



National Petroleum Services Company K.S.C

Audit Committee Charter

Document Number	Revision/Date	Number of Pages	Approved By
109001-CHR-003	0 / 01 JUL 16	6	

1. INTRODUCTION

- This Charter for the Audit Committee (“AC” or “the Committee”) sets out the membership, responsibilities, principles and operation of the AC and identifies the interaction with the Board of Directors and management.
- This Charter must be read in conjunction with other governance documents.

2. PURPOSE

To assist the Board of Directors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and National Petroleum Services Company (“NAPESCO”/ the “Company”) process for monitoring compliance with laws and regulations and the code of conduct.

3. MEMBERSHIP COMPOSITION

- AC should consist of three (3) members at least, one of which is an independent member. The chairman of the Board of Directors and the executive Board members may not be members of the AC.
- At least one member of the AC should have practical experience and /or qualification in accounting and finance.
- The Board of Directors determine the period of the membership and the method of its activity.

4. AUTHORITY

The AC has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- Appoint, compensate, and oversee the work of any registered accounting firm employed by the Company.
- Resolve any disagreements between management and the auditor regarding financial reporting.
- Pre-approve all auditing and non-audit services.
- Retain independent counsel, accountants, or others to advise the committee or assist in the conduct of an investigation.
- Seek any information it requires from employees-all of whom are directed to cooperate with the committee's requests-or external parties.
- Meet with company officers, external auditors, or outside counsel, as necessary.

5. MEETINGS & QUORUM

- The Committee will meet as often as may be deemed necessary or appropriate in its judgment, but at least once in every three months.
- External auditor and the internal auditor are entitled to request to meet with the AC as required and without the presence of the Executive Management.
- The AC shall meet the external auditor on a periodical basis and with the internal auditor at least four (4) times per year.
- The AC Chairman will chair all regular sessions of the Committee and set the agenda for meetings, in urgent cases, the Secretary of the Committee shall provide the members with an agenda and necessary documentation as early as possible before a meeting takes place.

- All committee members are expected to attend each meeting, in person or via tele- or video-conference.
- In the absence of the Committee Chairman at a meeting, the remaining members present shall elect one of their members to chair the meeting.
- The Committee may request any officer or employee of the Company or the Company's outside counsel to attend a meeting of the Committee or to meet with any members of the Committee.

6. VOTING RIGHTS

- A duly convened meeting of the AC at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the AC.
- All decisions of the AC will be based on a simple majority of the members present at the meeting. In the event of a tie, the concerned matter will be referred to the Board of Directors for a decision.
- Any attendee who is not a member of the AC may not vote on any matter coming before the AC for a vote.

7. COMMITTEE SECRETARY AND MINUTES OF MEETING

- The Company Secretary, or such other person as the Board of the Company may nominate, shall act as Secretary to the Committee (“Secretary”).
- The Secretary to the Committee will be responsible for preparing minutes of the Committee’s meetings. The minutes of the Committee meetings will be tabled and approved at the subsequent meeting and signed off by the members of the Committee.

8. RESOURCES

- The AC may consult on the Company’s expenses any independent advisory body.
- The AC has the right to use external expertise after Board’s approval of the same.

9. DUTIES AND RESPONSIBILITIES

Financial Statement

- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements and provides opinion and recommendation to the Board of Directors.
- Review with management and the external auditors the results of the audit, including any difficulties encountered.
- Review the financial statements periodically before submitting to the Board of Directors, and submitting its opinions and recommendations in this regard to the Board of Directors and that’s to ensure transparency and fairness of the financial reports.

Internal Control

- Evaluate the adequacy of the internal control systems in the Company and prepares a report including the opinion and recommendation of the committee in this regard.

- Evaluate the adequacy of the internal control systems in the Company and prepare an Internal Control Review Report.

Internal Audit

- Review with management and the Chief Internal Auditor the charter, activities, staffing, and organizational structure of the internal audit function.
- Recommend the recruitment, shifting and termination of the Chief Internal Auditor and evaluate his/her performance and the performance of the internal audit department.
- Revision and adoption of the proposed audit plan prepared by the internal auditor and provides its opinion on the same.
- Review the effectiveness of the internal audit function, including compliance with the Institute of Internal Auditors' International Professional Practices Framework for Internal Auditing consisting of the Definition of Internal Auditing, Code of Ethics and the Standards.
- Review the results of the internal audit reports and ensures that the corrective procedures have been taken regarding the observations which are contained in the report.
- Supervising the internal audit department of the Company in order to verify the extent of its effectiveness in performing its prescribed duties defined by the Board of Directors.
- On a regular basis, meet separately with the Chief Internal Auditor to discuss any matters that the committee or internal audit believes should be discussed privately.

External Audit

- Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit.
- Submit the committee's recommendations to the Board of Directors regarding appointment and reappointment of external auditor as well as determining and changing their fees. Taking into account when recommending, that independence is ensured and reviewing their engagement letter.
- On a regular basis, meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.
- Ensure that the external auditor is independent from the Company and its Board of Directors and ensure that the external auditor does not perform any additional tasks for the Company that is not included within the tasks of auditing / reviewing and could affect their impartiality or independence.
- Studying the external auditor's observations regarding the financial statements and following-up on its status.
- Discuss external auditors opinions and take appropriate actions before submitting the annual financials to the Board of Directors.
- Monitor the external auditor's performance to ensure that they are not providing services to the Company except for services required by the audit profession.

Compliance

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up of any instances of noncompliance.
- Review the results of the regulatory authorities' reports, and ensures that the necessary procedures have been taken in this regard.
- Ensure the Company is complying with the laws, policies and instructions that are of relation to it.
- Review the process for communicating the code of conduct to the Company personnel, and for monitoring compliance therewith.
- Obtain regular updates from management and company legal counsel regarding compliance matters.

Reporting Responsibilities

- Regularly report to the Board of Directors about committee activities, issues, and related recommendations.
- Provide an open avenue of communication between internal audit, the external auditors, and the Board of Directors.
- Review any other reports the Company issues that relate to committee responsibilities.
- In case of the conflict between the recommendations of the audit committee and the Board's decisions including when the Board refuses to follow the committee's recommendation in respect of the external auditors and/or the internal auditor. Therefore, the governance report should include a detailed statement that explains the recommendations and the reason or reasons that lead the Board to decide on non-complying with these recommendations.

Other Responsibilities

- Perform other activities related to this charter as requested by the Board of Directors.
- Monitor the implementation of the Company's entity wide whistle-blowing program.
- Studying the accounting policies followed and provides its opinion and recommendation to the Board regarding it.
- Review the report submitted by the audit firm appointed to review and assess the performance of the internal audit function(Quality Assurance Review) on a periodic basis –once in three years.
- Institute and oversee special investigations as needed.
- Review and assess the adequacy of the committee charter annually, requesting Board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
- Confirm annually that all responsibilities outlined in this charter have been carried out.
- Evaluate the committee's and individual members' performance on a regular basis.

10. CONFIDENTIALITY

Members of the AC and other persons who attend these AC meetings must maintain confidentiality on all documents they receive, on the contents of deliberations and on all confidential information of the Company and its customers, particularly operating and business information that are disclosed to them in the course of their work on the AC.

11. APPROVAL, UPDATING AND INFORMING PARTIES

- The ultimate responsibility for maintaining and updating this document lies with the AC.
- This document should be reviewed and approved at regular intervals (at least on a yearly basis) and keeping in view the changes to any applicable regulatory requirements.
- This document is to be presented and approved by the Board of Directors.
- Any changes to the document have to be approved by the Board of Directors.
- All relevant and affected parties should be advised of the change as soon as practicable.

12. EFFECTIVE DATE

These rules of procedure are effective as of 01/07/2016