



National Petroleum Services Company K.S.C

External Audit Policy

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1 Preamble

This policy is to be read in conjunction with the Board Audit Committee Charter (“BAC”).

2 Selection Policy

National Petroleum Services Company K.S.C.C’s (“the Company” or “NAPESCO”) BAC is responsible for making recommendations to the Board of Directors (“BOD”) regarding the appointment and removal of the external auditor.

Should the Committee determine a need for a change of external auditor, the Committee will make recommendations to the Board on the requirement for a new external auditor and the selection criteria for the new auditor.

If the Board concurs with the Committee’s recommendation, the Audit Committee will identify audit firms who meet the criteria for appointment, requests tenders from them, and recommend one or more to the Board for appointment. The external auditor should be listed in the Capital Market Authority’s (“CMA” or “authority”) register, provided it fulfills all the terms set out in the requirements of the authority’s resolution in regards to registering external auditors.

In case of a 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, 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.

3 Audit Firm or Partner Rotation

The external audit firm shall be appointed for one financial year only, and the audit partner must not be appointed for more than 4 consecutive years. When a rotation of the audit partner occurs, he/she may not be reappointed before 2 years have lapsed since his/her previous appointment ceased.

The Audit Committee will monitor the rotation of audit partners, and the appointment and independence of replacement partners.

4 Qualification Requirements

The auditing firms, which audit the Company, should be one of the reputed firms having qualified Partners and employees experienced in auditing Company’s accounts. Employees in charge of auditing Company’s accounts should have professional certificates such as CPA, CA, ACCA or equivalent.

5 Independence Requirements

To be considered independent, the External Auditor must not maintain a financial, employment or business relationship with the Company (either directly or indirectly) which:

- Creates a conflict of interest; or
- Places the External Auditor in a position to audit his/her own work; or

- Results in the External Auditor acting as the Company's employee or agent; or
- Places the Company under an Advocacy threat.

6 Audit and Audit-related Services provided by the External Auditor

The audit and Audit-related services that may be provided by the External Auditor are as follows:

- Issuing audit opinions on the Company's Financial Statements;
- Review of the Company's interim financial statements;
- Advice on accounting policies and financial reports;
- Review of the Company's Financial Regulatory reports;
- Forensic Audits; and
- Audits, opinions and special reports on information provided by the Company upon request of a third party.

7 Non-Audit Work performed by External Auditors

The external auditor may not carry out any additional work for the Company which is not part of the audit program if it may affect their impartiality and independence.

Prohibited services, that may not be provided by the External Auditor are:

- Financial information systems design and implementation;
- Evaluation of the adequacy and sufficiency of the Company's internal control system;
- Book-keeping;
- Management functions;
- Investment Advisory or Investment Companying;
- Legal;
- Internal Audit Outsourcing and Co-sourcing; and
- Any other services which the CMA or other regulatory bodies deem to be prohibited.

Further, the other technical and advisory works having an accounting nature (such as the design of accounting records and the provision of advice on alternative accounting treatments), may not be assigned to companies economically or legally interrelated with the external auditors, whether such interrelation is by way of common ownership or common directorship.

The level of non-audit work will be monitored by the Audit Committee on a regular basis, with a detailed analysis of fees, and review of the relationship with the auditors.

8 Duties and Responsibilities of the External Auditor

The External Auditor should provide the Audit Committee with a copy of the audit report, and discuss the same with the Committee. The Auditor shall meet with the Audit Committee at least once a year without the presence of the Company's management.

The External Auditor should discuss their opinion with the Audit Committee before submitting the reports to the Board of Directors to take an appropriate decision in this regard.

The External Auditor should focus on areas involving risks to the Company which may result in the Company's being exposed to high operational risks, as well as other areas that the CBK may deem it important to subject the same to Internal Auditing process in view of the CBK's report, observations and directives on assessing Internal Audit systems at Company's.

Informing the Company's Board of Directors of any violations discovered or suspected in violation of the applicable laws, regulations and directives and the Articles of Association of the Company, and if the violations are material and significant, the Auditor shall notify the Company's General Assembly.

Carry out other responsibilities as stated within the Company's Articles of Association and within the scope of audit engagement.

The External Auditor should attend the General Assembly meeting and display their report to the Shareholders, explaining the obstructions or interventions that are performed by the board of directors during his work. The external auditor should inform the capital markets authority on any material violations or obstructions and its details.

The Chairman of the board shall inform the general assembly meeting about the business and contracts in which the board member has interests. A special report made by the external auditor shall be enclosed with such information.

9 Right to call for an Extraordinary General Meeting

The external auditor shall have the right to call for an Extraordinary General Meeting and the Board of Directors will be obligated to call for this meeting within 15 days from the date of request.

10 Policy Review

The ownership of this policy is with the Board of Directors. The Board of Directors shall review this policy at least annually and shall make amendments, if deemed necessary.

11 Copyright Statement

The Company has a proprietary right over this Policy and its contents. No part of the Policy should be copied nor is to be removed from the National Petroleum Services Company K.S.C.C (“the Company” or “NAPESCO”) premises without the express written permission of the Policy Owner.

The content of the Policy is to be treated as confidential and is not to be shown nor distributed to any non-authorized persons or customers, inside or outside the Company.

12 Policy Administration

All Policy administration requirements like access, review, update, approval authority for review, and amendments of the Policy and the register of amendments will be as per the Authority Matrix of the Company.