



## Audit Committee Report for the year 2022

Number: R11/ -2302

Date: 11 Rajab 1444 (02 February 2023)

Excellencies / The Chairman and the members of the Board of Directors

**Subject: The Audit Committee Report for the year 2022**

Based on "Article 88" of the Corporate Governance Regulations issued by the Board of the Capital Market Authority and the related articles of the Audit Committee's regulations, responsibilities and tasks, the audit committee report for the year 2022 was prepared as shown below:

The Audit Committee shall be competent in monitoring the company's activities aiming to assist the Board of Directors in fulfilling their responsibilities and ensuring the integrity and accuracy of reports and financial statements, and also, ensure the integrity, effectiveness and adequacy of internal control systems, and to make any recommendations that would develop and improve the systems to achieve the company's objectives and protect the interests of the shareholders, investors and other stakeholders with high efficiency and reasonable cost.

In this regard, during the year, from 1<sup>st</sup> / January/2022 to 31/ December/2022, the Audit Committee held Six (6) meetings, in these meetings the committee discussed many topics that were related to its tasks, responsibilities, and the activities of the Internal Audit Department, and in the presence of the officials from the Internal Audit Department, as well as requesting some clarifications from some other related departments in the company.

The Audit Committee thanks the company's management for enabling the Internal Audit department personnel to carry out their tasks & works as per the requirements, which enabled the Audit Committee members to fulfil their tasks and responsibilities in an appropriate manner. The tasks and the works carried out by the Audit Committee during the year 2022, is presented as below:

### 1. Approving the Internal Audit Department audit plan and following-up its execution:

Based on their experience, The Internal Audit responsible personnel has updated the overall strategic audit plan, which is based on the risk assessment to determine the audit assignment that the Internal Audit Department must perform. To achieve this, Internal Audit Department studied the operational activities of all departments of the company, and assessed the risks associated with these operations.

Based on the detailed overall strategic audit plan, the Internal Audit Department prepared its annual audit plan which was approved by the Audit Committee. The Internal Audit personnel executed the annual audit plan by auditing several company's operations, processes, and activities. The Audit Committee follow-up the execution of the internal audit plan on a regular basis.

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## 2. Audit Assignments performed during the year 2022

Internal Audit Department executed several assignments, as per Audit Plan approved by the Audit Committee. These assignments involve various departments of the company.

The following are the major activities, processes or departments that have been audited/reviewed and their reports were discussed by the Audit Committee during the year 2022:

- 1- Review of Internal Controls Over Financial Reporting – GL Activities for the Year Ended 2021.
- 2- Review of Procurement expenditure business cycle, Procurement – to – Invoice Processing Activities.
- 3- Review of conflict-of-interest policies and procedures and the company's policy in relation to contracts or operations with related parties.
- 4- Review of revenue cycle audit - sales and account receivables activities.
- 5- Management letter for the year ended 31 December 2020, issued by External Auditor.
- 6- Physical Counts & review of Operation of Cash/Visa Funds activities.

The committee has taken the necessary measures regarding the observations & recommendations contained in the above Audit Reports and is following-up the implementation of the corrective actions/measures, periodically, through follow-up reports from the Internal Audit Department.

## 3. Follow-up Reporting- the Review of Actions Taken on Audit Observations of previously issued audit reports:

The audit committee has taken the necessary measures to follow up the corrective actions/measures taken regarding the observations contained in the previously issued audit reports, with the aim of ensuring that these necessary corrective actions/measures have been taken by the concerned management. The committee has put in practice a reasonable mechanism for the follow-up reporting in an appropriate professional manner, through a procedure that the Internal Audit Department submits a periodic report to the committee members in their periodic meetings explaining the corrective measures that have been implemented and those that have not been implemented and the reasons for non-implementation.

The table below summarizes the total number of observations shown in the previously issued Audit Reports for the last previous five (5) years and the status of their agreed corrective measures:

Year	Status of the Observations			Total Observations
	Observation that their corrective measures are due		Observation that their corrective measures are NOT yet due	
	Fully Implemented	Partially implemented		
2018	26	0	0	26
2019	19	1	0	20
2020	18	2	0	20
2021	12	5	0	17
2022	2	2	1	5
<b>Totals</b>	<b>77</b>	<b>10</b>	<b>1</b>	<b>88</b>

## 4. Discussed the Interim Financial Statements for year 2022, and the annual for year 2021:

The Preparation of the Financial Statements in accordance with generally accepted accounting standards -IFRS- is the responsibility of the company's management, and the external auditor's responsibility is to express an opinion on these Financial Statements. In this regard, the Audit Committee discusses and analyses the Company's interim and annual financial statements



before presenting them to the Board for approval and before the publication and provides its opinion and recommendations- if any- on the Financial Statements to ensure their integrity, fairness and transparency, and for the purpose of informing the Board of Directors that whether the financial statements contain any incorrect statements, data or information that of relative importance, and that no data, information or amounts of material importance have been removed from these Financial Statements, the removal of which results in the Financial Statements being misleading. These were done through both the external and the internal auditor of the company.

In this regard, the Audit Committee did not discover, during its discussion of the interims Financial Statements of the 1<sup>st</sup>, 2<sup>nd</sup>, and 3<sup>rd</sup> Quarter of the year 2022 and the Annual Financial Statements for the year 2021, any of the matters mentioned in the previous paragraph.

#### **5. Recommending to the Board of Directors the nomination of External Auditors:**

Annually, the Audit Committee selects- at least – five external auditors, who are authorized to audit the joint stock companies' Financial Statements, for the company's management to invite them to submit a quotation proposal to audit company's financials. Then, the Internal Audit Department prepares a table analyzing & comparing the received offers and submits the analysis to the audit committee.

The audit committee studies the analysis & comparison of the offers and nominates at least (2) auditors to audit the company's Financials. The Committee indicates the basis on which the nomination was made and prepare a report to be presented to the Board of Directors in which it shows a summary of the result of the analysis of the offers.

In this regard the Committee have done the followings:

- a) The Committee recommended to the Board of Directors the nomination of the external auditors, Messrs. KPMG for Professional Service Company (KPMG), OR Messrs. Ernst & Young for Professional Services, to audit the company's Financial Statements for the year 2022.
- b) The Committee selected Five (5) External Auditors who are authorized to audit the Financial Statements of the joint-stock companies- as per Capital Market Authority, CMA- and invited them to submit their proposals to audit the company's Financial Statements for the year 2023. The committee studied and analyzed the offers received from these external auditors and recommended to the Board of Directors the nomination of two (2) auditors for the General Assembly to select One (1) or both to audit the company's Financial Statements of the year 2023.
- c) The Committee studied and discussed the Management Letter issued by the External Auditor- Messrs. Dr. Mohamed Al-Amari & Co.-BDO - for the year 2021.

#### **6. The adequacy of the company's internal and financial control systems:**

Based on the approved annual audit plan, Internal Audit Department of the company conducts a periodic reviews and audits of the various Activities/Departments of the company, including the evaluation of the company's internal control systems. Also, the external auditors of the company perform the statutory audit and review of the Financial Statements and issues a management letter in which they state the improvements-if any- that deem necessary in the internal control systems related to the preparation of the Financial Statements.



During the year 2022, both the Internal Audit Department and the External Auditor properly performed, their audits and reviews in accordance with the plans approved by the audit committee. Based on what was submitted by the Internal Audit Department within their audit plan approved by the committee and based on what was discussed by the audit committee in relation to the Interims and Annual Financial Statements, the Audit Committee was not aware of any material weakness, of a material impact that may be mentioned in this report.

Based on the results of the audits and reviews of the assignments/processes/ activities etc. performed during the year 2022, and based on what was included and discussed in the audit reports submitted to the committee by the Internal Audit Department and External Auditors, the Committee evaluation of the internal and financial control systems of the company did not show any material weakness, and the Committee believes that the management has maintained an effective system of internal control and that the scope and the volume of the audited assignments /processes/ activities etc. and the discussions made by the audit committee during its meetings, all of these, have provided the Committee members with a reasonable basis for their opinion.

The Audit Committee Members:

20/02/2023 11:55 PM

Mr. Hamad Abdullah Al-Olayan  
Chairman of the Audit Committee

12/02/2023 6:19 PM

Mr. Mansour Mohammed Balghonaim  
Member of the Audit Committee

12/02/2023 11:20 PM

Dr. Ahmed A. A. Al-Maghames  
Member of the Audit Committee