

**Annual General Meeting 2024**  
**Audit Committee annual Report for 2023**

## **1. Introduction:**

The Audit Committee (the “Committee”) of Bank Aljazira (the “Bank”) is pleased to present to the shareholders of the Bank its annual report for the financial year ending on December 31<sup>st</sup>, 2023 which includes details of its performance as stipulated in the Companies Law and its executive regulations, and the opinion of the Committee regarding the adequacy of the internal and financial control systems and Risk Management Group of the Bank and what tasks and activities that were carried out by the Committee that fall within the scope of its competence, in line with the Companies Law and based on the relevant regulatory requirements.

## **2. Scope of The Audit Committee:**

The Committee is responsible for the general oversighting over the Bank’s activities and submits all its observations and recommendations to the Board of Directors of the Bank. The Committee has the right to review records and documents and to request any clarification from members of the board of directors or the executive management of the Bank. The Committee performs its responsibilities, including supervising the Internal Audit, Compliance and Anti-Money Laundering Groups, review their reports, as well as the results of the internal control system evaluation, in addition to reviewing the quarterly and annual financial statements, the accounting policies followed by the Bank, nominate and recommend external auditors to the Board of Directors, reviewing the reports of control functions regarding the Bank’s compliance with applicable regulations, and assess appropriate tools through which the Bank’s staff can communicate their observations on any violation.

In alignment with the tasks and responsibilities assigned to the Committee as per the approved charter, the Audit Committee perform an essential and important role in supporting the board of directors to fulfill its duties regarding the integrity of the Bank's financial statements, the qualifications and independence and effectiveness of the external auditors, the Bank's disclosure procedures, the effectiveness of the Internal Audit Group, the evaluation and examination of the adequacy of the Bank's internal accounting systems and financial controls, as well as compliance with the code of conduct.

The Audit Committee is comprised of a chairperson chosen from (independent) board members and at least two external independent members with relevant experience and knowledge. The Committee meets at least four times a year and the meetings are attended by the Head of the Internal Audit Group, Chief Financial

Officer, Chief Risk Officer, Chief Credit Officer and head of the Compliance and Anti-Money Laundering Group on an ongoing basis. The CEO and senior executives attend the Committee meetings as requested by the Committee.

### **3. Audit Committee Charter:**

In accordance with corporate governance mandatory requirements, the Committee's charter was reformulated in line with the regulatory requirements. The Committee charter was approved by the Bank's General Assembly that was held on 18<sup>th</sup> Ramadan 1443 AH / April 19<sup>th</sup>, 2022.

### **4. Audit Committee Members:**

The following are the members of the Audit Committee who were selected for the Board's term started on January 1<sup>st</sup>, 2022 and ending on December 31<sup>st</sup>, 2024 during the Bank's Extraordinary General Assembly meeting held on 10<sup>th</sup> Rabi'II 1443 AH / November 15<sup>th</sup>, 2021.

Committee Member Name	Membership
Saad Ibrahim Almushawah (Independent)	Chairperson-Independent Board Director
Fawzi Ibrahim Alhobayb (Independent)	Member-Independent-External
Dr. AbuBaker BaGabir (Independent)	Member-Independent-External

### **5. Committee Meetings:**

The Committee held (4) four meetings during 2023 as below:

Member Name	Meeting 1 31 <sup>st</sup> January	Meeting 2 30 <sup>th</sup> April	Meeting 3 25 <sup>th</sup> July	Meeting 4 23 <sup>rd</sup> October
Saad Ibrahim Almushawah	√	√	√	√
Fawzi Ibrahim Alhobayb	√	√	√	√
Dr. AbuBaker BaGabir	√	√	√	√

## **6. Audit Committee responsibilities and its activities during 2023:**

During 2023, the Committee performed several activities as summarized below:

- **Financial Statements:**

The Audit Committee reviewed the quarterly and annual financial statements of the Bank, where relevant matters were discussed with Finance Group and the external auditors, review and verify causes of deviations, the adequacy of disclosures, the extent of implementing accounting policies and standards, and discussing all relevant aspects. The external auditors' feedback was obtained regarding the cooperation of the Bank's management in terms of providing all required documents and responding to raised inquiries. The external auditors confirmed that there were no material observations affecting the integrity of the Bank's financial statements. Accordingly, the Committee submitted its recommendation to the Board of Directors.

- **External Auditors:**

The Committee recommended to the Board of Directors and the General Assembly the nominated external auditors for the Bank, after reviewing the offers. Whereas, the Bank's General Assembly, held on Ramadan 21<sup>th</sup>, 1444 AH / April 12<sup>th</sup>, 2023 approved the reappointment of PricewaterhouseCoopers and EY as the Bank's external auditors to examine, review, and audit the financial statements for the second, third quarters as well as the annual statement for the fiscal year 2023 and first quarter 2024 and determine their fees.

Also, the Committee approved the annual audit review plan submitted by the external auditors. The Committee also discussed with the external auditors the annual management letters and the observations raised and directed the concerned departments to implement and follow up the corrective action plans.

- **Internal Audit:**

The Committee approved the annual internal audit plan and the comprehensive strategic plan for the years 2023-2026. The Committee also followed up and reviewed the periodic reports issued by the Bank's Internal Audit Group, the progress of implementing the approved plans, reviewed significant observations and provided the necessary directions to address any deficiencies.

- **Compliance:**

The Committee discussed the periodic reports of the Compliance and Anti-Money Laundering Group, following up on the adequacy of the enhancement level of compliance, reviewed significant observations and reports issued by regulatory inspections and the non-compliance with the regulations and instructions and provided its recommendations.

## **7. Results of the annual internal review of the effectiveness of the Bank's internal control**

The Bank adopts an internal control framework based on three lines of defense. The various departments and business sectors in the Bank correspond their activities in accordance with the rules and regulations established and approved by the competent functions represent the first line of defense. The second line of defense is represented by control functions including the Compliance Group, Risk Management Group, the Finance Group, and the Information Security Group, which are concerned with assessing, measuring and monitoring various levels of risks in terms of daily operations, credit operations and information security to ensure compliance with the controls set in place and with the aim of meeting the Bank's regulatory requirements. These departments submit periodic reports to the Management Committees and the Board's Sub-Committees, including the Board Risk Committee. The Internal Audit Group carries out the tasks of the third line of defense concerned with conducting the necessary audits and reviews that ensure the Bank and its employees are complying with the approved policies and procedures based on the work of the Internal Audit Group implemented during the year 2023, which covered the main activities of the Bank.

Generally, there is a reasonable assurance of the effectiveness of the internal control systems in terms of covering the important control aspects that materially affect the Bank's achievement of its objectives.

## **8. The audit Committee's opinion on the adequacy of the internal control system:**

The executive management of the Bank is responsible for establishing and maintaining an effective internal control system that includes all policies, procedures, and processes that have been designed under the supervision of the Board of Directors to achieve the strategic objectives of the Bank. An integrated system for internal control has been designed in the Bank as recommended by the regulatory and supervisory authorities. The Bank evaluates and monitors the internal control system through its control functions and the concerned Committees.

Based on the periodic reports presented to the Committee by the Internal Audit Group, the Compliance Group, the Risk Management Group, as well as the external auditors, and based on the annual confirmations and disclosures obtained from the executive management, the Audit Committee considers that the internal control system currently in place is operating with an acceptable and reasonability level of effectiveness. Taking into consideration that any internal control system, regardless of the soundness of its design and effectiveness of its implementation, cannot provide absolute assurance.

**Audit Committee Chairperson**



**Saad Ibrahim Almushawah**