

# Annual Audit Committee Report

For the year ended 31 December 2021

To the Ordinary General Assembly,  
Umm Al Qura Cement Company

On 28 April 2021, the Ordinary General Assembly approved the formation of the Audit Committee and determined Audit Committee members' responsibilities, scope of work and rewards. The Audit Committee session started since 04 July, 2021 for the period of three years ending 03 July, 2024. The Audit Committee consists of three (3) members;

#### **Members of the Audit Committee (From 04-July-2021 till 03-July-2024)**

- Mr. Yousef Alsohibani (Chairman of the Committee, outside the Board of Directors)
- Mr. Fawaz Hamad Alfawaz (an Independent member - outside the Board of Directors).
- Mr. Saud Mohamed Alsabhan (an Independent member - member of the Board of Directors).

Audit Committee consists of three independent non-executive members. Two Audit Committee members have specialization and skills in accounting & finance field. The committee is concerned with reviewing the financial and administrative policies of the company, procedures for preparing financial reports and their outcomes. Determining external auditors' fees and ensuring their independence, studying the preliminary and annual financial statements before submitting them to the board of directors and expressing an opinion and recommending them, and studying the notes of the external auditors on the financial statements. The Audit Committee supervises the internal audit work that examines the adequacy and effectiveness of the internal control system and procedures so that it can evaluate the internal control system and its effectiveness. This comes within the objectives of the General Assembly and the Board of Directors to obtain a reasonable level of assurance on the soundness of the design and effectiveness of the performance of the company's internal control system. In this regards, the Audit Committee held four meetings during the year 2021 with the external auditors, internal audit and UACC management to review the financial statements, internal controls, governance and risk management.

During the year 2021 The Umm Al Qura Cement Company's Audit Committee worked on the following activities to fulfill its responsibilities under governance and to strengthen internal controls. These activities are detailed below;

## 1. Review of financial statements for the Year 2021

### 1.1. Review of the preliminary financial statements and reports of the external auditors for the year 2021.

The Audit Committee reviewed the quarterly & annual financial statements for the year 2021. The results and clarifications were discussed with the external auditors and the executive management and their recommendations were submitted to the board of directors to consider their approval.

Major areas reviewed were;

- a) Assessed and ensured Independence & objectivity of external auditors during review of UACC financial statements.
- b) Reviewed the UACC Delegation of Authority Matrix.
- c) Discussed and reviewed UACC Financial & Accounting Policy.
- d) Reviewed & endorsed UACC Internal Control framework to the Board of Directors' approval.

## 2. Appointment of External Auditors for the year 2021 and the first quarter of 2022

The Committee has requested bids from a numerous qualified external auditors to examine the preliminary financial statements for the second, third and fourth quarters of 2021 and the first quarter of 2022 and to review the annual financial statements for the year 2021.

Based on reviewing the external audit firms' experience, prices, scope of work and considering the work volume of Umm Al-Qura Cement Company, the Audit Committee recommended Dr Abdelgadir Bannaga & Partners Company, (RSM) with a total fee of SAR 150,000 and the KPMG with a total fee of SAR 320,000 offers to the Ordinary General Assembly for final selection and approval. And submitting this recommendation to the General Assembly for final selection and approval, with the recommendation of the Office of United Accountants RSM.

## 3. Internal Audit

- a) The Audit Committee reviewed four (04) internal audit reports during the year 2021 and advised the Executive management on audit findings & remediation measures.
- b) The Audit Committee reviewed and ensured functional reporting of internal audit to the Audit Committee Chairman to maintain independence & objectivity.

- c) Recruited a junior saudi internal auditor to resourceful & streghten Internal Audit function.

### **The results of review of the effectiveness of Internal Controls & Risk Management System**

The Audit Committee concluded that the company's internal control system and risk management system are efficient and effective in several aspects, but it needs development and improvement in some areas to keep pace with the size and nature of the company's business. The Audit Committee discussed the observations reached through internal and external audits with the executive management, and reviewed the corrective measures plan to mitigate risks and internal controls. The Audit Committee would follow up on the implementation of the corrective actions plan during the year 2022.