



## Audit Committee`s Report for the year 2023

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## Introduction

Esteemed shareholders, The Audit Committee of Makkah Construction and Development Company is pleased to present its annual report for the fiscal year ended December 31, 2023. This report includes our assessment of the adequacy of the company's internal control systems, as well as the Tasks undertaken by the Committee Within Its Scope of Authority, in accordance with Article 88 of the Corporate Governance Regulations issued by the Capital Market Authority on January 18, 2023.

The Audit Committee is an independent committee derived from the Board of Directors, formed by a decision of the Board, with a mandate to oversee the company's operations and ensure the integrity and accuracy of its financial reports, statements, and internal control systems. It provides recommendations to the Board of Directors aimed at enhancing the effectiveness of control systems, as well as their ongoing development and updating, all in the best interest of shareholders.



## Overview of the Audit Committee Composition

The Audit Committee at Makkah Construction and Development Company consists of three members. The members were appointed during a Board meeting on June 18, 2023. The committee includes the following members

The name of the committee member	The membership status
Mr. Mohammed Abdul Karim Mohammed Al-Nafie	Independent - Chairman of the Committee
Mr. Ibrahim Abdullah Ibrahim Al-Subaie	Non-executive - Committee Member
Mr. Osama Omar Saeed Baryan	Outside the Board - Committee Member

The Committee held a total of 19 meetings during the year 2023, during which discussions were conducted on financial reports, internal audit activities, compliance assurance, and external audit. The Chief Executive Officer, Chief Financial Officer, Internal Audit Director, and Committee Secretary were invited to attend the meetings, along with representatives from the external auditors.



## Financial Reports

- Review of the company's preliminary and annual financial statements before their presentation to the Board of Directors, providing opinions and recommendations to ensure their integrity, fairness, and transparency.
- Thorough examination of any significant issues outlined in the financial reports, and meticulous study of the matters raised by the Chief Financial Officer, Compliance Officer, and/or external auditors.
- Verification of accounting estimates in the financial reports' material issues.
- Review of the company's accounting policies and providing opinions and recommendations to the Board of Directors regarding them.

## Internal Audit

- Review and approval of the internal audit plan.
- Review and approval of the internal audit charter.
- Reviewing internal audit reports and supervising the implementation of corrective actions for the observations identified in those reports.
- Review and approval of policies and procedures related to internal audit department.
- Oversight and supervision of the company's internal audit management's performance to ensure its effectiveness in performing assigned tasks and duties.



## External Audit

- Recommendation to the Board of Directors regarding the nomination, dismissal, remuneration determination, and evaluation of external auditors after verifying their independence, reviewing their scope of work, and contract terms.  
Auditors' appointment should not exceed five consecutive years, with a two-year cooling-off period before resuming audit work at the company.
- Verification of auditors' independence, objectivity, fairness, and the effectiveness of audit work according to relevant rules and standards.
- Presentation of the Audit Committee's recommendation to the Ordinary General Assembly regarding the selection of the company's auditors, specifying the names of the applicants and their remuneration. The Ordinary General Assembly shall appoint one or more auditors from among them to audit the company's accounts.
- Review of the company's audit plan and audit work, ensuring that it does not provide technical or administrative services beyond the scope of audit work.
- Responding to auditors' inquiries about the company's activities within the scope of their audit.
- Review of auditors' reports and their notes on financial statements, and follow-up on the actions taken.



## Compliance

- Review of regulatory reports' results and verification of the company's actions taken regarding them.
- Verification of the company's compliance with relevant regulations, policies, and instructions .
- Review of contracts and proposed transactions between the company and related parties, providing opinions to the Board of Directors regarding them.
- Presenting to the Board of Directors any matters deemed necessary and providing recommendations on the necessary steps to be taken.

## Risk Management

- Review of the most significant risks facing the company and conducting a continuous monitoring to assess risks and recommendations for addressing those risks.



## Results of the Annual Review on the Effectiveness of Control Procedures and the Committee's Opinion:

The executive management is responsible for establishing and maintaining an effective internal control system, which encompasses all policies, procedures, and operations designed under the supervision of the Board of Directors to achieve the company's objectives. Based on reports provided by the executive management of the company, external auditors' reports, and the annual audit plan of the internal audit management based on risks and its periodic reports, in addition to the results of discussions between the committee, external auditors, and executive management regarding the efficiency and effectiveness of internal control systems, the committee did not identify any material deficiencies in the internal control system. It's worth noting that any internal control system, regardless of the soundness of its design and the effectiveness of its implementation, cannot provide absolute assurances but reasonable assurances about the adequacy and effectiveness of the internal control system.

Board of Director member, Chairman of the Audit Committee

Mohammed Abdul Karim Al-Nafie