



**ALKHORAYEF WATER & POWER TECHNOLOGIES**

**Audit Committee Report for the Fiscal Year 2022**

**February 2023**



## ALKHORAYEF WATER & POWER TECHNOLOGIES

The Company's Audit Committee Report for the Fiscal Year 2022

### Introduction

The importance of internal control is largely represented in achieving the Company's objectives through the process of evaluation, follow-up, correction of performance, and detection of deviations. The Control systems provide the Company with the power of direction, integration and motivation. Thus, well-managed companies are those that have effective control systems that enhance their ability to implement their strategies. The Audit Committee has prepared this report, which aims to highlight the most important work carried out by the Committee within the scope of its competence. This report shows the number of meetings held by the Audit Committee, its opinion on the audited financial statements as of 31/12/2022 AD, internal control, and other activities. The Audit Committee convened six meetings according to the following table:

#	Name of the Audit Committee Member	Designation	Committee Meeting Dates in 2022					
			31 January 2022	14 March 2022	17 May 2022	14 August 2022	11 September 2022	3 November 2022
1	Suleiman Al-Quaidan	Head of Committee	√	√	√	√	√	√
2	Ammar Al-Zubaidi	Member	√	√	√	√	√	√
3	Muhammad Al-Wabel	Member	√	√	√	√	√	√

### **Highlights of the works carried out by the Audit Committee within the scope of its field of specialty**

The Audit Committee carried out many activities during the year 2022 AD, within the time allocated for meetings led by the Chairman of the Committee. The powers of the Head of the Committee include calling for meetings, and taking the necessary actions in matters on the agenda and in accordance with the meeting schedule and work program. His powers further include inviting members of management, auditors, or others to attend meetings to provide relevant information as necessary.

#### **First: External Audit and Financial Reports**

- Examine the auditors' offers and recommending the selection and appointment of KPMG as an independent external auditor for the year 2022 and the first quarter of 2023.
- Approve the deadline schedule for issuing the Company's quarterly and annual financial statements.
- Review the results of the Company's operations and its financial position as it appeared in the preliminary and annual financial statements and reports for the fiscal year 2022 AD, and what was done in this regard, in accordance with the International Accounting Standards for Financial Reports (IFRS). The Committee presented its opinion and recommendations in this regard to ensure its integrity and transparency. The Committee approved these statements and reports. Additionally, it submitted its recommendations to the Board of Directors.
- Ensure that there are no difficulties encountered by the external auditor during the audit. The Committee further ensures the cooperation of the financial department with the external auditor.
- The followed accounting policies were studied, and an opinion and recommendation was expressed to the Board of Directors in this regard. For example, requesting the executive management to prepare a policy for provisions for receivables and unbilled accounts, financial policies related to the capitalization of expenses, inventory policy, and calculating related provisions.

#### **Second: Internal Audit**

- Develop a plan to transfer the internal audit functions from the internal audit consultant PWC to the internal audit team at ALKHORAYEF WATER & POWER TECHNOLOGIES.
- Appointment of the Chief Audit Executive in August 2022, and the following has been done:
  - Prepare the organizational structure of the internal audit department.
  - Review and approve the internal audit charter.
  - Review and approve the estimated budget of the Internal Audit Department.
  - Follow up on all reports issued by the internal audit consultant "PWC".
  - Review and approve the internal audit plan for the years 2022-2023.

**Third: Internal Control System:**

The Committee expressed its opinion on internal control based on the periodic reports submitted thereto by the Company's management and through its supervisory role by following up on the work and reports of the internal audit department, which verifies the effectiveness of the Company's internal control systems and procedures. Additionally, the external auditor evaluates the control system through its periodic review. Hence, it was not clear to the Committee did not find any fundamental shortcomings or defects in the Company's internal control system, which necessitates bringing such to the attention of the General Assembly.

**On behalf of the Audit Committee**

**Suleiman Al-Quaidan - Head of the Audit Committee**

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