



Annual Audit Committee Report for 2019

Zain KSA

3rd February 2020

1. Introduction

The Audit Committee (AC) in 2019 has over seen efficiency and effectiveness of internal control at Zain KSA. To asses that, a number of meetings were held during 2019 with Internal Audit General Manager, Senior Management and External Auditor. This report briefly summarizes the AC roles and responsibilities, composition of the AC, meetings conducted, important outcomes and decisions, internal audit coverage and AC opinion on internal control system.

2. AC Roles and Responsibilities

The Committee's roles and responsibilities include its statutory duties as per the CMA Corporate Governance Rules, the Companies Law and the responsibilities assigned to it by the Board of Directors.

The Committee has carried out its functions through meetings and discussions with Executive Management, Internal Audit team and External Auditors.

The main responsibilities for the AC is the following:

- Assist the Board of Directors in its evaluation of the adequacy and efficiency of the internal and financial control systems, accounting practices, information systems, and auditing processes applied within the Company.
- Review and monitor the Company's management, Internal Auditors, External Auditors and the Company's finance policies to reasonably assure the adequacy of accounting principles and financial practices applied.
- Review and discuss the accounting policies adopted, any changes in accounting policies, submit recommendations and views to the Board of Directors.
- Review and analyze the interim (quarterly) and annual financial statements prior to presentation to the Board of Directors, provided its opinion and recommendations thereon to ensure their integrity, fairness and transparency.
- Nominate and recommend the appointment and remuneration of External Auditors, monitor their effectiveness and determine their equivalents.
- Supervising and monitoring the company's Internal Audit department to verify its effectiveness in performing the duties and tasks assigned to it.
- Reviewed the effectiveness of the system for monitoring compliance with applicable laws and regulations including governance regulations, the results of management's investigation and any instances of non-compliance.
- Approved the Internal Audit charter as well as Internal Audit policies and procedures.
- Meeting individually and periodically with the Internal Audit General Manager to discuss any matters that the Audit Committee or the Internal Audit General Manager may consider necessary.

3. AC Composition

The AC composition is as follows:

S No	Name	Position
1	Mr. Raied Bin Ali Alsaif	Chairman of the Zain KSA Audit Committee
2	Mr. Ossama Michael Matta	Audit Committee Member
3	Mr. Martial Antoine Caratti	

4. AC Meeting

The AC meets at least four times per annum, with authority to convene additional meetings as circumstances require.

The following are the details of the AC meetings held in 2019:

Name	24 th January 2019	6 th March 2019	16 th April 2019	23 rd October 2019	Total
Mr. Raied Bin Ali Alsaif	✓	✓	✓	✓	4
Mr. Ossama Michael Matta	✓	✓	✓	✓	4
Mr. Martial Antoine Caratti	✓	✓	✓	✓	4

5. Important Decisions / Outcomes

Following are important outcomes for above mentioned meetings:

- AC reviewed and approved the risk-based audit plan for the period 1st March to 31st December 2019 and it required budget.
- AC reviewed and approved the risk-based audit plan for the period 1st January to 31st December 2020 and it required budget.
- AC reviewed and recommend the year-end Financial Statements for 2019, and the quarterly Financial Statements for 2019 for approval by the Board of Directors.
- AC reviewed and examined the quarterly Internal Audit reports for 2019 and discussed the important observations and the management timeline for implementation.
- AC evaluated the proposals of External Auditors and provided recommendations to the Board of Directors to nominate External Auditor to the company for Q2, Q3, Q4 of the year 2019 and Q1 2020.
- AC reviewed the management letter issued by the External Auditor.
- AC reviewed the adequacy of the Company's internal control system.

6. Snapshot of Internal Audit Activities

Internal Audit reviewed the following areas during 2019 as part of approved yearly IA Plan:

S. No.	Audit
1	Direct and Indirect Sales Process
2	B2B Sales Process
3	Logistics and Inventory Process
4	Revenue Accounting Review
5	Capital Expenditure Deployment Process
6	Security and Controls over Oracle ERP systems and Segregation of Duties Review
7	Facilities Management Review
8	Credit Control and Collection Management Review
9	Operational and Security Controls over E-channel
10	Vanity numbers, VIP Sales & Relations and Telecom Gift Issuance Processes Review

7. Internal Control Systems

The internal control system has an important role to play in the success of any organization. Zain KSA is committed to ensuring an effective internal control system to achieve regulatory objectives, asset protection, accurate internal and external reporting, risk reduction and adherence to regulatory requirements.

The Audit Committee oversees the Internal Audit work, which periodically reviews the adequacy and effectiveness of the internal control system, to provide a continuous assessment of the internal control system and its effectiveness. The Committee also reviews the External Auditor's reports and management letter, which might include any lack of internal control noted by the External Auditor as part of his internal controls assessment.

Based on the above, the Audit Committee believes that **the internal control system within the Company is appropriately designed and effectively serves organizational objectives, operational efficiency, financial reporting reliability and regulatory compliance without any material deficiency or material weakness.**

In conclusion, the Audit Committee extends its sincere thanks to the Board of Directors for its support to the Committee to fulfill its roles and responsibilities and the Executive Management for providing all the data requested to perform the duties of the Committee.