

# TRANSPARENCY REPORT

*For the fiscal year ended 30 June 2020*



AlKharashi & Co.  
Certified Accountants And Auditors

Member of



MAZARS



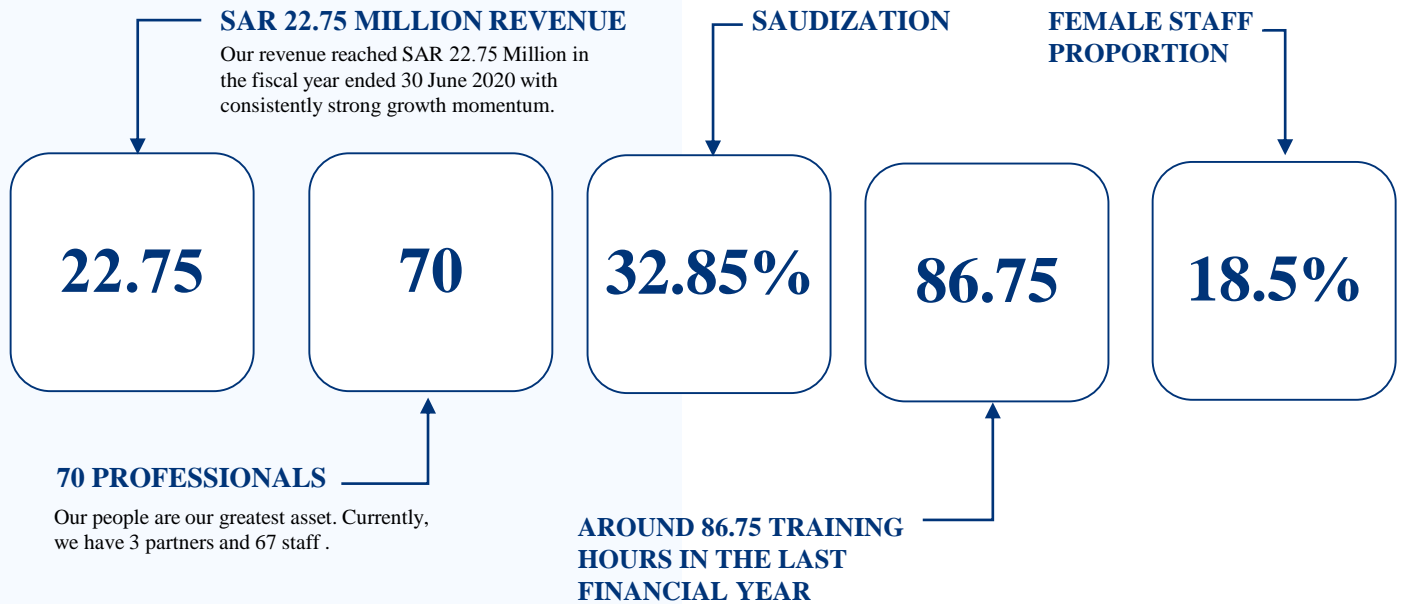
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01

## Alkharashi &amp; Co. at a Glance

**AUDIT HAS BEEN OUR CORE AREA OF EXPERTISE**

And it will remain so over the years to come.

We also know that a balanced portfolio of services is critical to support our clients' evolving needs. That is why we have developed expert advisory, tax and compliance services.

**AUDIT****NON AUDIT**

70.1%

29.9%



*International, integrated and independent, we are a partnership specialising in audit and advisory services. We care about the success of our clients, we preserve the integrity of our industry, and we are committed to passing on a just and prosperous world to future generations.*

**Alkharashi & Co. Certified Accountants and Auditors**

**Dear Readers,**

At AlKharashi & Co we are constantly challenging ourselves to achieve the next higher level in our service delivery. Last year was a milestone year for us, as we joined the Mazars global network as full member firm. This is a paradigm shift for the firm and its service quality, as now we have support of Mazars global knowledge base to augment our local experience.

Audit is in our DNA and the heart of our business. Our response to audit quality, is to embed it in our culture which requires correct tone at the top. Consequently, me and my partners have been deeply involved in updating ourselves in Mazars audit methodology and technology.

Over the last 12 months, we have been trusted by significant large and complex companies to take on their audit mandates, meanwhile we were successful in retaining our prior client base. This reaffirms and reinforces our position as a firm of choice. The aforementioned achievements would not have been possible without us exhibiting continuous high quality audit delivery. To strengthen our position further, we are now in the process of deploying Mazars policies and procedures on audit quality, which includes but is not limited to deploying the Mazars Global Audit Tool “Atlas”, training of our audit teams by Mazars, hiring of new experienced staff and adopting Mazars Quality Audit Manual.

2020 has seen one of the worst pandemics in recent history. This had an impact on older service delivery model i.e. by visiting the client. The new normal which has emerged during the pandemic lockdown is using IT based collaboration platforms to perform most of the work while limiting staff visits to the client premises to the minimal. At AlKharashi we have taken extra effort to make this transition as smooth as possible. We have been investing in IT platforms and training of our staff to achieve best results under the circumstances.

From late 2019 we have expanded our capabilities in financial sector. We happily report that we have won some good audit mandates for insurance and investment banking.

We have been working hard both on Saudization and gender balance in our audit teams. Our 32.85% staff is Saudi while females are 18.57% of our total staff.

We set ourselves the challenge of performing audits that deliver an augmented experience and real value to stakeholders, whilst contributing to creating more sustainable economy. In the context of turbulent audit market with demands for more quality, choice and resilience, we remain a truly credible and leading player.

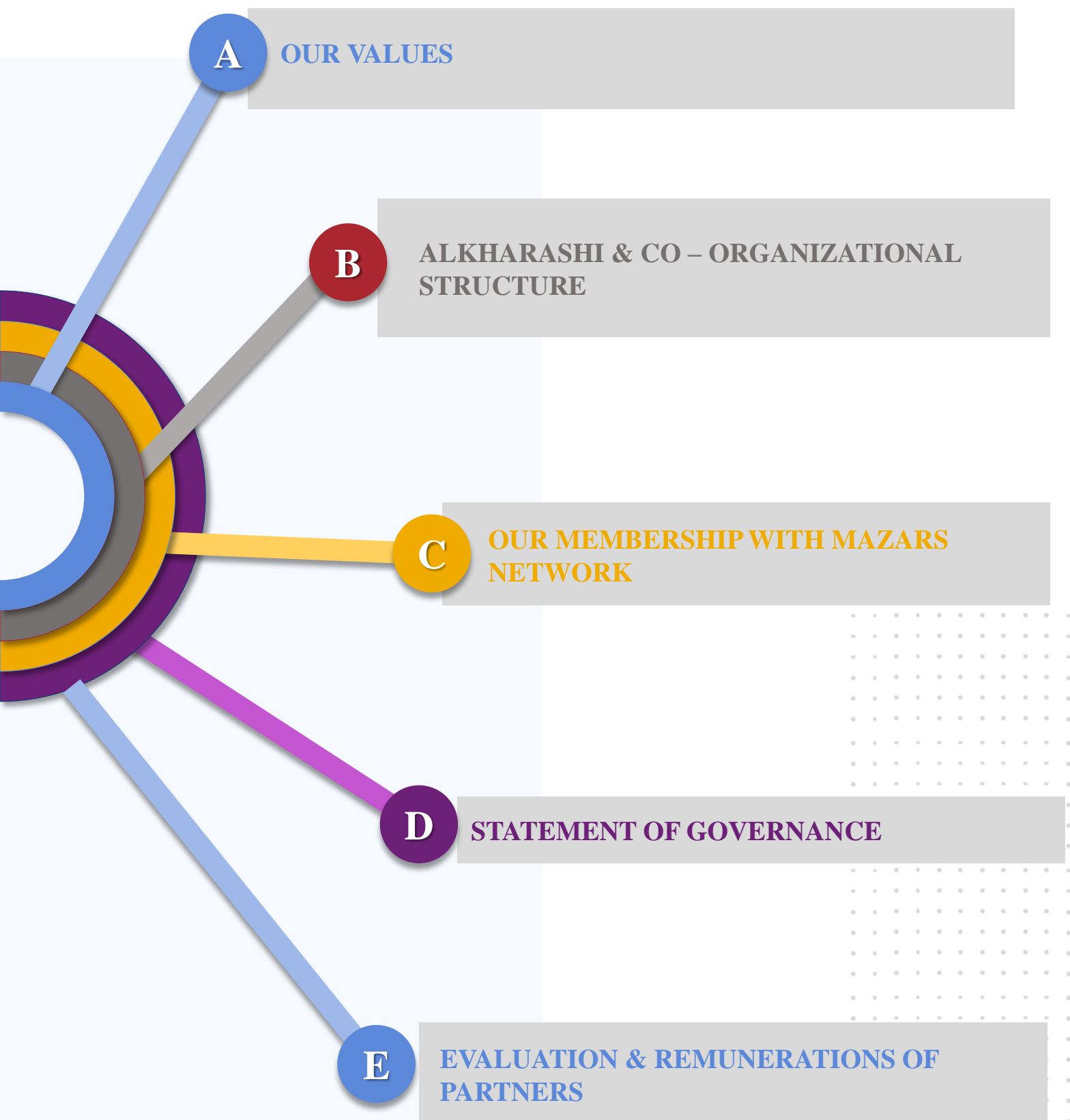


With our distinctive, human-centric approach, we deliver an augmented audit experience: one that goes beyond just compliance and contributes to the development of sustainable businesses, economies and societies.



***Sulaiman AlKharashi, Managing Partner***

***25<sup>th</sup> Oct, 2020***





## A - Our Values

Strong values have always been at the heart of AlKharashi & Co. They guide us in our daily actions, providing a common base of values that members of AlKharashi & Co. share and respect. These values are detailed as below:

<b>Integrity</b>	<b>Ethical and moral rigor guide how we work and assist our clients.</b>
<b>Responsibility</b>	We treat our clients' challenges as our own and we care about how our work may affect our communities.
<b>Diversity and respect for individuals</b>	Beyond borders and cultural differences, we make respect for the individuals and sharing the cornerstone of all human relations. United in diversity, we see our capacity to listen and our open-mindedness as a true lever for innovation.
<b>Technical Excellence</b>	Technical excellence is one of the founding principles applied at every level in the Group. This constant search for the highest standards of quality not only serves client satisfaction, business lines improvement and staff development: it is also the best guarantee of our independence.
<b>Independence</b>	We always think independently, and in our roles as auditors and advisors we always act independently.
<b>Continuity</b>	As new faces come and go, as one generation hands over to another, our relationships, experience and knowledge survive. We learn from the past, but look to the future.

## B - AlKharashi & Co - Organisational Structure

AlKharashi & Co is a Professional Partnership Company, incorporated pursuant to the laws of the Kingdom of Saudi Arabia, and registered in Riyadh under commercial register number 1010327044 dated 08/03/1433 H, having its head office at Riyadh.

Our firm started working in the Kingdom of Saudi Arabia since 1982 AD. AlKharashi & Co has currently three partners and nearly five directors, in addition to consultants for zakat and tax services and other consulting works provided by the firm.

The head office of the firm is located in the city of Riyadh, in addition to a branch in the city of Jeddah, as the firm intends to establish a new branch in Dammam to serve clients of the Eastern Province.

The firm provides a focused and integrated framework of professional services, which include accounting, auditing, tax and zakat services, management consulting, as well as other specialized services.

The firm is composed of four divisions i.e. audit, financial & management consulting, accounting & outsourcing services and zakat & taxes each headed by Partners and Directors.

The firm is staffed with around 70 professional staff as on June 30, 2020.

Internal structure of the firm is appended as Annexure 1.



## C - Our Membership with Mazars Network

Mazars SCRL (“Mazars Group”), is a limited responsibility cooperative Company incorporated in Brussels, Belgium. All Mazars full member firms are called “integrated firms” and they are member entities of Mazars SCRL. Mazars SCRL in itself has no professional activity, it just owns Mazars capital. The Role of Mazars Group is to “define the strategic objectives of the organisation and to coordinate the implementation of these objectives at the member firm level”, combined with responsibility for promoting the Mazars brand globally. Member firms are independent entities integrated through Mazars SCRL. Member firms do not bind Mazars viz-a-vis any third party and vice versa. However, member firms are obliged to comply with Mazars Group policies.

Mazars network is in existence since 1995, as a global integrated partnership. Currently the network has more than 1000 partners and 24400 professionals in 91 countries. Our international integrated partnership allows us to provide a high standard of service to our clients, with a level of agility and understanding that is unique to Mazars.

AIKharashi & Co is a member firm of Mazars Group and hence a member entity of Mazars SCRL. However, we neither bind Mazars Group or any of its entity viz-a-viz any third party and vice versa. We are independent in performance of our operations. Being a member of Mazars SCRL, AIKharashi & Co benefits from all technical tools and solutions, including audit manuals and tools, technology, research, procedures and policies, adoption of Mazars' recruitment, training, marketing, cloud archiving, employee transfer and quality control tools and solutions in their full form.

The mechanism of Mazars network membership is based on the presence of a global coordination team at the level of all Mazars partners in the world, as this team works to coordinate immediately and effectively on sharing/receiving transnational audit mandates from various Mazars network firms and search for experiences of any specific project at the level of global Mazars members, where all members of Mazars have to participate in the annual coordination fees for the use of Mazars tools, including the audit manuals and tools, as well as quality control programs and annual conferences and sessions organized by Mazars.



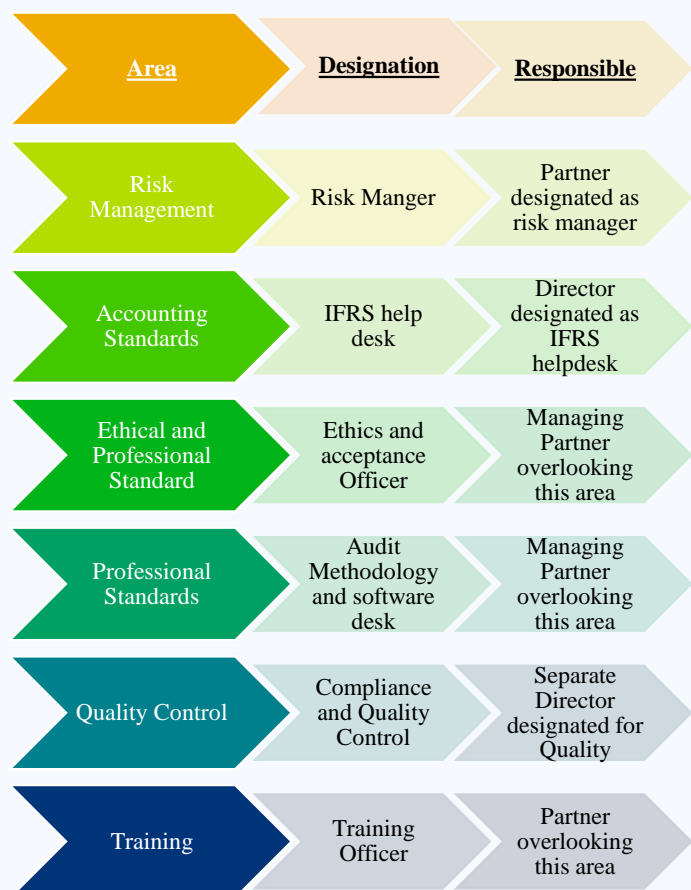


#### D -Statement of Governance

**AlKharashi & CO is compliant with International Standard on Quality Control – 1 “ISQC-1” as applicable in the Kingdom.**

AlKharashi & Co is managed by a Managing Partner (also called “Chairman of the Board”) who is assisted by two partners (Collectively Board of Partners). The operational activities are managed through Directors heading different service lines. Detailed organisational structure is appended at Appendix 1.

**Following technical desks are appointed to satisfy ISQC 1 requirements.**



#### D - Statement of Governance (Continued)

**Following are the CPAs of the firm:**

- Mr. Sulaiman AlKharashi is managing partner. He is a registered auditor of entities subject to the CMA Supervisions
  - Mr. Abdullah AlMsned is member of SOCPA and engages in audit of non-CMA supervised entities.
  - Ms. Najd AlKharashi, is a member of SOCPA and engages in audit of non-CMA supervised entities.
- It is the policy of the firm that no CPA is allowed to engage his/her self as member of any committee of an audit client or an entity supervised by CMA.
  - To achieve transparency in our dealings, we have opted in Mazars “client listening” initiative. Client listening is a feedback program designed to obtain input from audit clients on our service delivery quality. Program uses Qualtrix platform for surveys. The first feedback are due to be received for year ended December 31, 2020 audits.
  - Further we have recently conducted a staff feedback survey to determine what our staff considers important. In our recent survey, more than 90% of the staff showed satisfaction with job conditions, growth opportunities, feeling valued and acknowledged being respected.



## E - Evaluation and Remuneration of Partners

Actual remuneration of partners is a function of partners evaluation score, his/her holding percentage in the firm with a specific fixed wage, according to the following detail:

- 1% of the net income of the company is allocated to the development of the profession in the Kingdom, and this amount is spent on training employees and shareholders in preparing professional standards, studies and research specialized in the field of the accounting and auditing profession.
- 85% of the net income is allocated to be distributed to the partners in exchange for their shares in the capital.
- The remaining annual net income of the company will be distributed according to the percentage of their participation in the implementation of the work.

Partners evaluation is based on the following key competencies expected from partners.



### TEAM SPIRIT

**Partnership sustainability: focused on stewardship.**



### LEADERSHIP

**Inspiring leader, activating other's success.**



### BUILDING CLIENT RELATIONSHIPS

**Strong relationships builder and champion opportunity spotter.**



### BUSINESS DEVELOPMENT

**Deal maker, permanently seeking new ideas to generate value.**



### TECHNICAL EXCELLENCE

**Technical ambassador & technical innovation.**



### MANAGING FOR RESULTS

**Committed to long-term growth through fee income & efficient workforce.**

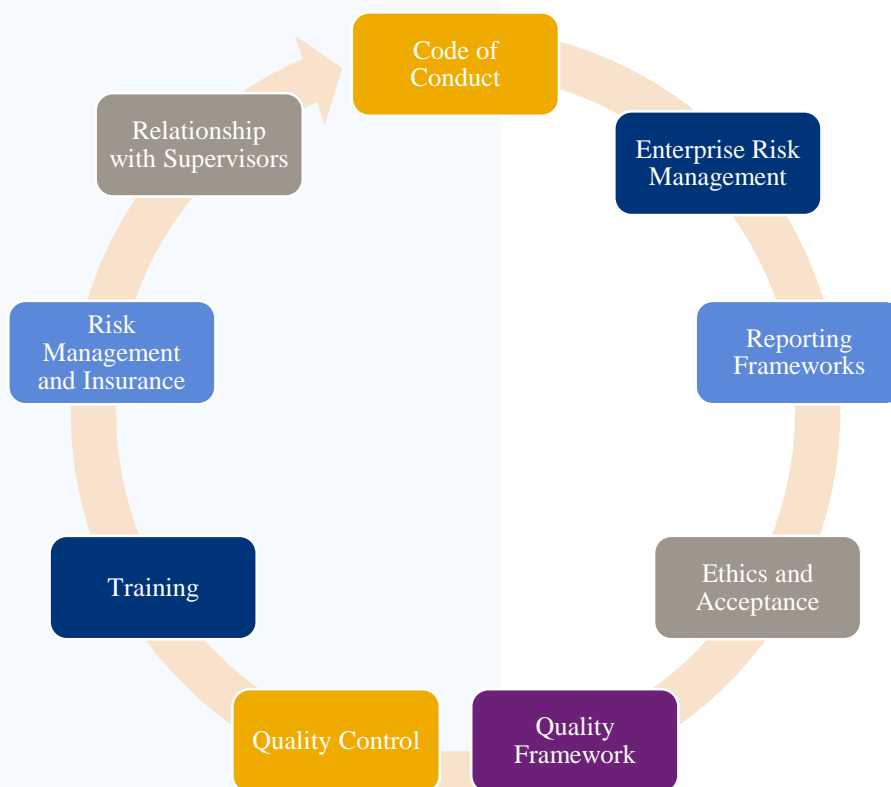
## 04 Quality Control

Mazars Group has developed a detailed guidance on audit quality titled “Quality Assurance Manual- QAM” which is based on ISQC-1. Compliance to the QAM is mandatory for all member firms. The Mazars International Quality Control Committee (IQCC) is responsible to oversee compliance to Mazars Quality standards and report to Global Executive Board.

Audit quality is a continuous endeavor. While we take note of the pronouncements by SOCPA and IFAC and regulators in respect of audit quality, but we aim to go beyond this. We are supported in achieving, maintaining and enhancing audit quality by Mazars Group.

At AlKharashi & Co due to our recent absorption in Mazars network, we are currently at significantly advanced stage of deploying and complying to Mazars Quality Assurance Manual. We also confirm that the quality control procedures included in this manual have been prepared and effectively implemented.

Mazars review the quality process as below continuous cycle:



## 04 Quality Control



Elements of our quality cycle are explained as below:

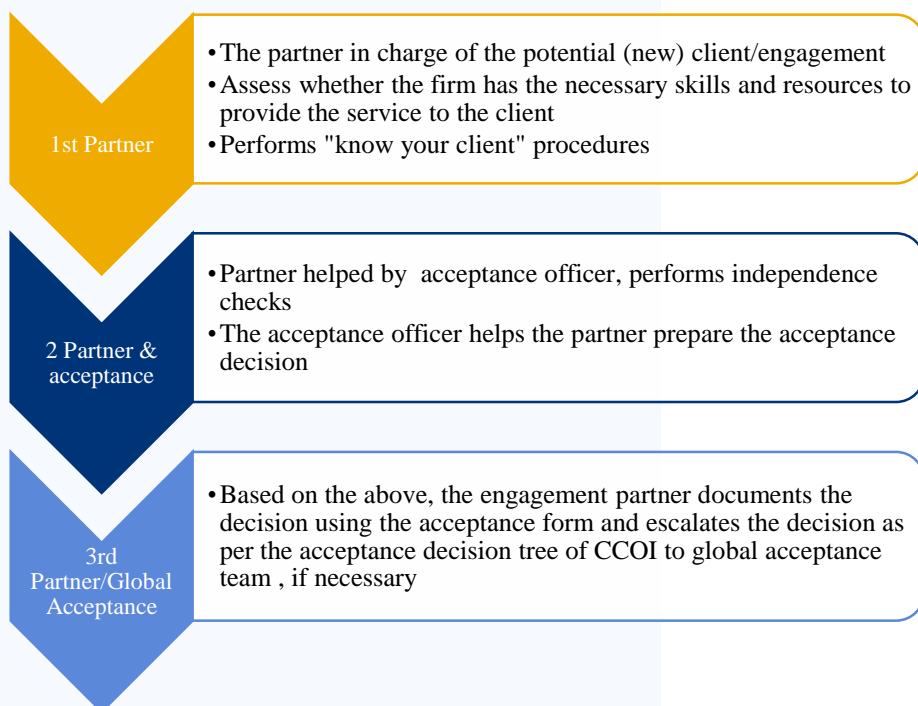
Our acceptance process ensures that only those assignments which we should be ethically accepting are accepted. The process high level breakdown is as below:

**Code of Conduct for Objectivity and Independence (CCOI)**, is a detailed formalised policy manual that provides guidance as to the application of the IESBA Code of Ethics while establishing Mazars specific rules. The policies contained in the manual have been incorporated into our working practise. Due to significance of the ethics area, it is monitored by Ethical and Professional Standards officer who is the managing partner himself. CCOI compliance is part of our annual self-assessment and Mazars quality verification review.

**Enterprise risk management- Our Risk Management Manual**, describes the Mazars organization, governance structure, the risk management policies and principles to be implemented in every Mazars network firm. The risk related policies are implements and over seen by a risk manager who is the second most senior partner in the office.

**Reporting Framework**, each Mazars member firm is required to have specialised knowledge in the reporting frame work applicable in the its country of operation. At AlKharashi & CO we have specialised desk for IFRS. In addition Mazars has a central IFRS desk called "Doctrine". All IFRS related questions are sent to Doctrine for opinion as and when deemed necessary. There is a formal process in respect of this matter.

Our acceptance process ensures that only those assignments which we should be ethically accepting are accepted. The process high level breakdown is as below:



## 04 Quality Control



The quality system is implemented in three distinct tiers:

### Compliance to Formalized Quality Assurance Manual (QAM) - our quality framework

- In line with ISQC 1
- Leadership responsibilities
- Code of Conduct
- Management of conflicts of interest
- Partner rotation
- Acceptance and continuance
- Audit Methodology and Documentation- MAM
- Technical Consultation
- Risk Management
- Engagement Quality Review
- Monitoring
- Complaints and allegations
- Human Resource

### Annual Quality Control Self-Assessment

- The self-assessment framework based on QAM compliance
- Covers all areas of QAM

### Inspection Programs

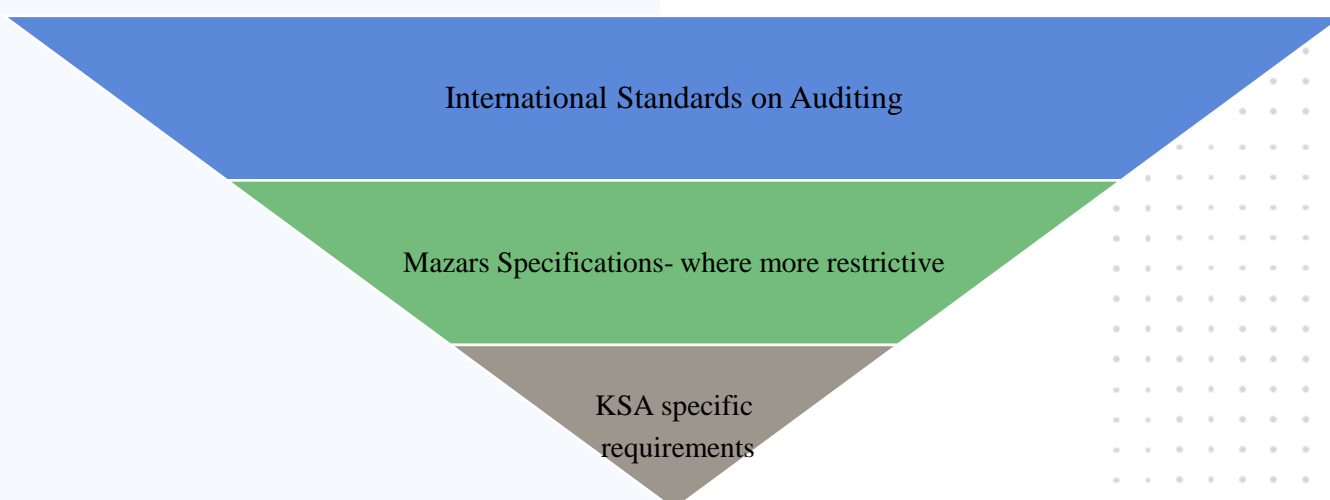
- International Quality Review by Mazars Group
- Once every three years



Our quality reporting/self-assessment is a very comprehensive cloud-based reporting software which includes reporting on all the elements of our quality framework. The software is called Enablon. We are required to report our self-assessment of our quality, our deficiencies and action plans with target dates to resolve the deficiencies. Mazars International Quality review team as part of inspection, revalidates the Enablon reporting done by independently testing all reportable areas of our self-assessment, validation of resolved deficiencies/closed action plans and also review of open action plans.

Implementation of QAM had been our biggest challenge in 2020 as it involved firmwide changes to how we do our business. We have now successfully deployed QAM by aligning our procedures and practices to those required by QAM, capacity enhancement through training and new experienced hires.

As part of QAM implementation, we have also implemented Mazars Audit Manual “MAM” which describes Mazars specific audit approach. This documents is updated every year and sometimes multiple times a year to keep in pace with latest audit pronouncement and methodology. Summary of MAM buildup is as below:





## Internal and External Inspections

- Audit firms are regulated by SOCPA.
- The last review conducted by Mazars was done on July 2018. the review team was including (ANDRE-CLABAUT Estelle, executive director from Mazars France with experience of around 25 years) and (Adnane Loukili, partner from Mazars Morocco with experience of around 24 years). The review was in substance a technical due diligence of our process for our candidature to becoming a full member firm of Mazars. The review included all aspects of ISQC-1 compliance. The review report included a few notes and deficiencies which we worked to improve. Summary of significant deficiencies noted were as below:
  - Need to improve audit documentation mechanism, given the critical volume of clients the implementation of the electronic audit file is critical.
  - The internal control evaluation is not properly documented in the audit files.
  - Some of the audits performed in the interim period 31/10 or 30/11 were not completed upon the final review.
  - There is no regular review on the electronic financial system.
  - The need to improve the indexing system for audit files.

Partner after considering the above deficiencies, decided to implement ATLAS which is Mazars structured platform for audit. Relevant controls like partners review and signoffs, independence, closing of file by due date, standardized sequence/layout of the audit file, use of risk matrix for reliance on controls and documentation thereto, digital archiving etcetera are now automated in the platform. Please see in subsequent paragraphs, further details on Atlas and how it responds to our related deficiencies.

- As part of annual quality self-assessment in 2020, we performed internal analysis of all elements of quality cycle and no significant deficiencies were noted. However for non-significant deficiencies noted, the action plans have been prepared and reported in Enablon. However our internal assessment will be subject to validation by the international quality control team in 2021.

## 04 Quality Control



### Quality Control

Engagement quality at AlKharashi & Co is ensured at three levels:

- Using of centralised Audit platform “ATLAS” which ensures quality as related automated controls are built into the platform
- An engagement quality reviewer is nominated for all listed and significant foreign clients. The Engagement Quality reviewer may be a Director or Partner not part of the audit team.
- Overall quality of the audit work is ensured by compliance to QAM. As mentioned before, this compliance is verified annually through self-assessment and every three years through Mazars peer review. A designated Partner is in charge for annual review and reporting on compliance to QAM through Enablon.

### Atlas

Helping us in our endeavor of achieving quality at engagement level is our audit platform “Atlas”, which was deployed successfully in early 2020.

Atlas is the bespoke global audit tool which has been almost deployed across all Mazars integrated countries transforming the way we conduct and deliver our audits. In a nutshell:

- Atlas is Mazars new common, scalable worldwide platform accessible over the internet (including an offline mode);
- The software has been designed on a common, practical interpretation of Mazars methodology with functionalities enabling its customization to local requirements, securing quality and compliance;
- It is based on a default minimum audit work flow which can be extended according to the complexity of our clients, hence promoting efficiencies;
- Through the use of Atlas we achieve further operational integration – connecting all Mazars auditors globally and resulting in greater consistency of our service and promoting teamwork,
- Atlas is an innovative solution, built on sound technology facilitating the integration of applications such as data analytics, client portal.
- Atlas is fully integrated with our QAM. The software has automated controls built in its functionalities i.e. acceptance, supervision, review etcetera, thus ensuring consistent high-quality audit delivery.
- At Alkharashi and Co, Atlas is being implemented in phases, phase 1 being ESAS clients which have been targeted to be in Atlas for year ending December 31, 2020.



## 04 Quality Control

### Training

At AlKharashi & Co we invest in our staff to develop them with an aim to deliver high quality service. For this the partners have set aside a portion of annual profit.

A training officer is designated, who in coordination with Mazars training department, prepares a training plan based on deficiencies identified in internal quality self-assessment, by firm's quality reviewer, by engagement reviewers, by regulators and by peer reviewers

For details on our channels of training, please refer to Section 9.

### Risk Management

Due to the nature of services provided by us, there may arise in normal course of operations, claims against deficiencies of our work or inappropriateness of our opinion.

To cater for any such untoward incidence, at AlKharashi & Co we have designated the second most senior partner as Risk Manager. The risk manager in addition to other duties, is also involved in acceptance and monitoring of response to engagement risk (where the risk is significantly high), any claim or intimation received, providing a channel for receiving complaints for work done, and ensuring sufficient professional indemnity insurance are held to meet any untoward incident.

### Relationship with Supervisors

Professional Services like Audit require continuous knowledge update. One of the key areas of the knowledge update, is learning from environment. At AlKharashi & Co we consider in depth, the observations sent to us or made public by regulators. We put sufficient effort and procedures to ensure these do not emerge in our future work.

Mazars at global level also accumulates the observations globally and shares with member firms to ensure higher quality level.

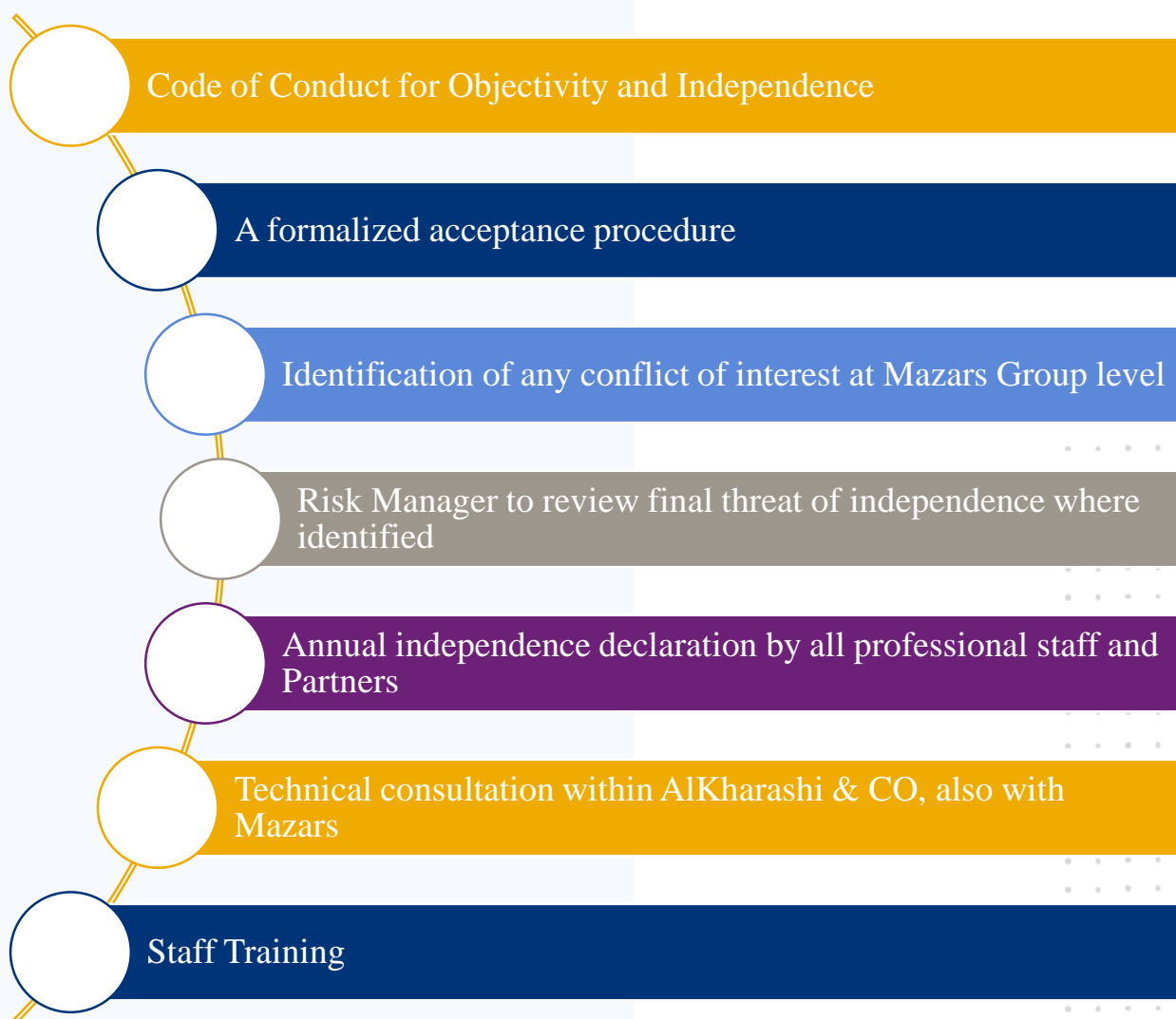
Mazars also at global level works with regulators for changes it proposes to our audit methodology, thus gaining there input before it's too late.

## 05 Independence Policies



We at AlKharashi & Co have a designated risk manager, ethics and acceptance officer and an internal quality process reviewer to see compliance to AlKharashi & Co policies along with Mazars global policies in respect of ethics and independence.

**Our system to safeguarding independence is composed of following key procedures:**



Independence policies have been prepared in accordance with the guide to professional rules and ethics issued by SOCPA and IFAC, and they are being implemented effectively.



During 2019-2020 , AlKharashi & Co. have spent 10,236 Hours on ESAS audit clients “Entities Subject to Authority Supervision”.

Time spent on ESAS clients	10,236
Partners & Directors	1,180
Managers	1,530
Seniors & Associates	7,526

Detailed list of ESAS clients is appended as Annexure 2.



We “at AlKharashi & Co” have been at the heart of the Kingdom’s transformation to Vision 2030 and we remain committed to supporting one of the Kingdom’s main ambitions; developing its local talent. We continue to invest heavily in our people, their capabilities to deliver on our purpose of building trust in society and solving the Kingdom’s most important challenges.

Our people have been providing auditing, accounting, zakat & taxes and financial advisory services and supporting both private and public sectors as they navigate some of the biggest challenges, such as the transition to IFRSs, the transition to IPSAS, the implementation of Taxes, housing initiatives and projects including WAFI and sales on map, Ejar integrated system that has been implemented by the Ministry of Housing ....etc. This in turn confirms our presence and promise to support the Kingdom’s success in achieving KSA’s Vision 2030.

Across our offices in Riyadh, Jeddah, we remain committed to having a truly diverse and inclusive workforce. We also plan to attract new talents reconcile with our prosperities as well as ambition in terms of clients / sectors / services. We do have, and will have more in near future, the relevant support staff to address our extensions and ambitions and to meet the administrative and technical challenges we might face.

We have worked hard on Saudization and achieving gender balance in within our team. our Saudization rate is 32.85%.

Currently the status of Saudization is as below:	Saudi Staff
Professional Staff	20
Non-professional Staff	3
<b>Total</b>	<b>23</b>
Trainees (Not officially employees and they might leave after training period)	19



Due to nature of our business, we expect to receive claims for damages purported to have been suffered as a result of our work.

However, as of June 30, 2020 the firm has not entered into any lawsuits, disputes or claims during the last financial year.



At AlKharashi & Co, various education and training programs are organized. All professional staff are required to identify their training requirements and discuss it with the line manager and training officers at the firm, in accordance with the requirements of various institutes Continuing Professional Development – CPD of which the professional staff are members of.

We follow multiple channels on education and training:

- An annual training is held in coordination with Mazars global training teams. Further adhoc trainings are held on requirement basis, the latest being COVID and its impact of report.
- Mazars University, which is an online self training platform with many online virtual courses.
- Local training programs being organised by organizations like SOCPA, Taqueem etc.

In addition, the firm maintains an online shared technical reference library placed on the VPN, which includes local laws, circulations, training materials etc. which is available for all professional staff to access on requirement basis.

The training program during the year ended 30 June 2020 focused on the following:

- Audit training webinars.
- Atlas training
- MAM training (Mazars Audit Manual)
- Socpa training
- Alkharashi & Co internal training

Furthermore, professional staff are also encouraged for self-training through available platforms, trainings offered by their qualifying institutes.

The following is the average training hours spent by professionals participating in the audit of the ESAS during the financial year ended 30 June 2020.

Position	Internal / Official	Internal / Non Official
Partners and Directors	24	31
Managers	22	63



### Financial Year Ended 30 June 2020

- The total revenue of AlKharashi & Co. for the year ending on 30 June 2020 is SAR 22.75 million.
- The revenue for ESAS is detailed as follows:

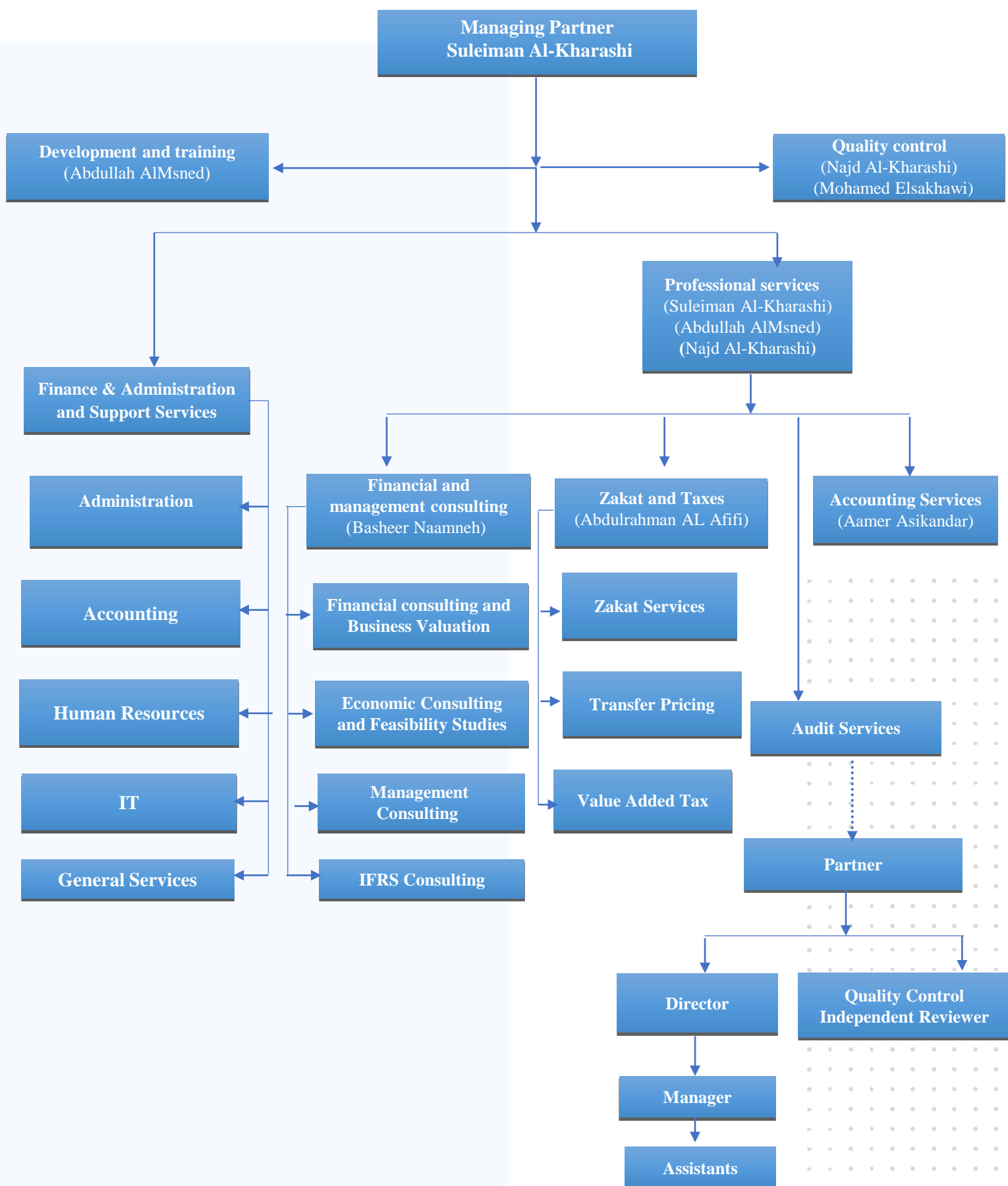
<b>Total revenue from audits of the entities subject to CMA's supervision.</b>	<b>4,500,000</b>
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	Total revenues from other engagements of the entities subject to the supervision of CMA for which we carried out audits.	1,045,853
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**Total revenues from other engagements of the entities subject to CMA's supervision**

	Total revenues from other engagements of the entities subject CMA's supervision, for which we carried out audits.	1,326,558
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# Appendix 1 (Organizational Structure)



## Appendix 2 (ESAS Clients)

ESAS	Engagement Partner
Dar Al Arkan Real Estate Development Co	Sulaiman Al Kharashi
Yamama Cement Co	Sulaiman Al Kharashi
Najran Cement Company	Sulaiman Al Kharashi
Northern Region Cement Co	Sulaiman Al Kharashi
ALJouf Cement Co	Sulaiman Al Kharashi
Hail Cement Co	Sulaiman Al Kharashi
The National Company for Glass Industries ( Zoujaj)	Sulaiman Al Kharashi
National Gypsum Company	Sulaiman Al Kharashi
Kasb Capital Co	Sulaiman Al Kharashi
Development Works Foods	Sulaiman Al Kharashi
Saudi-Fisheries Company	Sulaiman Al Kharashi
Gulf Union Cooperative Insurance co.	Sulaiman Al Kharashi
Kasb Free Style Saudi Equity Fund	Sulaiman Al Kharashi
Kasb Dividend Fund	Sulaiman Al Kharashi
Kasb IPO Fund	Sulaiman Al Kharashi
Kasb Murabaha Fund	Sulaiman Al Kharashi
Kasb Huper Market Fund	Sulaiman Al Kharashi
Kasb Granada Compound Fund	Sulaiman Al Kharashi
Kasb Health Education Saudi Fund	Sulaiman Al Kharashi
Abdullah Saad Abo Moati Company	Sulaiman Al Kharashi
KASB - Furas Real Estate Fund	Sulaiman Al Kharashi
KASB City Fund	Sulaiman Al Kharashi



# Thanks you...

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