

Transparency Report

Dr. Mohammed Al-Amri & Co. Public
Accountants

31 August 2023

الدكتور محمد العمري وشركاه
Dr. Mohammed Al-Amri & Co.

IBDO

Content

01

Message from the Firm
Leadership

Page 3

02

Our Firm

Page 4

03

Quality Management

Page 6

04

Sanctions and
litigations

Page 20

05

Saudization

Page 21

06

Professional Education
and Training

Page 22

07

Financial Information

Page 23

08

Appendix I

Page 24

09

Appendix II

Page 25

Message from the Firm Leadership

We are happy to share with you our most recent transparency report.

2022/2023 has been a year full of challenges and success stories; Started with completing the journey of implementing the ISQM1, achieving a desired growth, and ended with a successful completion of the first evaluation cycle of our SoQM.

Recently, BDO announced a 10% global annual growth in 2023 and a 13% growth in the Middle East region derived from an exceptional performance from Saudi Arabia (+31%). The exceptional growth was mainly contributed to the new structured advisory practice, through which we enjoy providing added value to our clients. We also have successfully achieved 40% increase in our task force with 20% at the managerial level.

The International Standard on Quality Management (ISQM) 1 has been implemented, with the plans to attain the highest level of quality through investing in more resources to be able to implement and continuously monitor the aspects of Quality. In parallel, we have upgraded and improved our systems, policies and procedures to ensure compliance with the standard. Our Global network is continuously monitoring and helping the Firm to be able to implement measures to enhance quality which remains to be a top priority for the regulators, standard setters and audit firms as it has a direct impact on the stakeholders' confidence in capital markets and the economy as a whole.

We believe that quality is the essential ingredient of the services that we render, and it indicates the following commitments as part of the Firm:

- Setting of the right tone from the top.
- Having and accepting relationships that promote honesty, truthfulness and quality.
- Investing in excellent people, technical and technological resources.
- Work environment that promotes integrity and ethical values.
- Readiness to embrace supervision and review from internal and external sources.
- Iterative processes for constant quality improvements to ensure sustainable audit quality

Hope you will find our transparency report informative.

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As quality is about doing the right thing, when no one is looking hence it should be built into our DNA



Dr. Mohamed Al-Amri

Chairman Board



Gihad Al-Amri

Managing Partner

Honesty and integrity

We operate with the highest degree of personal and professional integrity. We need and want our clients to trust us. This also goes the other way around i.e. the clients that we acquire also act with highest levels of honesty and integrity. These aspects are covered through our ethics and independence policies and our risk management policies.

Mutual support and respect

Value and support each other. Maintain an inclusive working environment where teamwork and relationships matter. We hold all personnel accountable under a code of conduct through which they are required to treat each and every individual with respect and without any discrimination. This allows us to work better together and to deliver better services to our clients as a result.

Professional and personal client relationships

Understand the person as well as the business. Build long standing relationships based on respect, trust and exceptional quality of service. This reflects our commitment to understanding our clients and their businesses and markets.

Empowerment and personal responsibility

We give our employees the freedom and trust to deliver the work that our clients expect. The employees are also made to realize that with trust also comes huge responsibility. The leadership continuously monitors the staff to be able to have control over the work of individuals.

Our Firm

Dr. Mohamed Al-Amri & Co. is the Member Firm of BDO International in the Kingdom of Saudi Arabia (referred to in this report as “BDO Al-Amri” or “the Firm”). It is a professional Closed Joint Stock Company registered under the number 66/11/323.

The Firm is led by the Chairman of the Board of Directors, Dr. Mohamed Al-Amri, who sets the Firm’s strategy and ensures its implementation. The Managing Partner Gihad Al-Amri is also a Member of Board of Directors, along with the other partners assists the Chairman in implementing the strategy and running the day-to-day operations.

The Firm leadership team and partners consist of:

Dr. Mohamed Al-Amri, the Chairman of the Board of Directors along with the Board is responsible for setting up the Firm strategy and ensuring its implementation.

Gihad Al-Amri, the Managing Partner and Member of the Board of Directors assisting the Board of Directors in implementing the strategy and running the day to day operations

Jamal Al-Amri, an equity partner who is working with the Managing Partner in running the day-to-day operations and achieving the overall objectives set by the Board of Directors.

Maher Al-Khatieb, a partner working with the Managing Partner in running the day-to-day operations and achieving the overall objectives set by the Board of Directors

Ahmed Al-Jumah, a partner and Member of the Board of Directors working with the Managing Partner in running the day-to-day operations and achieving the overall objectives set by the Board of Directors.

The Firm has the following committees and groups:

Audit and Assurance Steering Committee with the responsibilities as envisaged in their terms of reference. The committee meets frequently to ensure alignment of the practice with the strategy and quality requirements.

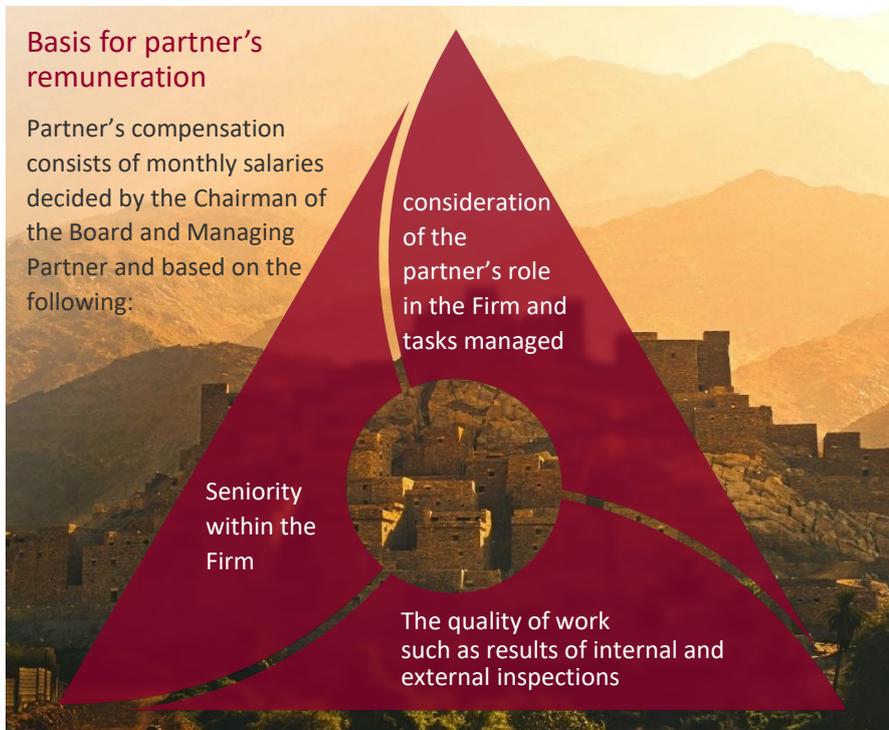
Technical Advisory Group comprising of audit partners and directors and is responsible for consultations on technical matters that arise within the Firm.

During the year ended 31 August 2023, the Audit and Assurance Steering Committee discussed the Firm’s 2023 plan for recruitments and training, updates to the international standards and regulatory requirements, updates to the Firm’s policies and procedures related to audit, the result of 2022 BDO Global Quality Review, updates to BDO Audit manual, and future challenges and the strategic direction of the Firm.

None of BDO Dr. Mohammed Al-Amri & Co. partners hold any director positions in committees or an employee position with an ability significantly affect the operations of the companies under the CMA supervision.

Please refer to Appendix I for The Firm organizational structure

Our Firm



The BDO Network

BDO is an international network of public accounting firms, the BDO member firms, which perform professional services under the name and style of BDO. BDO is the brand name for the BDO network and all BDO member firms. 'BDO' and 'BDO International' are trademarks of Stichting BDO.

Legal and Structural Arrangements in the Network

Each BDO member firm is a member of BDO International Limited, a UK company limited by guarantee, either as a voting member (one per country) or a non-voting member. The network is governed by the Council, the Policy Board and the Executive (or Global Leadership Team) of BDO International Limited.

The Council comprises one representative from each voting member and comprises the members of BDO International Limited in general meeting. The Council approves budgets, appoints the Policy Board and approves any changes in the Articles and Regulations of BDO International Limited.

The Policy Board, which is the Board of Directors of BDO International Limited, currently comprises a representative of the network's five largest member firms, whose appointment, each for a three-year term, is approved by the Council. The Policy Board sets policies and priorities for the network and oversees the work of the Global Leadership Team. The Policy Board meets at least four times a year and more if required.

Service provision within the BDO network is coordinated by Brussels Worldwide Services BVBA, a Belgian limited liability company with its seat in Brussels. BDO International Limited and Brussels Worldwide Services BVBA do not provide any professional services to clients. This is the sole preserve of the BDO member firms.

Each of BDO International Limited, Brussels Worldwide Services BVBA and the BDO member firms is a separate legal entity and has no liability for another such entity's acts or omissions. Nothing in the arrangements or rules of BDO shall constitute or imply an agency relationship or a partnership between BDO International Limited, Brussels Worldwide services BVBA and/or the BDO member firms.

Quality Management

International Standards of Quality Management

The Firm has implemented the International Standards on Quality Management “Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements” ISQM1 and “Engagement Quality Reviews” ISQM2.

ISQM 1 requires that a compliant system of quality management be designed and implemented no later than December 15, 2022, and that the first annual evaluation be performed within one year of that date.

The Firm has developed and effectively implemented the system of quality management under ISQM 1, and continuously evaluating its compliance as per the requirements of ISQM 1.

The BDO Global has provided many resources to help in efficient implementation of the Standards. The Firm has been able to perform the risk assessment process, including setting up of a BDO ISQM Manual.

In ISQM 2, the performance of an EQ review is undertaken at the engagement level by the EQ reviewer on behalf of the Firm.

Accordingly, ISQM 2, Engagement Quality Reviews, addresses:

- ▶ The appointment and eligibility of the EQ reviewer; and
- ▶ The EQ reviewer’s responsibilities relating to the performance and documentation of an EQ review.

ISQM 2 is effective for periods beginning on or after December 15, 2022.

There are many drivers to achieving audit quality. These are often categorized in terms of those that are directly relevant to auditor performance (i.e. the performance of the engagement partner and team) and those that are external to the team and outside of our control.

In addition, the Firm has also implemented an Engagement Inspection Program (EIP) as approved from BDO Global for firms which achieve a certain size. EIP is a part of the monitoring and remediation component that is very critical to the implementation of ISQM.

A web-based platform is also used which is known as the “BDO System of Quality Management Platform”, and helps in documentation of:

- ▶ Components.
- ▶ Objectives.
- ▶ Risk assessment which can also be tailored to the Firm needs.
- ▶ Responses to the risks through documenting controls and policies and procedures.
- ▶ Monitoring actions.
- ▶ Remediation actions including assigning the responsibility for remediation.

Objective of the System of Quality Management

The Firm’s system of quality management is designed to provide reasonable assurance that:

- ▶ The Firm and its personnel fulfill their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements .
- ▶ Engagement reports issued by the firm or engagement partners are appropriate in the circumstances.

Conclusion about the achievement of Quality Management Objectives

Subsequent to the year ended August 31, 2023, the Firm has finalized the evaluation of the System of Quality Management (SoQM) and concluded that the SoQM provides the Firm with reasonable assurance that the objectives of the SoQM are being achieved.

Quality Management

Reasonable assurance is obtained when the SoQM reduces to an acceptably low level the risk that the objectives of the SoQM are not achieved. Reasonable assurance is not an absolute level of assurance, because there are inherent limitations of a SoQM.

Risk assessment process

The Firm has designed and implemented a risk assessment process to establish quality objectives, identify and assess quality risks and design and implement responses to address the quality risks.

The firm has established the minimum quality objectives identified from time to time as a basis for their quality risk assessment, which are no less than the objectives set out in ISQM 1. This has been done by considering the nature and circumstances of the firm and engagements performed by the firm.

Governance and leadership

The firm has established the following quality objectives that address the firm’s governance and leadership, and which also establishes the environment that supports the system of quality management:



(a) The firm demonstrates a commitment to quality through a culture that exists throughout the firm, which recognizes and reinforces:

- ▶ The firm’s role in serving the public interest by consistently performing quality engagements
- ▶ The importance of professional ethics, values and attitudes
- ▶ The responsibility of all personnel for quality relating to the performance of engagements or activities within the system of quality management, and their expected behavior
- ▶ The importance of quality in the firm’s strategic decisions and actions, including the firm’s financial and operational priorities.

(b) Leadership is responsible and accountable for quality.

(c) Leadership demonstrates a commitment to quality through their actions and behaviors.

(d) The organizational structure and assignment of roles, responsibilities and authority is appropriate to enable the design, implementation and operation of the firm’s system of quality management

Quality Management

(e) Resource needs, including financial resources, are planned for and resources are obtained, allocated or assigned in a manner that is consistent with the firm's commitment to quality.

Quality control is dependent upon an organisational structure which is inherently sound and which clearly defines the responsibilities of the various levels of management.

The Firm has clearly established responsibilities for the Managing Partner, the Chairman and other senior personnel.

Clear and consistent tone at the top has been set with no compromise on quality which also includes zero tolerance on non-compliances of the laws and regulations.

Clear job descriptions and terms of reference are set at all levels including those leading specific areas such as:

- Head of Audit
- Head of Human Resources
- Head of Learning
- Head of Technical
- Head of Risk, Ethics and Independence
- Head of Audit and Assurance Quality Management

Independence Declarations

On commencing employment with BDO, and annually thereafter, partners and staff are required to complete the independence declaration process. Confirmations are obtained from partners and staff that our policies around financial, business, employment and personal relationships have been complied with and requires all such relationships to be declared. Further, all audit engagement team members, including internal experts, are required to confirm and declare their independence prior to commencing the audit. This declaration is documented and maintained in the audit engagement file.

Relevant ethical requirements

The Firm's Ethics and Independence Manual contains the principles and rules relating to ethical conduct, which is available to all staff. This is supplemented by forms and complemented by a training program designed to ensure compliance with both Code of Ethics as endorsed by SOCPA.

Independence policies

As independence and ethical conduct are a the most important pillars of international professional standards and regulatory requirements, we strictly follow our independence policies and we have designated a Head of Risk, ethics and Independence to ensure the full compliance with the Risk Management Manual and Independence Manual.

Our risk management and independence policies have been prepared in accordance with IESBA Code of Ethics requirements, Saudi law, and regulatory requirements and have been effectively followed.

Independence of the Firm, Partners and Staff

Independence of the Firm, partners and staff is governed by the Firm's policies. Robust systems and respective procedures are applied to ensure compliance with laws, professional standards and regulations, including the principles and requirements of the Saudi Organization for Chartered and Professional Accountants and the IESBA Code of Ethics for Professional Accountants as endorsed in the Kingdom of Saudi Arabia. The Firm's policies consider independence from various perspectives. This includes, but is not limited to, our relationships with audit clients, the approval of non-assurance services to audit clients, long association of personnel with assurance clients and fee arrangements.

Services Provided to Audit Clients

We have policies and procedures in place to identify and resolve any threat to integrity, objectivity and independence and other fundamental ethical principles if they do arise, so that the professional conduct of the Firm is not compromised. This includes consideration of instance where fees from non-audit services may potentially impact assurance work, whether in reality or in perception. We ensure that we remain independent both in terms of mind and appearance. The Firm continually reviews the effectiveness of such policies and procedures and as changes to laws and regulations arise, these are revised accordingly. Before providing any service, the audit engagement partner considers any potential conflict of interest or threat to independence that may arise before approving such service.

Quality Management

Conflict of Interest and Independence Checks

Our independence management system assists the Firm in demonstrating compliance with professional, regulatory and legal requirements by maintaining documented evidence of conflicts and appropriate resolutions.

A conflict and independence check (CIC) is sent locally and internationally, where appropriate, to all partners and staff prior to a new engagement being accepted.

When a conflict is identified, Firm Risk Administrators and Firm Risk Managers in each location assist with resolving any issues identified. Where required, this is resolved with direct assistance from the Firm Risk Leader or the Managing Partner. When the Firm is unable to reach an appropriate resolution to a threat to independence or conflict through appropriate safeguards then the engagement may need to be declined after proper documentation of the facts and circumstances.

Global Independence

In order to perform effective enquiries to ensure that our independence on a global basis is not compromised, all partners and staff have access to a worldwide register of BDO's clients that are restricted entities. Such entities comprise those (mainly) assurance clients of which all BDO firms must be independent and include all financial statement audit clients relating to public interest entities as determined by the relevant jurisdiction.

When a proposed engagement involves a client, which has operations outside Kingdom of Saudi Arabia, a conflict check is sent using our international conflict checking tool. This tool allows for checks to be targeted to specific countries or regions and for checks to be circulated globally.

Quality Management

Acceptance and continuance of client relationships and specific engagements

Robust client and engagement acceptance procedures play a pivotal role in the Firm's ability to deliver a professional and quality service.

The Firm has policy for acceptance and continuance of engagements which requires completion of acceptance checklist, which requires various information on the basis of which, a risk assessment is made, and the approvals are obtained accordingly.. These include:

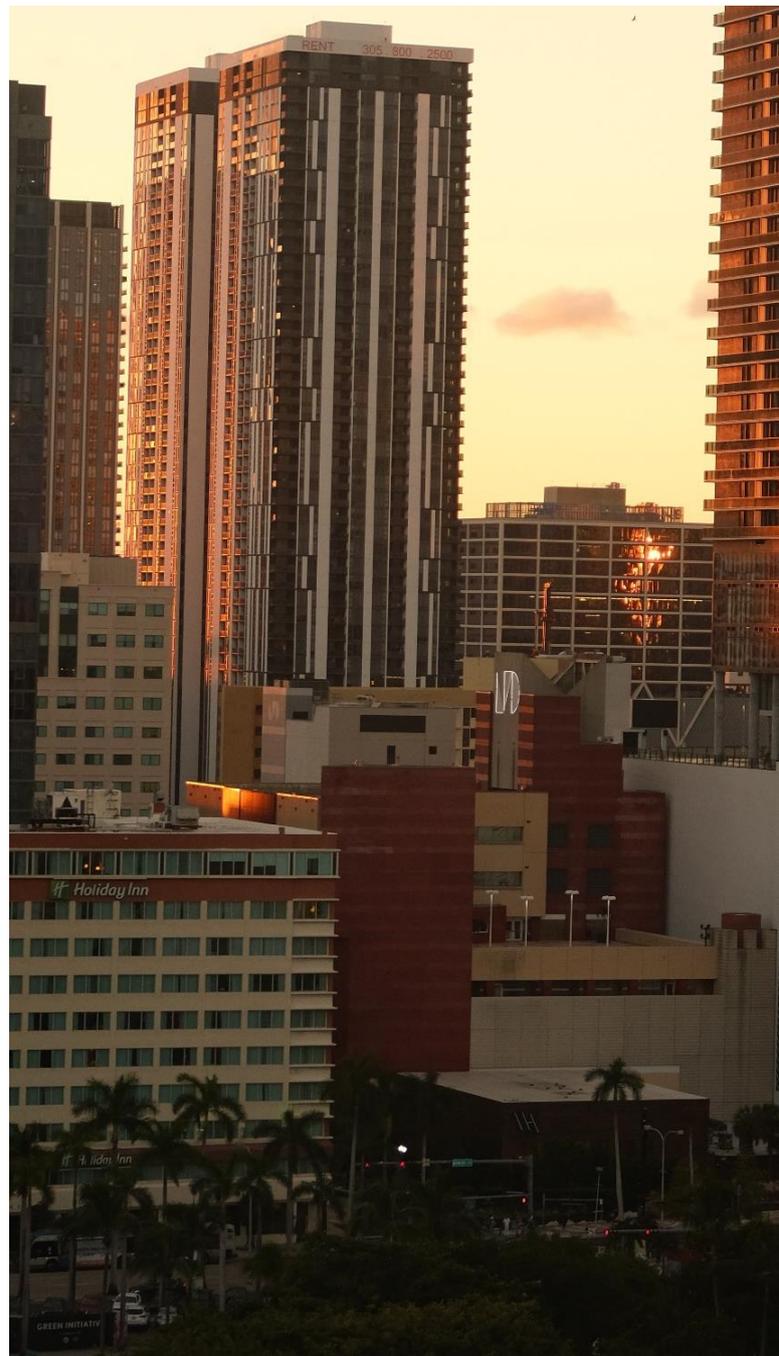
- ▶ Eligibility of the Firm to perform the engagement
- ▶ Consideration of local requirements whether the Firm can accept the engagement
- ▶ Independence requirements such as fee incomes, close relationships and financial interest
- ▶ consideration of the client's business including its geographical spread and the industry it operates in;
- ▶ evaluation of information concerning the client, its management and its owners including Know Your Client procedures;
- ▶ considering information regarding the character and reputation of the prospective client and key personnel;
- ▶ assessment of potential independence risks and potential conflicts of interest;
- ▶ inquiry of the previous auditor regarding the reasons for the change in auditor and if there is any reason why we should not accept the appointment;
- ▶ specific factors affecting the risk to the firm;
- ▶ Relevant ethical requirements;
- ▶ Appointment of EQR and mandatory consultations if any and
- ▶ reviewing filings of the company, including prior year financial statements and nature of the audit report.

A matrix of approvals is followed with regard to approvals in case of differing risk levels of the engagement.

Resources

The resources component of System of Quality Management includes:

- Human resources
- Technical resources
- Intellectual resources



Quality Management

Human Resources

Human resources is a critical factor in our ability to provide professional services. In order to ensure that the Firm has sufficient personnel with the capabilities, competence, and ethical standards necessary to provide quality audits in accordance with professional and legal requirements we have established clear policies and procedures addressing the following areas:

- recruitment
- performance evaluation
- capabilities and competence
- career development, promotion and compensation
- forecasting of personnel requirements.

Recruitment

Policies and procedures for recruitment are designed to ensure that those employed are professionally competent and possess the appropriate characteristics to enable them to deliver a high-quality service.

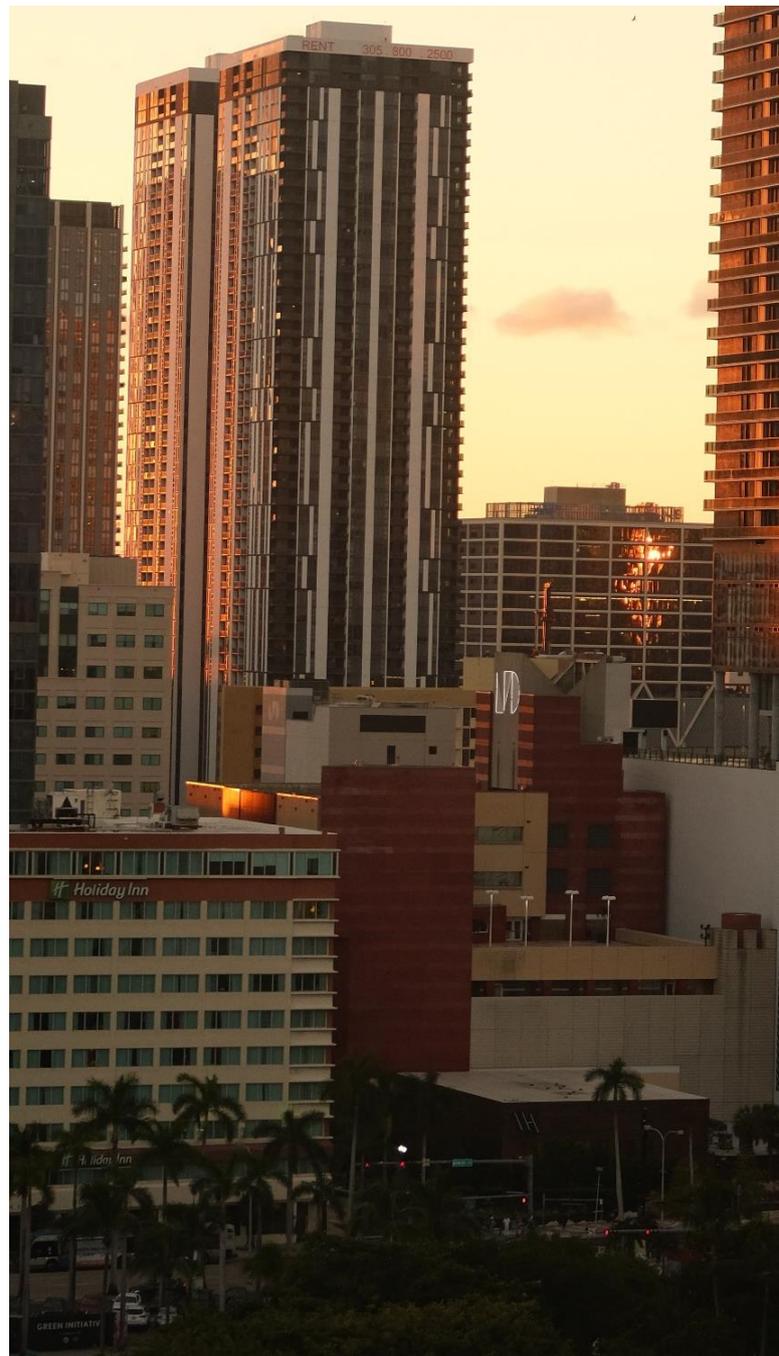
We work actively to ensure that diversity is embedded within the Firm’s culture, not just in principle but in practice. Inclusivity within the organization, whether it is based on age, gender, ethnicity or physical capabilities, strengthens the Firm’s values, makes the Firm more representative and more capable of providing a quality professional service.

We seek people with high levels of intelligence, stability, maturity, integrity, motivation, aptitude and leadership qualities appropriate to the role for which they are being hired.

Performance evaluation

All staff members are subject to formal performance appraisal, review and counselling on a regular basis, in order to evaluate the level of competence, monitor training and to help them reach their full potential. Performance appraisal includes a review of each individual's contribution to the quality of service(s) provided by the Firm.

Evaluations are completed on annual basis. The factors evaluated (which may vary by level) include professional and technical competence, management skills and analytical and judgement skills. Quality matters are also part of the evaluation system.



Quality Management

Capabilities and competence

Policies and procedures for assigning personnel to engagements are designed to ensure that only those persons having adequate technical training, proficiency and competence will perform the work.

A current profile of staff's technical proficiency is obtained by personal knowledge and experience. This profile is used to assess the suitability of the staff member for specific subsequent assignments. In addition, consideration is given to ensure that staff have the necessary technical knowledge and other skills appropriate to the size, complexity and nature of the planned work.

Career development, promotion and compensation

Staff career development is a key motive for staff. Generally, there is staff progression from an introductory staff level to supervisor, to manager and then to senior manager. Staff are promoted to the next level only when they are prepared for the increased responsibilities that promotion entails.

Non-compliance with the Firm's policies and professional standards is also considered as areas of growth. Lack of compliance is reflected through additional training, delays in promotion or through dismissal for serious instances of non-compliance.

In order to be considered for admission to partnership, a candidate's integrity, honesty and moral character must be above reproach. While attributes of individual applicants may differ because of technical specialization and years of experience, there are three basic attributes that all candidates must possess:

- technical competence in a chosen field of expertise;
- pride in self, the Firm and the profession; and
- professional attitude in work habits.

Partner compensation is reviewed regularly which includes consideration of the partner's role in the Firm, and the quality of work, but is not directly related to the individual's financial performance.

Forecasting of personnel requirements

We recognize that ultimately it is the quality and commitment of the partners and staff that really makes a difference and enables us to deliver a quality audit. Given this, our ability to attract the right number of high-quality people is of utmost importance. We predict personnel requirements so as to continue to service the Firm's clients and provide sufficient capacity to enable its partners and staff to develop the business.



Quality Management

Technological resources

The firm realizes that appropriate technological resources are required to be obtained or developed, implemented, maintained, and used, to enable the operation of the firm’s system of quality management and the performance of engagements.

Our firm is supported by BDO Global regarding implementing various audit and other technologies the most important of these which are of most relevance are:

- APT Next Gen
- ISQM Platform
- Worldcheck
- Conflict of Interest System
- BI in a Box tool

Intellectual resources

BDO Global also supports in the provision and update of intellectual resources which are required to be obtained or developed, implemented, maintained, and used, to enable the operation of the firm’s system of quality management and the consistent performance of quality engagements, and such intellectual resources are consistent with professional standards and applicable legal and regulatory requirements, where applicable.

Following are some intellectual resources used by the firm:

- BDO Audit Manual
- Tools and Guidance templates
- Training materials
- BDO Independence Manual
- BDO Risk Manual

Engagement performance in the Audit Stream

Common methodology

Our policies and procedures are designed to ensure that the audits performed by the Firm meet all applicable professional standards, regulatory requirements and that the Firm issues reports that are appropriate in the circumstances. To achieve this and to ensure consistency in the approach to auditing, BDO International has developed the common BDO Audit Methodology, related software tools and other standard forms of documentation. This methodology is fully compliant with International Standards on Auditing as endorsed by SOCPA and where appropriate these common processes are used by BDO International member firms.

▶ Software and “How to” guides

BDO Global has an Audit Processing Tool Next Generation (APT NG) through which all team members have easy access to all files and can document standard work papers from anywhere in the world. The software also has a monitoring function through BI in a Box tool which helps the Head of Audit and Assurance Quality Management to monitor files that are approaching deadlines for archival, which are communicated to all partners and directors for their action.

BDO also provides “How to” guides for various areas, some examples are:

- Risk Assessment Process
- Understanding the IT Environment
- Introduction to the Spectrum of Inherent Risk
- Sampling methodology etc.

Quality Management

Direction, supervision and review

We require all professional work to be supervised by staff members who have appropriate knowledge and experience. It is the responsibility of the relevant partner or director to ensure that related risks are identified and that decisions are taken by those with an appropriate level of authority. The relevant partner or director must also ensure that professional work is carried out efficiently and that it meets the Firm's standards in all respects.

Our review procedures are designed to ensure effective control of the audit as it progresses. At a general level these policies are designed to ensure that:

- ▶ the work is performed in accordance with applicable standards and regulations;
- ▶ significant matters have been raised for further consideration and appropriately addressed;
- ▶ appropriate consultations have taken place;
- ▶ the planned work has where necessary been reviewed and that the objective of all planned work has been achieved;
- ▶ the work performed and evidence obtained supports the conclusions reached; and
- ▶ the documentation present on the audit file enables an experienced auditor to understand the significant matters arising on the audit as well as the nature, timing and extent of the procedures undertaken, the results of those procedures and the evidence obtained.

Engagement Quality Reviews under ISQM 2

An Engagement Quality Review policy is applicable on the Firm whereby EQR is performed for audits of public interest entities and other high-risk engagements. The EQR reviewer will be familiar with the auditing and reporting practices used during the engagement, and be knowledgeable and familiar with the client's industry, but will be independent of the client's audit team.

As per the policy, the person appointed for EQR:

- Has the competence and capabilities, including sufficient time, and the appropriate authority to perform the engagement quality review;
- Complies with relevant ethical requirements, including in relation to threats to objectivity and independence of the engagement quality reviewer.

EQR reviewers are appointed by the Head of Audit or the Managing Partner, or an independent person where the Managing Partner or Head of Audit is also the Engagement Partner.

Consultation

The Firm has a Technical Leader who is responsible to be consulted on difficult and contentious matters as and when required and also leads a Technical Advisory Committee as per the Firm policy.

Our culture encourages consultation with experienced partners/directors and other specialists where appropriate.

The Firm also has a difference of opinion policy to address the matters of difference in opinion. If the partners and directors could not reach to a conclusion, the issue should be raised to BDO International and/or SOCPA for the consultation.

Professional judgement and skepticism

Professional judgment is at the core of what we do at BDO and is key to continuously providing value to our clients and exceeding the expectations of our stakeholders. To assist our firms and engagement teams in exercising high-quality professional judgment, BDO has developed the Framework and an accompanying how to guide that explore professional judgment, common biases and traps that inhibit sound judgment, along with practical application in decision making.

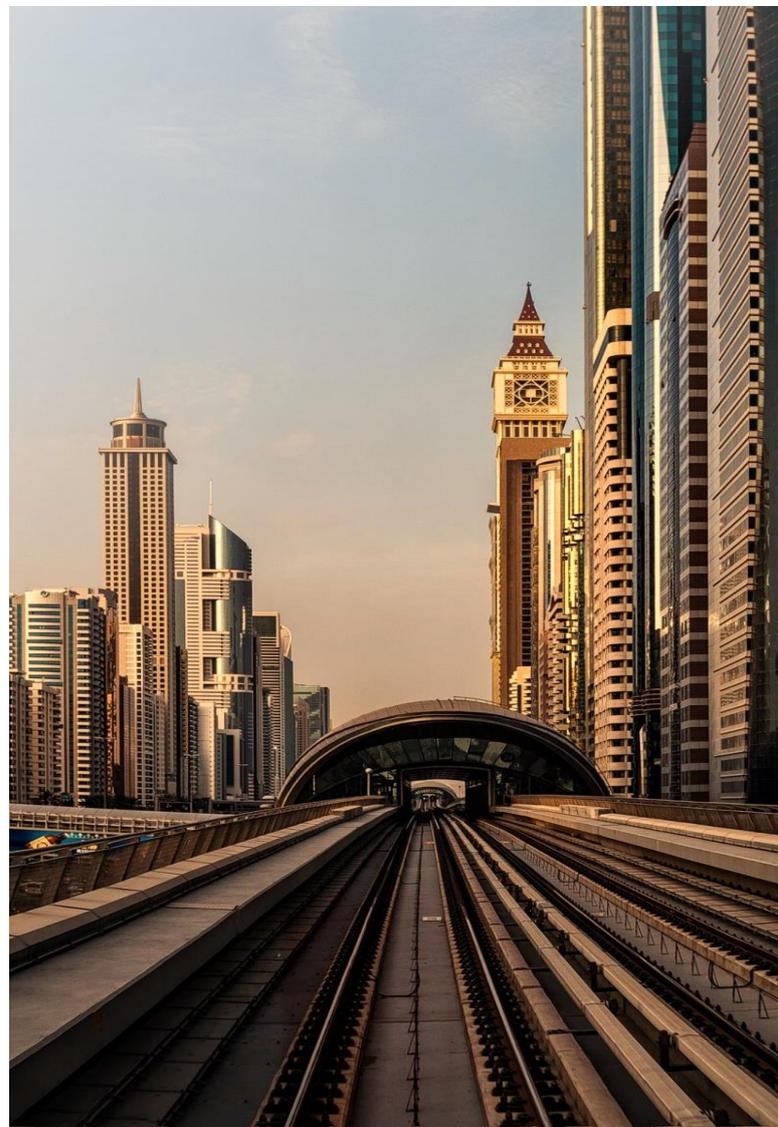
Quality Management

Information and communication

The firm has established the following quality objectives that address obtaining, generating or using information regarding the system of quality management, and communicating information within the firm and to external parties on a timely basis to enable the design, implementation and operation of the system of quality management:

- ▶ The information system identifies, captures, processes and maintains relevant and reliable information that supports the system of quality management, whether from internal or external sources.
- ▶ The culture of the firm recognizes and reinforces the responsibility of personnel to exchange information with the firm and with one another.
- ▶ Relevant and reliable information is exchanged throughout the firm and with engagement teams, including:
 - Information is communicated to personnel and engagement teams, and the nature, timing and extent of the information is sufficient to enable them to understand and carry out their responsibilities relating to performing activities within the system of quality management or engagements; and
 - Personnel and engagement teams communicate information to the firm when performing activities within the system of quality management or engagements.

- ▶ Relevant and reliable information is communicated to external parties, including:
 - Information is communicated by the firm to or within the firm's network or to service providers, if any, enabling the network or service providers to fulfill their responsibilities relating to the network requirements or network services or resources provided by them; and
 - Information is communicated externally when required by law, regulation or professional standards, or to support external parties' understanding of the system of quality management.



Quality Management

Monitoring and remediation process

The firm has established a monitoring and remediation process to:

- ▶ Provide relevant, reliable and timely information about the design, implementation and operation of the system of quality management.
- ▶ Take appropriate actions to respond to identified deficiencies such that deficiencies are remediated on a timely basis

Designing and Performing Monitoring Activities

The firm has designed and performed monitoring activities to provide a basis for the identification of deficiencies.

In determining the nature, timing and extent of the monitoring activities, the firm shall take into account:

- ▶ The reasons for the assessments given to the quality risks;
- ▶ The design of the responses;
- ▶ The design of the firm's risk assessment process and monitoring and remediation process;
- ▶ Changes in the system of quality management;
- ▶ The results of previous monitoring activities, whether previous monitoring activities continue to be relevant in evaluating the firm's system of quality management and whether remedial actions to address previously identified deficiencies were effective; and
- ▶ Other relevant information, including complaints and allegations about failures to perform work in accordance with professional standards and applicable legal and regulatory requirements or non-compliance with the firm's policies or procedures established in accordance with this inspections and information from service providers.

The firm has established policies or procedures that:

- ▶ Require the individuals performing the monitoring activities to have the competence and capabilities, including sufficient time, to perform the monitoring activities effectively; and
- ▶ Address the objectivity of the individuals performing the monitoring activities. Such policies or procedures shall prohibit the engagement team members or the engagement quality reviewer of an engagement from performing any inspection of that engagement

The Firm has a dedicated quality assurance department in this regard which performs the monitoring activities. This is led by a Senior Director having experience of the quality reviews and monitoring activities.

Evaluating Findings and Identifying Deficiencies

The firm evaluates findings to determine whether deficiencies exist, including in the monitoring and remediation process.

Evaluating Identified Deficiencies

The firm evaluates the severity and pervasiveness of identified deficiencies by:

- ▶ Investigating the root cause(s) of the identified deficiencies. In determining the nature, timing and extent of the procedures to investigate the root cause(s), the firm shall take into account the nature of the identified deficiencies and their possible severity.
- ▶ Evaluating the effect of the identified deficiencies, individually and in aggregate, on the system of quality management.



Quality Management

Responding to Identified Deficiencies

The firm has designed and implemented remedial actions to address identified deficiencies that are responsive to the results of the root cause analysis.

The individual(s) assigned operational responsibility for the monitoring and remediation process evaluate whether the remedial actions:

- ▶ Are appropriately designed to address the identified deficiencies and their related root cause(s) and determine that they have been implemented; and
- ▶ Implemented to address previously identified deficiencies are effective.

Ongoing Communication Related to Monitoring and Remediation

The individual(s) assigned operational responsibility for the monitoring and remediation process communicate on a timely basis to the individual(s) assigned ultimate responsibility and accountability for the system of quality management and the individual(s) assigned operational responsibility for the system of quality management:

- ▶ A description of the monitoring activities performed;
- ▶ The identified deficiencies, including the severity and pervasiveness of such deficiencies; and
- ▶ The remedial actions to address the identified deficiencies.

The firm communicates the matters described in preceding paragraph to engagement teams and other individuals assigned activities within the system of quality management to enable them to take prompt and appropriate action in accordance with their responsibilities.

In addition, our monitoring also includes a periodic Engagement Inspection Program (EIP) to assess the quality of audits performed on various assignments.

The Program includes guidance from BDO International on selection, performance and grading of engagements.

The sample selected is weighted to include an appropriate number of Public Interest Entities (PIE), including listed clients, as well as non-PIEs clients.

Independence of the reviewers is ensured through having each partner reviewed by a team independent from the engagement. Instructions are issued to the reviewers in advance of the review setting out the objectives of the process, a checklist, appropriate guidance and reporting templates.

Each review considers all matters from client take on, through planning and executing the assignment, to reporting and the role of the EQR.

The review report details the results of the review and includes the grading for the engagement reviewed. The report highlights common findings noted for improvement. A root cause analysis is carried out, combining all findings from all reviews and action plans are prepared and implemented for root causes identified.

Results from the process form the part of senior staff appraisals. We perform a root cause analysis for all common and significant findings noted from the EIP.

Result of last EIP

The most recent EIP was conducted in the period of August – October 2022. The review was conducted by a team of two partners and five senior directors. This process has been carried out under the surveillance of Head of Audit and Assurance Quality Management and Head of Risk, Ethics, and Independence. During this review, seven samples of audit engagements were chosen, four of which are ESASs. The sample covers all the firm's offices, partners, and directors.

The inspection program identifies four possible results, same as used by BDO International described below.

The result of the review showed that three samples rated as "satisfactory", three samples rated as "acceptable with some areas to improve", and one sample rated as "Major areas to improve".

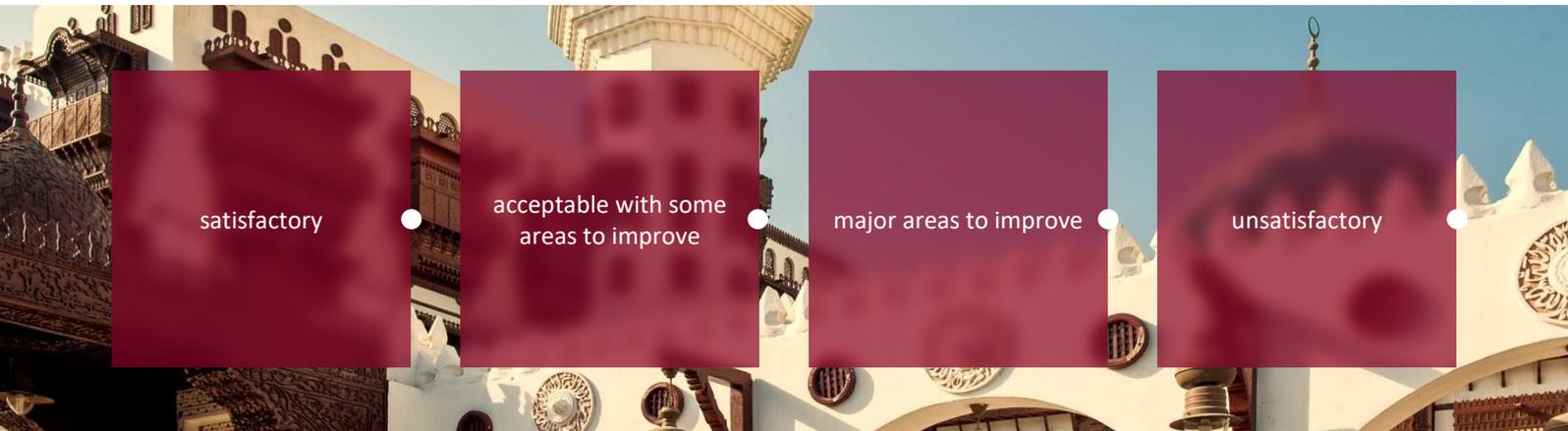
The 2023 EIP is currently in process.

Quality Management

Result of latest BDO International quality review

In the same manner, the Firm is reviewed by BDO International in the form of QAR inspections. Inspections are usually carried out on a 3-year cycle. The last was completed in June 2023. The QAR inspections adopt a similar format to the EIP but with enhanced independence as experienced overseas reviews, taken from an international pool, are used.

The most recent review carried out by BDO International in November 2022 and concluded by June 2023, where a sample of eight audit engagements was selected and resulted in the following, as per BDO International’s rating criteria:



The selection of the engagements included eight samples out of which 5 were ESAS. The result of the review showed that one sample rated as “satisfactory”, four samples rated as “acceptable with some areas to improve”, two samples rated as “major areas to improve” and one sample rated as “Unsatisfactory”.

External review

The Firm is registered with the CMA to carry out the audit of Entities Subject to the Authority’s Supervision “ESASs”. Registered Firms are inspected to ensure compliance with the Rules for Registering Auditors of Entities Subject to the Authority’s Supervision.

The first inspection conducted by CMA was in January 2021. the inspection covered a sample of eight ESASs, in addition to the Firm’s system of quality control. The review identified some comments in the performance of the audit in which the Firm has identified the root causes and worked on remediation plan.

The Firm is also under the supervision of the Saudi Organization for Chartered and Professional Accountants “SOCPA”. The last inspection conducted by SOCPA was in November 2021. the inspection covered a sample of three audit engagements. The review identified some comments in the performance of the audit in which the Firm has identified the root causes and worked on remediation plan.



Quality Management

Management Executive statement on effectiveness of functioning

These policies, procedures and monitoring activities have provided the Firm's Management Executive with reasonable assurance that the Firm, its partners and staff have materially complied with applicable professional, regulatory and legal requirements, that work has been performed to a consistently high standard and that appropriate reports have been issued.



Sanctions and litigations



Sanctions and Violations

During the reporting year, the Firm received a violation letter from the Capital Market Authority dated 26/02/2023 with a SAR 20,000 penalty against the Firm for two violations of Article 5 (a) of the Rules for Registering Auditors of Entities Subject to the Authority Supervision. The violation and penalty do not have any impact on the Firm's business.



Litigation and Claims

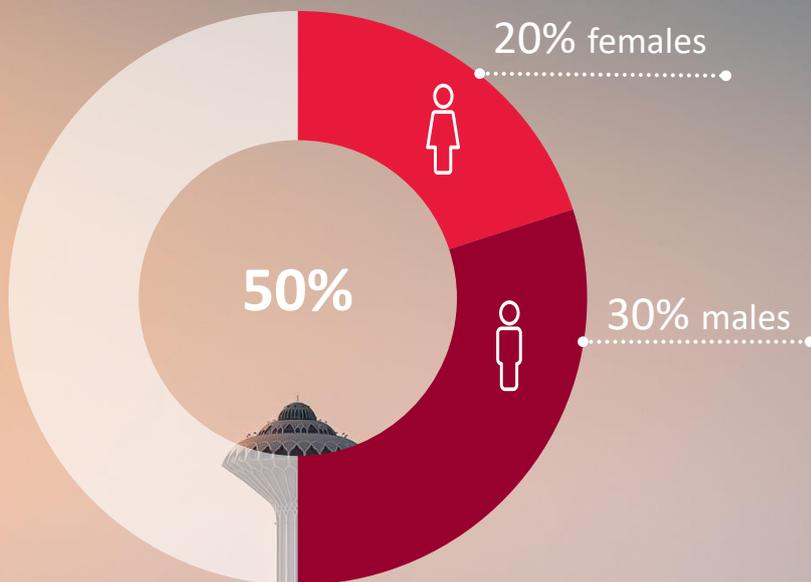
There has been no litigation, claims, or on-going investigation against our Firm that might have a material impact on our business in the last fiscal year.

Saudization

Enabling and empowering Saudi nationals is a top priority for our Firm. We work with youngsters from their later years in university where we participate in co-op programs. Student are allocated to the different service lines based on their interests and a designated senior is held responsible for his/her training. Some of the co-op students continue with the Firm after graduation in addition to other university graduates.

Fresh graduates are provided with practical training as soon as they join. This enable them to be in the field right after joining and apply what they have learned in real life. They are provided with full support and guidance to allow them to understand what they are practicing.

In addition, we have a mentoring-coach program to guide and assess staff towards meeting their career goals and aspirations. The program is a powerful force for developing employees and the organization, from helping new hires feel welcomed to building staff loyalty and retention. Under this program BDO Al-Amri help establish a career plan, offer insight and advice about potential challenges, and serve as a sounding board for ideas and career- related decisions.



We are proud that our Saudization rate has reached 50%, out of which 20% females and 30% are males.

Our goal is to reach 60% over the coming 3 years.

Professional Education and Training

The Firm has a policy of facilitating and encouraging continuing education as an important means of developing knowledge and maintaining and improving the quality of its services and of motivating and retaining its personnel.

The continuing education program is comprised of training sessions organised by the Firm specifically designed to meet its needs, by the BDO International network as well as external training by relevant professional bodies. Certain courses are mandatory and others are optional. The CPE requirements for professional auditors in Saudi Arabia are also factored in to the program.

Extensive training is given to all new recruits on the BDO audit methodologies, tools and processes.

More experienced personnel and partners are encouraged to constantly update and deepen their technical knowledge.

Continuing professional education is also a factor considered for the yearly evaluation of audit staff and the assessment of their career potential within the Firm. We are committed to developing and maintaining the highest possible standards of technical competence through our own development programs.

We have developed a curriculum providing technical training for our professionals throughout their careers. For all new assurance professionals, there is an orientation program covering the Firm’s audit approach and procedures and its organisational structure.

All qualified audit staff, including managers and partners, attend regular technical update courses. These courses are complementing by on the job coaching which provides a significant aspect of their professional development.

As part of an individual’s performance appraisal, professional development needs are assessed and courses or other training opportunities are identified

Our Professional Education and Training program for the year ended 31 August 2023 covered the following topics:

- Updates to BDO Audit manual mythology
- Updates to APT NG
- Updates to International Financial Reporting Standards
- Updates to International Standards on Auditing
- ISQM1 and ISQM2
- Anti-Money Laundering
- Independence and Ethical requirements

The training was facilitated through the following channels:

- BDO Global training portal
- BDO Global virtual training sessions
- BDO Al-Amri &Co. in-house training sessions

Below is the average hours of training taken by our professionals participating in the audit of ESASs for the year ended 31 August 2023:

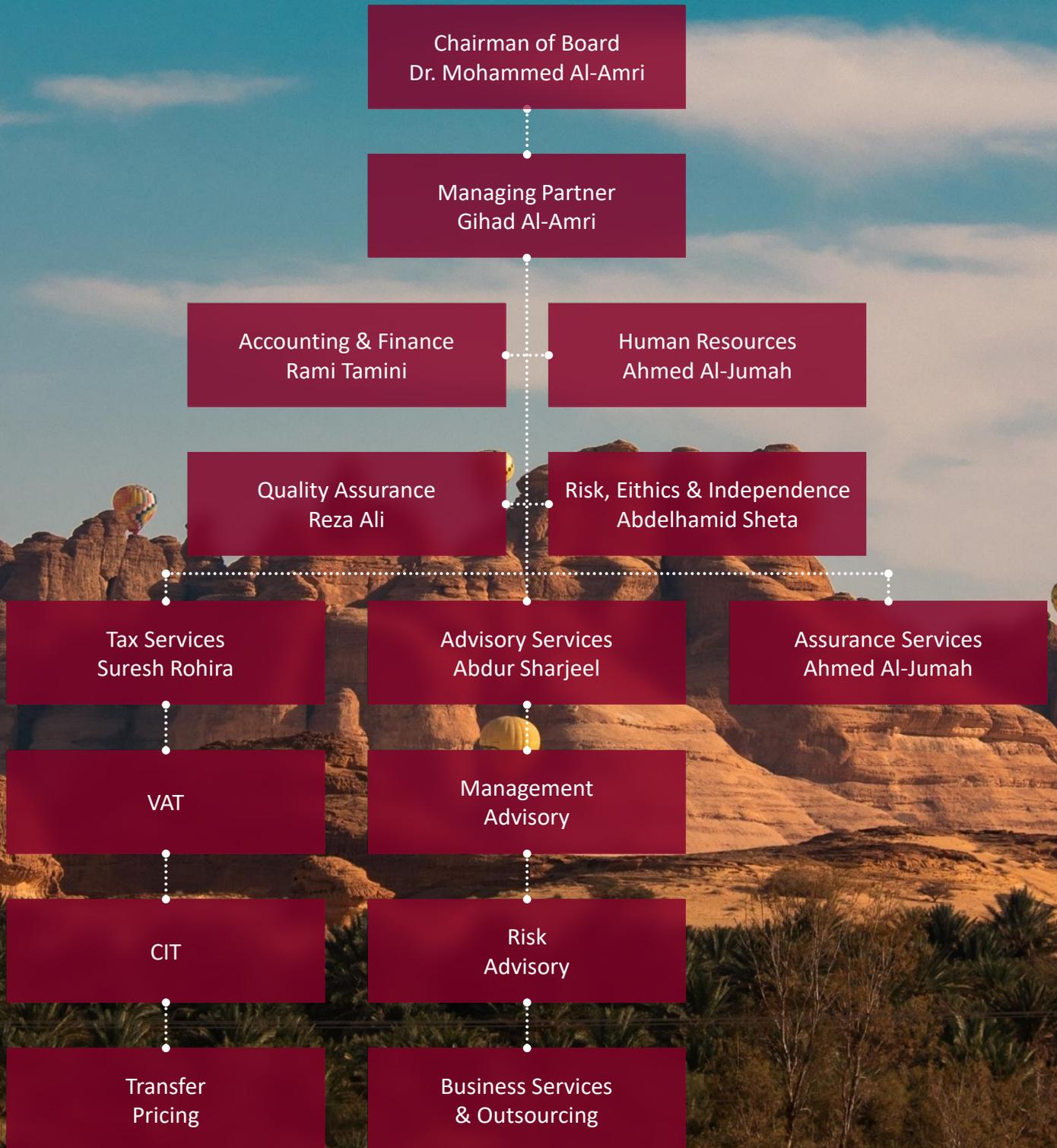
Position	Average Hours
Partner	65
Director	65
Manager	61
Technical; Staff	52

Financial Information

	SAR (million)
Total Revenue	132.2
Total revenues from audit engagements for ESAS	12.7
Total revenue from non-audit services for ESAS:	
ESAS audit clients	1.0
ESAS none audit clients	7.9

Appendix I

Below is the Firm's organizational structure:



Appendix II

ESAS Audit clients during the reporting period are listed below. The total hours spent auditing those clients are 41,629 hours of which the partners spent 856 (represents approximately 2% of total hours spent on ESAS audit engagements)

No.	Client Name	Legal Form	Partner In charge
1	The Company for Cooperative Insurance	Listed Company	Gihad Alamri
2	Saudi Reinsurance Company	Listed Company	Gihad Alamri
3	Malath Cooperative Insurance Company	Listed Company	Gihad Alamri
4	Zahrat Al Waha for Trading Co. (OASIS)	Listed Company	Gihad Alamri
5	National Company for Learning and Education (NCLE)	Listed Company	Gihad Alamri
6	Al-Babtain Power and Telecommunication Co. (ALBABTAIN)	Listed Company	Gihad Alamri
7	Maharah for Human Resources Company	Listed Company	Gihad Alamri
8	NAQI WATER COMPANYY	Listed Company	Gihad Alamri
9	AlJazira Takaful Taawuni Company	Listed Company	Maher Alkhatieb
10	Arabian Shield Cooperative Insurance Company	Listed Company	Maher Alkhatieb
11	Al Rajhi Company for Cooperative Insurance	Listed Company	Gihad Alamri
12	Bait Alshateera Fast Food Restaurants	Listed Company	Maher Alkhatieb
13	Anaam International Holding Group Company	Listed Company	Maher Alkhatieb
14	Ghida Alsultan For Fast Food Company	Listed Company	Maher Alkhatieb
15	Arabian Plastic Industrial Company - APICO	Listed Company	Maher Alkhatieb

Appendix II

No.	Client Name	Legal Form	Partner In charge
16	Yanbu Cement Company	Listed Company	Maher Alkhatieb
17	Saudi industrial development company (SIDC)	Listed Company	Maher Alkhatieb
18	Halwani Bros. Company	Listed Company	Maher Alkhatieb
19	Fitaihi Holding Group Company	Listed Company	Maher Alkhatieb
20	Najran Cement Company	Listed Company	Maher Alkhatieb
21	Saudi Marketing Company (Farms Superstores)	Listed Company	Maher Alkhatieb
22	Saudi Top Trading Company	Listed Company	Maher Alkhatieb
23	Naba Al Saha Medical Services Company	Listed Company	Maher Alkhatieb
24	Canadian Medical Center Complex Company	Listed Company	Gihad Al-amri
25	Fawaz Abdulaziz Alhokair Co. (CENOMI RETAIL)	Listed Company	Gihad Al-Amri
26	Saudi Steel Pipe Company	Listed Company	Maher Alkhatieb
27	Academy of Learning Company	Listed Company	Maher Alkhatieb
28	Gas Arabian Services Company	Listed Company	Gihad Al Amri
29	SADR Logistics Company	Listed Company	Gihad Alamri
30	Al Hammadi Holding	Listed Company	Gihad Alamri
31	Abdulmohsen Alhokair Group for Tourism and Development	Listed Company	Maher Alkhatieb
32	City Cement Company	Listed Company	Gihad Alamri
33	Umm-Al-Qura Cement Company	Listed Company	Maher Al-Khatib
34	Elm Company	Listed Company	Gihad Alamri

Appendix II

No.	Client Name	Legal Form	Partner In charge
35	Sinad Holding Company	Listed Company	Gihad Alamri
36	SMBC Advisory Services Saudi Arabia LLC	Capital Market Institute	Gihad Alamri
37	Malaz Capital Company	Capital Market Institute	Gihad Alamri
38	The Industrial Fund	Private Fund	Gihad Alamri
39	Makkah Center Fund	Private Fund	Maher Alkhatieb
40	Alinma Jeddah Economic City Real Estate Fund	Private Fund	Maher Alkhatieb

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