



Internal Audit Committee Report
For AL Babtain power and Telecommunication Company
For year fiscal year ended 31-12-2020

Dear Shareholders;

Greetings,

It is my pleasure to present the annual report of internal audit committee based on the article no. 91 of corporate governance and in line with article no. 101 of Saudi company system, and as per the article no. 55 of corporate governance issued by Capital Market Authority (CMA). The forming of the audit committee for period 27-07-2018 up to 26-07-2021 as the following;

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| 1- Dr. Yassen Abdulrahman Al Jefry | Chairman of committee (Independent) |
| 2- Mr. Khaled Mohammed Abdulrahman A Babtain | Committee member |
| 3- Mr. Khaled Soliman Abdulaziz Al Soliman | Committee member (independent) |
| 4- Mr. Sultan Hamad Abdullah Al Babtain | Committee member |

The audit committee specialist for auditing the company business and insure the conformity and trust of financial reports, financial statements, and internal audit system. The following are the summary of committee's duties and its business through the fiscal year ended 31-12-2020;

(A) Financial Reports;

- 1- The committee reviewed the results of company business and its financial position as appear in the financial statements and the quarterly; annually report before present it to board to show its opinion and its recommendation if any. This to trust the conformity and ensure the transparency, justice, and accuracy of the reports with cooperation with external auditor and executive management. This comply with auditing standard and the accounts principles.
- 2- The board annual report and company financial reports was justice, financial position, understand, and conformity. It was included the all information that help the shareholders and investors to evaluate the company financial position , the company performance and company strategy, and it didn't found any issues un normal or not important included in the reports .

(B) Internal Audit and Risk Management;

- 1- The committee reviewed and prepared the risk register that face the company and internal audit plan that made by internal auditor based on the risk registers and approved it.
- 2- The committee reviewed and updated the internal audit system, financial, and risk management.
- 3- Based on the results of internal audit reports and external audit report as shown in the reports raised to company's management and audit committee from the internal auditor Dr. Mohammed Hegazy office in addition to the information introduced by executive management that related to the internal audit systems for the financial year 2020 clear that there is no any essential defects in these systems that need to disclose it



- 4- Supervision and control on the internal auditor activities and internal audit department in the company to ensure of its effectiveness and availability of tools to aid it for doing its activities and duties.
- 5- The committee allow to all company employees to introduce their notices or any overrun regarding to financial reports or any other through the whistleblowing policy and by very secret procedures with high security and safe way for employees.
- 6- **Review the risks which may be face the company in current state and in future also, that were decided to disclose to shareholders as the following;**
 - 6.1 The effect on the business plan whether industrial or commercial due to the nature crisis or global pandemic like covid-19.
 - 6.2 Continued compress in the prices with competitors because entrance of many new manufacturers or suppliers in the market.
 - 6.3 Unstable in the prices of raw materials special in pandemic corona vires.
 - 6.4 Incompatible between the suppliers' credit conditions and customers' credit conditions.
 - 6.5 Incompliance and didn't continue watching the legal and legislative requires in addition to follow up the updated issues such as (CMA, Zakat authority, wages control security, financial policies, financial standards, and the requires of municipalities etc)
 - 6.6 Inability to define the foreign currency stability that changed many time within the year that related to company's entities outside the KSA that important for liabilities, assets, and the external investments like euro, England pound, Egyptian pound.
 - 6.7 The changes in the labor law and imposes special percentage for some jobs that should be in the company in addition to the new legislative that will let to transfer the labor from the company to another without restrictions that will lead to effect on company's productivity.

(C) Financial Auditor;

- 1- The committee recommended to the board to select one from the two external auditors whom authorized from the KSA authority and define their fees after confirm their independent, that will review the financial statements of company for Q2, Q3, Q4, of fiscal year 2020 and the Q1 of fiscal year 2021 as per the IFRS. The selected external auditor and the following;

Sr.	Name	The fees	Notices
1	Usama Andullah Al Kharasy office	135,000	
2	Al Sayed Al Ayouty office	125,000	

The committee recommended to the board to select AL Sayed AL Ayouty office to present him to assembly meeting because the following reasons;

- AL Ayouty office have wide experiences inside the KSA.
- He have very high expert teams works and have wide knowledge of CMA requires in regard with the IFRS.



- The fees of Al Ayouty office is less than others.
- This office have a very big clients in the KSA that will increase his experiences and professionalism.

The assembly meeting approve AL Ayouty office in its meeting held on 10-06-2020 to perform the auditing services for financial statements for Q2, Q3, Q4, of fiscal year 2020 and the Q1 of fiscal year 2021 as per the IFRS.

The committee also recommended to the board to continue appointment of Dr. Mohammed Hegazy office as internal auditor manager to review and control the internal audit duties, responsibilities, and risks, this will be through the evaluate the risks and design the internal audit plan and following up the action plan of any notices in internal audit reports whether the mother company or its entities outside the KSA. In addition, the board approve that in its meeting held on 30-12-2020 and the internal audit plan approved for year 2021-2022.

- 2- The committee reviewed the audit plan of the external auditor of the company and its business, it also ensure that the external auditor didn't introduce any business such as technical of managerial services expect the auditing process only or any services outside the eternal audit service range.
- 3- The committee studded the external auditor report and its notices on the financial statements and following up what is the action was taken and the committee confirmed that the financial statement contain the following;
 - The quarterly and annually financial statements and its notices pertaining to
 - Ant essential changes required on the auditing plan for external auditor.
 - Any serious difficult or conflicts with the company management that may be faced through auditing process.
 - The existence of important estimates and judgments surrounding the financial statements, including the rationale for these estimates and details related to significant provisions and reserves.
 - Present its point of view in any organizing suggestions or accounts that may be have effect on financial statements.
 - Study the management opinion and external auditor opinion pertaining to account principle or estimated that are used.
- 4- The committee conducted meetings with external auditor of the company before the assembly general meeting and before issued the annual report in order to check and discuss the audit financial statements included the annual audit report and any other subjects need to settlement or will lead to amended of financial statements and know its causes.



(D) Ensure the Compliance;

- 1- The internal audit committee reviewed the regulators 'reports and verification that the company take the necessary action toward that.
- 2- The internal audit committee verification that the company compliance with policies, regulations, and rules pertaining to.
- 3- The internal audit committee review the contracts between the company and the relatives parties that company may be executive it and report visual about it.
- 4-

(E) Committee meetings;

The internal audit committee conducted (4) meetings in the fiscal year 2020 and these meetings included the meeting with internal and external auditors.

(F) The committee opinion;

From the internal audit reports, external auditor reports and the management letter received from external auditor, it is clear that the audit committee build its logic and reasonable opinion on the fixed and stable base line that the internal control system and its effectiveness to face any risks may face the company and it could control on it especially in this pandemic (covid-19) and the company internal & Risks systems is very effective and will be enough for achieve the required duties from company's units and will lead to ensure the continuity of the company business through the pandemic covid-19.

**Chairman of Audit Committee
Dr. Yassen Abdulrahman Al Jeffry**