

AUDIT COMMITTEE REPORT

The Board of Directors of Oman Oil Marketing Company SOAG (OOMCO) is pleased to present the report on the Audit Committee of the Board for the financial year ended 31st December 2019.

Members and Meetings

The Audit Committee during the year comprised the Directors listed below. The Committee had six (6) meetings during the financial year. Details of the members and the attendance of the meetings are as follows:

Members

a) Abdul Kader Darwish Al Balushi	Chairman
b) Al Sayida Rawan Ahmed Al-Said	Member
c) Assilah Zaher Al Harthy	Member

Attendance of Meetings

The audit committee met six times during the year: January 28th 2019, February 12th 2019, May 1st 2019, July 25th 2019, November 3rd 2019 and November 5th 2019. The table below gives the attendance record.

Members	Total
a) Abdul Kader Darwish Al Balushi	6 / 6
b) Al Sayida Rawan Ahmed Al-Said	6 / 6
c) Assilah Zaher Al Harthy	6 / 6

Activities of the Committee During the Year

During the year, the Audit Committee carried out its duties as set out in the terms of reference and the Audit Committee annual plan. The main issues discussed by the Audit Committee were as follows:-

- Review of the audit plans for the financial year 2019 to ensure adequate scope and coverage over the activities of the Company;
- Review of the audit reports of the Company prepared by the external auditors and consideration of the major findings by the auditors and management's

responses thereto. The review included a meeting with the external auditors without the presence of the management of the Company to deliberate on the audit issues;

- Review of the internal audit reports and follow up remedial action with regards to the comments;
- Review of the quarterly and annual financial results of the Company prior to submission to the Board of Directors for consideration and approval;
- Review of the performance of external auditors and made recommendations to the Board on their appointment, scope of work and audit fees;
- Review the amendments to Company policy presented by the management for the approval of Board of Directors;
- Review the performance of the head of internal audit and the staff of the Internal Audit department.
- Review the compliance with disclosure requirements prescribed by CMA;
- Review of significant legal cases initiated by and against the Company;
- Review of the risk management policy and risk management registers; enterprise and departmental level; prepared by management;

Terms of reference

The terms of reference of the Committee are as follows:-

Composition of Committee

The Committee shall be appointed by the Board of Directors amongst the Directors of the Company in accordance with the following guidelines:-

- The Committee shall consist of not less than three members; all being non-executive directors and a majority of them being independent,
- The members of the Committee shall elect a Chairman from among themselves who shall be an Independent Director,
- At least one member shall have finance and accounting expertise,
- The Audit Committee shall meet at least 4 times a year with majority of independent directors present,
- In the event of any vacancy in the Committee resulting in the non-compliance of the Code of Corporate Governance pertaining to composition of audit committee, the Board of Directors shall within three months of that event fill the vacancy.

Meetings

Meetings shall be held not less than four (4) times a year and, in addition to members of the Committee, will normally be attended by the Chief Executive Officer, General Manager Financial and Chief Internal Auditor. Other members of the Board, senior management and external auditors' representatives may attend the meetings upon invitation of the Committee.

The auditors, both internal and external, may request a meeting if they consider that one is necessary.

The quorum shall be two (2) members, a majority of whom must be Independent Directors. Minutes of each meeting shall be kept and distributed to each member of the Committee and of the Board. The Chairman of the Committee shall report on each meeting to the Board. The Secretary to the Committee shall be the Chief Internal Auditor.

Rights and Authority

The Committee is authorised by the Board:

- to investigate any activity within its terms of reference and shall have unrestricted access to both the internal and external auditors and to all employees of the Company;
- to have full and unrestricted access to information pertaining to the Company;
- to have direct communication channels with the internal and external auditors;
- to be able to obtain independent professional or other advice; and
- to have resources in order to perform its duties as set out in its terms of reference.

Notwithstanding anything to the contrary, the Committee does not have executive powers and shall report to the Board of Directors on matters considered and its recommendation thereon, pertaining to the Company.

Review of the Committee

The performance of the Committee and each of the members shall be reviewed by the Board of Directors at least once every three (3) years to determine whether the Committee and its members have carried out their duties in accordance with their Terms of Reference in the Corporate Governance Statement.

Duties and Functions

The duties and functions of the Committee are as follows:-

- recommend the appointment of external auditors to the Board after taking into account their independence (particularly with reference to any other non audit services), fees and terms of engagement before AGM for appointment;
- following-up the work of the external auditors and the adoption of any action outside the scope of audit work assigned to them while on review engagement.
- reviewing the audit plan of external auditors and results of the audit and as to whether auditors have full access to all relevant documents;
- checking financial fraud particularly fictitious and fraudulent portions of the financial statements;
- oversight of the internal audit function in general and with particular reference to reviewing of scope of internal audit plan for the year, reviewing the reports of internal auditors pertaining to critical areas, reviewing the efficacy of the internal auditing and reviewing as to whether internal audit department have full access to all relevant documents;
- oversight of the adequacy of the internal control system through the regular reports of the internal and external auditor or by appointing consultant.
- to review the quarterly and annual financial statements of the Company focusing on the matters set out below, and thereafter to submit them to the Board:-
 - any changes in accounting policies and practices;
 - significant adjustments arising from the audit;
 - the going concern assumption;
 - compliance with accounting standards and regulatory requirements.
- to consider the appointment, resignation and dismissal of external auditors and the audit fees;
- to discuss problems and reservations arising from the interim and final audits, and any matter the external auditors may wish to discuss;
- to review the audit reports prepared by the internal and external auditors, the major findings and management's responses thereto;
- to review the adequacy of the scope; functions and resources of the internal audit department and whether it has the necessary authority to carry out its work;
- to review the evaluation of the systems of internal control with the auditors; and to provide annual statement of internal control;
- serving as a channel of communication between external auditors and the board and also the internal auditors and the board;

- reviewing risk management policies and looking into the reasons of defaults in payment obligations of the Company, if any;
- to review the appraisal or assessment of the performance of head of internal audit department;
- reviewing proposed specific transactions with related parties for making suitable recommendations to the Board and setting rules for entering into small value transactions with related parties without obtaining prior approval of audit committee and the Board;
- follow-up on the implementation of risk management policy which was approved by board of directors;
- to ensure compliance with disclosure requirements prescribed by CMA; and
- any such other functions as may agree to by Committee and the Board.

Risk Management Framework

The Board subscribes to the fact that an effective risk management practices is a critical component of a sound system of internal control. Accordingly, the Audit Committee was given the mandate to ensure that there is a formal and on-going process in place to identify, evaluate and manage significant risks faced by the Company that may impede the achievement of the Company's objectives throughout the year. Among measures taken during the year are as follows:

- Audit Committee meeting to discuss and review the Enterprise Risk register and departmental risk register. The risk register provides a comprehensive view of key details for every risk including Key Risk Indicators and Management Action plans,
- Update the Board on the progress of the Enterprise Risk Management.

Management is responsible for creating a risk-aware culture and for building the necessary knowledge for risk management. They also have the responsibility for managing risks and internal controls associated with the business and operations and ensuring the compliance with the applicable laws and regulations.

Internal Audit Functions and Activities

The Company has an in-house internal audit function. The Internal Audit department reports directly to the Audit Committee and its principal activity is to undertake regular and systematic reviews of the system of controls so as to provide reasonable

assurance that such systems continue to operate satisfactorily and effectively in the Company.

Throughout the financial year, audit assignments and follow-ups were carried out on units of operations. These were carried out in accordance with the annual audit plan or as special ad-hoc audits at Audit Committee's request. The resulting reports of the audits undertaken were presented to the Audit Committee and forwarded to the parties concerned for their attention and necessary action.

The Management is responsible for ensuring that corrective actions on reported weaknesses and suggested improvements as recommended are taken within the required timeframe.

The following activities were carried out by the Internal Audit department:

- Reviewing and appraising the soundness, adequacy and application of controls to ensure effectiveness of internal control system in the Company,
- Ascertaining the extent of compliance with established policies, procedures and statutory requirement,
- Provides an independent assessment on the adequacy, efficiency and effectiveness of the Company's internal control system and advises management on areas that require improvement,
- Identifying opportunities to improve the operations of and processes in the Company,
- Facilitate the Risk Management framework for the Company which includes the facilitation and reviewing the enterprise risk management register and departmental register of the Company.

Statutory Auditor

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The fees payable to Deloitte for the year 2019 for audit and other services is as follows:

- Audit of Financial Statements and Corporate Governance Report RO11,750.

The Audit Committee has reviewed, on behalf of the Board, the effectiveness of internal controls by meeting the internal auditor, reviewing the internal audit reports and recommendations and meeting the external auditor, reviewing the audit findings report and the management letter; this includes meeting the auditor in the absence of management. The Audit Committee and the Board are pleased to inform the shareholders that, in their opinion, an adequate and effective internal control system is in place.