

**F I P C O**

FILLING & PACKING MATERIALS MFG. CO.

A Saudi Stock Company

Paid-up Capital : SR. 115,000,000



**فيكو**

شركة تصنيع مواد التعبئة والتغليف

شركة مساهمة سعودية

رأس المال المدفوع: ١١٥,٠٠٠,٠٠٠ ريال



**FPC**  
Coated Technical Textiles

# The Audit Committee Report for 2023

09-03-1445 AH

03-13-2024 AD

Attn: FIPCO shareholders

May the peace, blessings, and mercy of Allah be upon you,,  
Greeting.

**Subject: The work of the Audit Committee during the fiscal year 2023**

The Audit Committee held five meetings during the fiscal year 2023, and the topics of those meetings focused on the following:

1- Discussing the preliminary quarterly financial statements for the first, second, and third quarters of the fiscal year 2023, as well as the consolidated financial statements for the fiscal year ending on December 31, 2023 and submitting recommendations.

2- Approve and follow up on the implementation of the internal audit plan for the fiscal year ending on December 31, 2023.

3- Study and discuss the reports of the Internal Audit Department in accordance with the audit plan approved by the committee for some of the company's departments and submit recommendations to the company's management that would develop suggestions, solutions and corrective measures for those problems arising from these reports, with an emphasis on not completing the implementation of the work of the audit plan approved for the year 2023 AD. Completely due to the position of internal auditor being vacant for some time, then the position was occupied during the first quarter of the year 2023 AD.

4- Reappointing the former internal auditor after he expressed his desire to return to work after the position of internal auditor was vacant for some time, with emphasis on the necessity of employing a Saudi internal auditor with moderate experience to ensure the continuity of work in the administration in the future and to ensure job succession that reduces the risks of this position being vacant in the future.

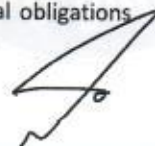
5- Recommending the Internal Audit Unit to reconsider previous observations on the departments being reviewed, especially for departments that have been reviewed and monitored for development for a long time due to the possibility of changing work procedures or The documentary cycle varies in such a way that the existence of the note may cease or the risk arising from it may be reclassified.

6- Recommending the internal audit unit to add some departments or focus on high-risk points in specific departments and to exert greater effort and care to fulfill the previously approved audit plans, considering benefiting from the management notes book provided by the external auditor and verifying that the company's executive management has taken corrective action.

7- Follow up on the scope and workflow of the current auditor (Maham Professional Services) and ensure that there are no obstacles or scope limitations. Confirm the completion of the implementation of the scope of work, obtain approvals, and ensure the application that affects the workflow with the relevant systems.

8- Reviewing the offers submitted audit firms, studying them, and nominating the most appropriate ones to carry out audit work for the fiscal year 2023 AD and the first quarter of the fiscal year 2024 AD, in accordance with what was stipulated in the corporate governance regulations issued by Capital Market Authority.

9- Recommending the company's management on the need to harmonize compliance with supplier contracts and carefully measure risks to avoid any future losses, considering contractual obligations with suppliers or renegotiating with suppliers to set verifiable conditions by the company.



10- Recommending the company's management to review the study of the composition of the provision for expected credit losses on a quarterly basis after entering all settlements or closed cases and using the statistical approach consistent with international financial reporting standards, considering the existence of logical harmony according to the nature of the activity and credit relations with customers.

11 - Continuing to recommend to the company's management the necessity of raising the level of efficiency in collecting customer debts and not delaying to meet the company's cash needs in a way that reduces the need for borrowing and burdening the company with financial burdens, with continuous monitoring of receivables balances, with a recommendation to the company's management to establish written contractual relationships with customers who are granted facilities. credit, and recommend reviewing the list of clients who were previously granted these facilities on a regular basis and taking appropriate guarantees and urging the auditor to review those balances and contracts periodically.

12- Recommending the method of depreciating assets in an accounting-acceptable manner that is compatible with international financial reporting standards, considering unifying the principles of presentation and disclosure to ensure that the financial statements are consistent with the approved standards, and that there are no fundamental changes in them unless the standards require otherwise.

13 - Follow up on the implementation of the previously approved mechanism regarding the (whistle blower) and ensure its implementation by conducting an independent investigation commensurate with the size of the error or violation - if any, and adopting appropriate follow-up procedures, in line with the Corporate Governance Regulations issued by the Capital Market Authority, and during the year 2023 AD nothing reached it to the committee about any remarks irregularities in financial or other reports. The Committee also recommended republishing the means of communication and spreading awareness about this to all employees on a periodic basis. The Committee is keen to receive reports from the Internal Audit Unit regarding this on a quarterly basis.


#### The audit committee's opinion on the adequacy of the internal control system

Based on the above along with the partial works carried out by the internal audit unit according to the approved audit plans during 2023, and the observations of the external auditor illustrated in the management letter, taking into account that any internal control system, regardless of the level of integrity of its design and implementation of its procedures, cannot be Provides absolute assurance about the effectiveness of applicable internal control systems.

Accordingly, the audit committee did not discover that there is a fundamental weakness in the internal control system in place, with the continuation of the audit committee's recommendation to the company's management to continuously monitor the development and improvement of the efficiency and effectiveness of the applicable internal controls and the need for ongoing updating of the company policies and procedures, and the implementation of the observations received from the committee regarding the internal audit reports coping up with the nature of the company's activity. As well as considering the subsidiary (FPC) in terms of continuous evaluation of all the subsidiary's activities related to operational, financial, compliance and risk management.

Audit Committee member  
Hathal S. AlOtaibi



  
 Chairman of the Audit Committee  
 Fawzi I. Alhobayeb

Audit Committee member  
Khaled A. Otain

