Engineering Zone Co. has identified risks to its impartiality on an ongoing basis. The identified risks to the impartiality are as below;
 - Risks that arise from its activities (Frequent inspection at the similar places),
 - Relationships such as ownership, governance, management, personnel, shared resources, finances, contracts, marketing (including branding), and payment of a sales commission or other inducement for the referral of new clients, etc.,
 - Relationships of its personnel.

All the employees of Engineering Zone Co. have signed agreement of impartiality and relationships do not present with a risk to impartiality.

- 1.7. If a risk to impartiality is identified, Engineering Zone Co. can demonstrate, how the same has been eliminated or minimized to the risk.
- 1.8. Top management of Engineering Zone Co. had commitment to impartiality and the same is communicated to all at the time of joining the Organization.
- 1.9. Engineering Zone Co. is independent to the extent that is required regarding the conditions under which it performs its services. Being an independent inspection agency, followings are maintained;



	Engineering Zone Co. Ltd. Inspection Department Quality Procedure	No.	EZC-QP-20
		Revision No.	03
		Date	28-05-2024

2. DEFINITIONS

- 2.1. **Risk:** A negative effect of uncertainty.
- 2.2. **Opportunity:** A positive effective of uncertainty.
- 2.3. **Risk Assessment:** a systematic investigation and analysis of potential risks, combined with the assignment of severities of probabilities and consequences. These are used to rate risks in order to prioritize the mitigation of high risks.
- 2.4. **Risk Mitigation:** a plan developed with the intent of addressing all known or possible risks and preventing their occurrence.


3. PROCEDURE: GENERAL

- 3.1. Engineering Zone Co. considers and manages risks and opportunities differently.
- 3.2. Risks are managed with a focus on decreasing their likelihood and minimizing their impact if they should occur.
- 3.3. Opportunities are managed to increase their likelihood, and to maximize their benefits if they should occur.
- 3.4. Where risks and opportunities overlap, the best appropriate method for managing them shall be ascertained, given the situation at hand.

4. PROCEDURE: MANAGEMENT OF RISKS

- 4.1. Risks are considered during the execution of various processes.
- 4.2. Each process is defined in detail through a Procedure. This document includes the identification and mitigation plans for key risks associated with the defined process. Engineering Zone Co.'s management reviews these risks and takes action to minimize them.
- 4.3. The methods for risk assessments vary but should always include a means of identifying the risk under examination, and a description of the result of the risk assessment.
- 4.4. Detailed methods may include FMEA (failure mode effects analysis), SWOT (strength, weakness, opportunity and threat) or other tools. No single method is used for all risk assessments; the tool selected should be the best tool applicable to that particular risk analysis.

It is stated that the inspection body shall identify risks to its impartiality on an ongoing basis (ILAC P15-05-2020 Clause 4.1.3). This makes of a suitable practice for the review of the risks to impartiality would be the combine scheduled periodic reviews with ad-hoc reviews on receipt of advice regarding events potentially impacting the impartiality of the organization. Such events may include organizational changes, new clients, the launch of the new

	Engineering Zone Co. Ltd. Inspection Department Quality Procedure	No.	EZC-QP-20
		Revision No.	03
		Date	28-05-2024

inspection services, personnel arrangements or changes to scheme or regulatory arrangements.

5. PROCEDURE: MANAGEMENT OF OPPORTUNITIES

5.1. As part of the Sales process, Engineering Zone Co. shall seek out opportunities which could enhance its financial viability and market position. For example:

- obtaining new contracts
- obtaining access to new markets
- identification of new industries which may be served by Engineering Zone Co.
- development of new offerings that are within the scope of capabilities of Engineering Zone Co.
- streamlining existing processes to improve efficiency and reduce costs

5.2. In addition, throughout all Engineering Zone Co.'s processes, the corrective action system and internal auditing process should be used to identify possible opportunities for improvement.

5.3. Discussing and analyzing opportunities shall be done by top management. If made part of the management review activities, these shall be recorded in the management review records.

5.4. If an opportunity requires a risk assessment, this shall be done as defined above.

5.5. Analysis of any opportunity will generally result in one of the following possible determinations:


- Pursue the opportunity
- Explore the opportunity in greater detail before proceeding
- Accept the opportunity, but under limited and controlled conditions
- Decline the opportunity, typically based on a high expected risk

6. IMPARTIALITY & CONFLICT OF INTEREST

Impartiality and objectivity are the basic prerequisites for effective and consistent Auditing service. This policy illustrates good behavioral practices for the benefit of both the Auditors themselves and of Engineering Zone Co.

SCOPE

The overall aim of this policy is to give confidence to all parties that rely on Engineering Zone Co. The main principles for inspiring confidence are independence, impartiality and

	Engineering Zone Co. Ltd. Inspection Department Quality Procedure	No.	EZC-QP-20
		Revision No.	03
		Date	28-05-2024

competence both in action and appearance. This policy concerns itself with issues relating to the threats and safeguards to independence and impartiality.

Commitment to Impartiality

The organizational structure and procedures of Engineering Zone Co. demonstrate how the primary requirement of impartiality is fulfilled. Engineering Zone Co. demonstrate, by means of policies, procedures and training how it deals with the pressures and other factors that can compromise or can reasonably be expected to compromise objectivity and which may arise from a wide variety of activities, relationships, and other circumstances as well as from various personal qualities and characteristics of Auditors that may be sources of bias.

Threats to Impartiality


Threats to impartiality are sources of potential bias that may compromise or may reasonably be expected to compromise the ability to make unbiased observations and conclusions.

Because threats may, or may reasonably be expected to, compromise the ability to make unbiased observations and conclusions, Engineering Zone Co. identifies and analyze the effects of threats that are sources of potential bias.

Threats are posed by various types of activities, relationships and other circumstances. In order to understand the nature of those threats and their potential impact on impartiality, Engineering Zone Co. identifies the types of threats posed by specific activities, relationships or other circumstances. The following list provides examples of the types of threats that may create pressures and other factors that can lead to biased behavior.

Although the list is not mutually exclusive or exhaustive, it illustrates the wide variety of types of threat that Engineering Zone Co. will consider when analyzing independence and impartiality issues:

- Self-interest threats: threats that arise from Auditors acting in their own interest. Self-interests include emotional, financial, or other personal interests. Auditors may favor, consciously or subconsciously, those self-interests over their interest in performing an audit. For example, Engineering Zone Co.'s relationships with clients create a financial self-interest because the clients pay the Engineering Zone Co. fees. Auditors also have a financial self-interest if they own shares in an auditee and may have an emotional or financial self-interest if an employment relationship exists.
- Self-review threats; threats that arise from reviewing the work done by themselves or by their colleagues. It may be more difficult to evaluate without bias the work of one's own organization than the work of someone else or of some other organization. Therefore, a self-review threat may arise when reviewing judgments and decisions they, or others in their organization, have made
- Familiarity (or trust) threats: threats that arise from being influenced by a close relationship with a person. Such a threat is present if Auditors are not sufficiently skeptical of a person's assertions and as a result, too readily accepts their viewpoint because of their familiarity with or trust in the person. For example, a familiarity threat may arise when an Auditor has a particularly close or long-standing personal or professional relationship with a person.

	Engineering Zone Co. Ltd. Inspection Department Quality Procedure	No.	EZC-QP-20
		Revision No.	03
		Date	28-05-2024

- Intimidation threats: threats that arise from being, or believing that they are being, openly or secretly coerced by other interested parties. Such a threat may arise, for example, if an Auditor or Engineering Zone Co. is threatened with replacement over a disagreement with an application of a specific requirement of the normative document being used as the reference.
- Advocacy threats; e.g. a body or its personnel acting in support of, or in opposition to, a given organization which is at the same time its customer, in the resolution of a dispute or litigation
- Competition threats; Engineering Zone Co. and/or the Auditor may be concerned about risking the audit contract.


Safeguards to Impartiality

Engineering Zone Co. has in place safeguards that mitigate or eliminate threats to impartiality. Safeguards may include prohibitions, restrictions, disclosures, policies, procedures, practices, standards, rules, institutional arrangements, and environmental conditions. These are regularly reviewed to ensure their continuing applicability.

Note: safeguards exist in the environment in which projects are performed or can be mandated by independent decision makers in response to threats posed by various activities, relationships, and other circumstances. One way in which safeguards can be described is by where they reside.

Examples of safeguards that exist in the environment in which projects are performed include:

- Accreditation for Engineering Zone Co. assesses organization-wide compliance with professional standards and regulatory requirements regarding impartiality.
 - General oversight by Engineering Zone Co. governance structures (for example, board of directors) concerning compliance with impartiality criteria.
 - The aspects of corporate governance, including the Engineering Zone Co.'s culture that supports the certification process and impartiality
 - Rules, standards, and codes of professional conduct governing behavior.
 - The raising of sanctions, and the possibility of such actions, by accreditation bodies
 - The legal liability faced by Engineering Zone Co.
- Examples of safeguards that exist within the Engineering Zone Co.'s management system include:
- Maintaining a culture in Engineering Zone Co. that stresses the expectation that staff will act in the wider interest and the importance of impartiality
 - Maintaining a professional environment and culture in Engineering Zone Co. that supports behavior of all personnel that is consistent with impartiality.
 - Management systems that include policies, procedures, and practices directly related to maintaining impartiality.
 - Other policies, procedures, and practices, such as those concerning the rotation of staff, internal audit, and requirements for internal consultation on technical issues.

	Engineering Zone Co. Ltd. Inspection Department Quality Procedure	No.	EZC-QP-20
		Revision No.	03
		Date	28-05-2024

- Personnel hiring, training, promotion, retention, and reward policies, procedures, and practices that emphasize the importance of impartiality.
- Safeguards that relate to threats arising in circumstances – for example, prohibitions against certain employment relationships between family members and Engineering Zone Co.

Accessing the Level of Impartiality Risk

Engineering Zone Co. assesses the level of impartiality risk by considering the types and significance of threats to Auditors impartiality and the types and effectiveness of safeguards. This basic principle describes a process by which Engineering Zone Co. identify and assess the level of impartiality risk that arises from various activities, relationships, or other circumstances.

Note that the level of impartiality risk can be expressed as a point on a continuum that ranges from 'no risk' to 'maximum risk'. One way to describe those endpoints, the segments of the impartiality risk continuum that fall between those endpoints, and the likelihood of compromised objectivity to which the endpoints and segments correspond, is as follows:


Table 1. Level of impartiality risk

No Risk	Remote Risk	Some Risk	High Risk	Maximum Risk
Compromised objectivity is virtually impossible	Compromised objectivity is very unlikely	Compromised objectivity is possible	Compromised objectivity is probable	Compromised objectivity is virtually certain

Note also that although it cannot be measured precisely, the level of risk for any specific activity, relationship, or other circumstances that pose a threat to Auditors impartiality can be described as being in one of the segments, or at one of the endpoints, on the impartiality risk continuum.

Determining the Acceptability of the Level of Impartiality Risk

Engineering Zone Co. determines whether the level of impartiality risk is at an acceptable position on the impartiality risk continuum. Engineering Zone Co. evaluates the acceptability of the level of impartiality risk that arises from specific activities, relationships, and other circumstances. That evaluation requires us to judge whether safeguards eliminate or adequately mitigate threats to Auditors impartiality posed by those activities, relationships, or other circumstances. If they do not, Engineering Zone Co. decides which additional safeguard, (including prohibition) or combination of safeguards would reduce the risk, and the corresponding likelihood of compromised objectivity, to an acceptably low level.

	Engineering Zone Co. Ltd. Inspection Department Quality Procedure	No.	EZC-QP-20
		Revision No.	03
		Date	28-05-2024

Given certain factors in the environment in which audits take place – for example that Engineering Zone Co. is paid by the auditee - the impartiality risk cannot be completely eliminated and, therefore Engineering Zone Co. always accept some risk that audit objectivity will be compromised. Nevertheless, in the presence of threats to the audit impartiality, Engineering Zone Co. considers only a very low level of risk to be acceptable. Only such a small likelihood of compromised objectivity is consistent with both the definition and the goal of audit impartiality.

Some threats to audit impartiality may affect only certain individuals or groups within Engineering Zone Co. and the significance of some threats may be different for different individuals or groups. To ensure that the risk is at an acceptably low-level, Engineering Zone Co. identify the individual or groups affected by threats to impartiality and the significance of those threats. Different types of safeguards may be appropriate for different individuals and groups depending on their roles in the Company.

Engineering Zone Co. ensures that the benefits resulting from reducing the impartiality risk by imposing additional safeguards exceed the costs of those safeguards. Although benefits and costs are often difficult to identify and quantify, Engineering Zone Co. consider them when they make decisions about impartiality issues.

Various parties bear a variety of costs in maintaining impartiality. Some of those costs relate directly to developing, maintaining, and enforcing safeguards, including the costs of Engineering Zone Co.'s impartiality-related quality controls and costs related to the systems of accreditation and self-regulation of impartiality. Other indirect costs of maintaining impartiality, sometimes called second-order effects or unintended consequences, also may exist. Those costs relate to possible reductions in quality or other negative outcomes that may result from safeguards that prohibit or restrict activities and relationships.


The direct and indirect costs of maintaining impartiality may be affected by many variables, including the number of individuals in an organization who will be affected by a safeguard. Because the impartiality of Auditors is important not only in its own right but also in helping ensure that broad public interest objectives are met, Engineering Zone Co. consider second-order effects or unintended consequences that go beyond the direct impact of their decisions on the impartiality.

Organizational and Structural Issues

In addition to the aspects outlined above, impartiality needs to be further protected by placing it within an Organizational structure, which will guarantee that the safeguards required are implemented. The Organizational structure should be such that Engineering Zone Co. can demonstrate its impartiality to an informed and disinterested third-party.

The structure and organization of Engineering Zone Co. to meet these objectives is transparent and supports the development and the application of the processes necessary to meet the above objectives.

These processes include: -

	Engineering Zone Co. Ltd. Inspection Department Quality Procedure	No.	EZC-QP-20
		Revision No.	03
		Date	28-05-2024

- Understanding the needs and expectations of customers and other stakeholders establishing the policy and objectives of the organization.
- Determining the processes and responsibilities necessary to attain the objectives.
- Determining and providing the infrastructure and resources necessary to attain the objectives establishing and applying methods.
- To determine the efficiency and effectiveness of each process, the identification of potential conflict of interest at the level of both the organization and the individual, and the means of identifying it and dealing with it.
- Determining means of preventing nonconformities and eliminating their causes.
- Establishing and applying a process for continual improvement of the above processes.

