

BACKGROUND NOTE ON ACTION PLANS

SMO Action Plans are developed by IFAC Members and Associates to demonstrate fulfillment of IFAC Statements of Membership Obligations (SMOs). SMOs require IFAC Members and Associates to support the adoption¹ and implementation² of international standards and other pronouncements issued by independent standard-setting boards under the auspices of IFAC as well as by the International Accounting Standards Board (IASB); and to establish a Quality Assurance (QA) review and Investigation and Disciplinary (I&D) systems.

IFAC Members and Associates conduct a self-assessment against the requirements of SMOs and identify areas where improvements are needed. Based on the results of the assessment, Members and Associates develop an SMO Action Plan to (a) demonstrate how they fulfill the requirements of the SMOs and (b) where some requirements are not yet addressed, to present plans towards their fulfillment.

SMO Action Plans are designed to be ever-green documents that provide a comprehensive description of the accountancy profession and its legislative and regulatory environment in the jurisdiction as well as the actions undertaken by IFAC Members or Associates to support adoption and implementation of international standards and best practices.

Regular updates of the SMO Action Plans are required as part of the IFAC Member Compliance Program.

Use of Information

Please refer to the [Disclaimer](#) published on the Compliance Program website.

ACTION PLAN

IFAC Member:	Saudi Organization for Certified Public Accountants (SOCPA)
Approved by Governing Body:	SOCPA Secretary General
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¹ *Adoption* is concerned with the decision that international standards are appropriate for use in specific national financial reporting environments and with the actions necessary to effect those decisions, including incorporation into national requirements or requiring the use of international standards through law. Adoption may include a process to review draft international standards, translation, public exposure of proposed standards, approval, incorporation into national requirements as necessary, and promulgation of final standards, and, where applicable, a convergence process to eliminate or minimize differences between international and national standards.

² *Implementation* may include a process to build awareness of the adopted standards, provide relevant education and training, develop or disseminate implementation guidance and any other activities that promote proper understanding and use of the standards in practice.

GLOSSARY

ASC	Auditing Standards Committee
CPA	Certified Public Accountant
CPD	Continuing Professional Education
IAASB	International Auditing and Assurance Standards Board
IAESB	International Accounting Education Standards Board
IASB	International Accounting Standards Board
IES	International Education Standards for Professional Accountants
IESBA	International Ethics Standards Board for Accountants
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standards
IPSASB	International Public Sector Accounting Standards Board
ISA	International Standards of Auditing
ISQC	International Standard on Quality Control
MCI	Ministry of Commerce and Investment
QRC	Quality Review Committee
SME	Small and Medium Enterprise
SMO	Statement of Membership Obligation
SOCPA	Saudi Organization for Certified Public Accountants

Action Plan Subject: SMO 1–Quality Assurance
Action Plan Objective: Build awareness to ensure high quality implementation of the requirements of the International Standard on Quality Control (ISQC 1)

Background:

The Quality Review Committee (QRC) was established 1992 in order to ensure that CPAs comply with (a) the CPA's Regulations and related bylaws, (b) accounting and auditing standards, and (c) other professional standards.

The QRC conducted a comprehensive study for preparing quality control standards for CPA firms. The Board issued its resolution in 1998 approving the quality control standards and its programs. SOCPA has used the help of American Institute of Certified Public Accountants (AICPA) to conduct first quality inspections in the field and the training program for Saudi qualified inspectors in 2001.

SOCPA Quality Review program used at that time, based on US standards, has been functioning very well since 1998 and is considered to largely fulfill the requirements of the ISQC 1, *Quality Controls for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* and beyond. However, as part of the SOCPA Board's decision to transition to the international accounting and auditing standards, the International Standard on Quality Control (ISQC 1) has been adopted by SOCPA Board without any modification in March 2016 and already became effective on audits related to accounting periods that has begun since the first of January 2017.

Following are the main features of current SOCPA Quality Review program, which are in line with SMO 1 requirements (see Appendix: Main Requirements of SMO 1):

A CPA Firm, regardless of its size or legal form, shall apply proper quality control consistent with SOCPA's approved quality control standards and shall be reviewed:

- Once every three years for firms auditing listed companies, banks and public interest entities.
- Once every five years for firms auditing other companies and establishments.
- Annual for firms with poor results.
- Yearly follow-up on Action Plan for all firms.
- On request from Ministry of Commerce & Investment for complaints on specific firms.

The number and type of selected engagements should be sufficient to provide the review team with a reasonable basis for its conclusions regarding whether the firm's quality control system has achieved the objectives of quality control standards and whether those standards have been complied with during the review year. On determining the sample size, the following factors should be taken in consideration:

The sample selected for review should cover all engagement partners in the firm. The following engagements shall be given more weight:

1st. Engagements in which the public has great interest, such as public companies in which most of the shares are owned by the public, financial institutions, lending institutions, investment companies and securities houses. 2nd. Engagements in other specialized industries. 3rd. Big and complicated engagements; or engagements that involve higher risks.

Currently, SOCPA maintains ongoing processes to adopt any new requirements or pronouncements related to SMO 1– Quality Assurance.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Adoption of the International Standard on Quality Control 1 (ISQC 1)</i>					
1.	January 2013	ISQC 1 has been adopted by SOCPA Board without any modification in March 2016 and already became effective on audits related to accounting periods that has begun since the first of January 2017.	Completed in March 2016	SOCPA Quality Review Committee/ Board	SOCPA technical staff
<i>Maintaining Ongoing Processes</i>					
2.	Ongoing	<p>SOCPA is currently working with various reputed international accountancy bodies to assist its members through building awareness of ISQC 1 requirements and strengthening its process of quality assurance as a whole. Following steps are being undertaken:</p> <ul style="list-style-type: none"> • Invite reviewers from the Institute of Chartered Accountants of England and Wales (ICAEW) and the Institute of Chartered Accountants of Pakistan (ICAP) under MOU with both bodies; • Studying the review working papers from these bodies in order to improve upon its own documentation; • Translation of ICAP's Audit Practices Manual (2012) into Arabic for use by SMPs in KSA; • Conducting workshops and presentations on auditing standards; • Specialized training sessions for panel of reviewers. 	<p>Ongoing</p> <p>Ongoing</p> <p>Completed in December 2016</p> <p>Ongoing</p> <p>Ongoing</p>	SOCPA Quality Review Committee	SOCPA technical staff
3.		Study by an external consultant to study the current SOCPA Quality Review process and suggest improvements in the same.	February 2017	SOCPA Board	SOCPA Quality Review Committee
4.	Ongoing	SOCPA maintains ongoing processes to adopt any new requirements or pronouncements related to SMO 1– Quality Assurance.	Ongoing	SOCPA Quality Review Committee	SOCPA technical staff

Appendix I—Main Requirements of SMO 1

Requirements	Y	N	Partially	Comments
<p>Scope of the System</p> <p>1. At a minimum, mandatory QA reviews are required for all audits of financial statements.</p>	X			
<p>Quality Control Standards and Other Quality Control Guidance</p> <p>2. Firms are required to implement a system of quality control in accordance with ISQC 1.</p>	X			Currently in accordance with ISQC 1.
<p>3. Most up to date versions of ISQC 1 and other relevant ISAs are adopted as the quality control standards</p>	X			ISQC 1 has already been approved by SOCPA Board without any modification, became effective for audits starting 1 Jan 2017.
<p>4. Member Body assists firms in understanding the objectives of quality control and in implementing and maintaining appropriate systems of quality control</p>	X			<p>SOCPA conducts training sessions for accounting firms on a regular basis. Further, SOCPA recently has also signed a contract with ICAEW to provide free access to its SMPs for the ICAEW portal which provides online information and knowledge on international accounting, auditing and ethical standards through its service known as 'International Accounting, Auditing & Ethics.'</p> <p>SOCPA will also provide the Arabic version of IFAC SMP Quality Control Guide to all firms.</p>
<p>Review Cycle</p> <p>5. A cycle-based, risk-based, or a mixed approach for selecting firms for QA review is used.</p>	X			Part of the Quality Review annual plan.
<p>6. For cycle-based approach, quality control reviews are required to take place at least every six years (and every three years for audits of public interest entities).</p>	X			3 years for public interest entities and 5 years for others. However, the interval may be shorter for firms with poor prior review results. Further, big firms are reviewed annually for follow-up. Special reviews are also carried out annually on the request of Ministry of Commerce & Investment.
<p>QA Review Team</p> <p>7. Independence of the QA Team is required to be assessed and documented.</p>	X			

Requirements	Y	N	Partially	Comments
8. QA Team possesses appropriate levels of expertise	X			Subject experts are also engaged on need basis.
Reporting				
9. Documentation of evidence supporting the quality control review report is required.	X			
10. After completion of review, exit meeting is held and minuted. Copy of minutes and review notes are signed by both reviewer and reviewee.				
11. A written report is issued upon conclusion of the QA review and provided to the firm/partner reviewed.	X			
Corrective and Disciplinary Actions				
12. Reviewed firms/partners are required to make timely adjustments to meet recommendations from the review report.	X			An action plan is agreed with the firm for corrective actions.
13. QA review system is linked to the Investigation and Discipline system.	X			Findings are shared with the Investigation Committee.
Consideration of Public Oversight				
14. The body responsible for QA reviews cooperates with its oversight body and shares information on the functioning of the QA review system, as needed.	X			
Regular Review of Implementation and Effectiveness				
15. Regular reviews of implementation and effectiveness of the system are performed.	X			An external consultant has been appointed to review the existing system and recommend improvements.

Action Plan Subject: SMO 2–International Education Standards for Professional Accountants and Other Pronouncements issued by the IAESB

Action Plan Objective: Continue to use best endeavors to ensure that all requirements of IESs, IEPs and IEIPs are adopted in Saudi Arabia in one step

Background:

SOCPA is in charge of professional examinations, CPD, and approves CPA firms that can offer training to candidates wishing to fulfill the requirements for certification. All these activities, for which SOCPA is in charge, meet, through convergence, the requirements of IESs, IEPs and IEIPs as contained in the Framework of International Education Statements issued by IAESB. IPD programs are under the responsible of other bodies.

Although several IPD requirements comply with the revised IES (pre-qualification requirements in Saudi Arabia demonstrate a high level of alignment with IESs), however SOCPA upon its full adoption of IFRS, ISA, and ISQC1, believes that meeting all requirements of IES is a must. Work towards adoption of IES in one step is running smoothly. SOCPA is driving other responsible bodies to make high effort through evaluating the standards of qualifying examinations, courses, and training set or offered by the constituent bodies; evaluating and monitoring training courses of foreign institutions with a view to making recommendations to the constituent bodies.

Since 2012, SOCPA has been working on promoting to the local universities the need to incorporate IFRSs, ISAs, and the IESBA Code of Ethics into their curriculum. SOCPA has translated globally recognized books based on the international standards which are being used by Saudi leading universities. Although other bodies are involved in this process yet, SOCPA has already reviewed and on the way to translate and disseminate (accurate and complete) revised IES into Arabic, and will coordinate with local universities to identify gaps, if any, within the coming few months. It is expected that, before the end of this year plans to address gaps or missing requirements will be established and IES will be adopted in one step. SOCPA also takes in consideration, the implementation process of building awareness of the adopted standards, provide relevant education and training, develop or disseminate implementation guidance and any other activities that promote proper understanding and use of the standards in practice. SOCPA notifies, on an ongoing basis, its members of all new, proposed, and revised international standards and other pronouncements issued by the IAESB.

Entry requirement for SOCPA qualification is a Bachelor's degree in Accountancy or any other acceptable equivalent Certificate and having the prescribed practical experience in the field of accounting after graduation, are part of the requirements for any person to be entitled to practice the audit profession. Every SOCPA member is required to complete 20 CPD units (60 hours) every year.

Furthermore, SOCPA professional examinations will be based on international standards starting from the first session of 2017.

In November 2016 SOCPA held a Workshop on the outputs of education in Saudi university accounting departments and their adaptation to the labor market. A number of accountants, representatives of government agencies, and heads of accounting departments in Saudi universities participated in the workshop. The recommendations made at the workshop included adoption of International standards in accounting and auditing by accounting departments in Saudi universities, in line with their application in the kingdom at the beginning of 2017, and increasing research in International accounting and auditing standards.

In January 2018 a ceremony will be held between SOCPA and Saudi universities to launch books translated by SOCPA that are based on International standards in accounting and auditing, and the universities will be urged to use those books as references.					
#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Promote the Inclusion of IES Requirements into All Aspects of the Professional Accountancy Education System</i>					
1.	2012	Promoting to the local universities the need to incorporate IFRSs, ISAs, and the IESBA Code of Ethics into their curriculum. Letters sent by SOCPA to all universities in KSA.	Ongoing	SOCPA education committee	SOCPA staff / Members of the education committee and university staff
2.	April 2016	SOCPA engage with other responsible bodies in making high effort through evaluating the standards of qualifying examinations, courses, and training set or offered by the constituent bodies; evaluating and monitoring training courses of foreign institutions with a view to making recommendations to the constituent bodies.	Ongoing	SOCPA education committee	SOCPA staff / Members of the education committee and university staff
3.	Ongoing	SOCPA also takes in consideration, the implementation process of building awareness of the adopted standards, provide relevant education and training, develop or disseminate implementation guidance and any other activities that promote proper understanding and use of the standards in practice.	Ongoing	SOCPA education committee	SOCPA staff / Members of the education committee and university staff
4.	2012	<p>Translate globally recognized books based on the international standards. The books translated up to now are being used by leading Saudi universities. Following books have been translated: Publisher: Pearson Education Inc.</p> <ol style="list-style-type: none"> 1. Principles of Auditing 3 /e Editions by Hayes, Wallage and Gortemaker 2. Financial Accounting 9th Editions by Harrison, horngren, Thomas and Suwardy 3. Advanced Accounting 11th & 1st Editions by Floyd A. Beams, Joseph H Anthony, Bruce Bettinghus , and Kenneth Smith 4. Intermediate Accounting, Volume 1.Third Edition by Kin Lo and George Fisher 5. Intermediate Accounting, Volume 2. by Kin Lo and George Fisher 	Completed in December 2016	SOCPA education committee	SOCPA staff / Members of the education committee and university staff

#	Start Date	Actions	Completion Date	Responsibility	Resource
5.	2014	Convert the SOCPA Accounting and Auditing exams on international standards.	Completed in May 2017	SOCPA examination committee	SOCPA staff
		Signed a contract with the Institute of Chartered Accountants of England and Whales to provide free access to its SMPs for the Institute of Chartered Accountants of England Wales portal, which provides online information and knowledge on international accounting, auditing, and ethical standards through its service known as "International Accounting, Auditing & Ethics."	Completed in 2016		

Action Plan Subject: SMO 3–International Standards and other Pronouncements Issued by the IAASB
Action Plan Objective: Build awareness to ensure high quality implementation of the requirements of International Standards and other Pronouncements issued by the IAASB

Background:

Under the CPAs Regulations, SOCPA is responsible for reviewing, developing, and approving auditing standards. In 2012, SOCPA Board decided to transit to the standards issued by the International Auditing and Assurance Standards Board (IAASB) starting from the first of January 2017. The implementation of the transition plan has required an appropriate approach including study of the IAASB Standards, looking into the application period and to decide whether any changes are needed on IAASB Standards, or on the current rules and regulations. The following procedures has been applied on each of the IAASB Standards:

1. SOCPA Auditing Standards Committee (ASC) has studied the IAASB Standard to find out whether it can be applied as it is or it should be amended to be in line with local rules and regulations, taking in consideration level of technical and professional preparedness in the Kingdom.
2. SOCPA has organized roundtable meetings which included accounting firms, academics and representatives of supervision bodies who deliberated and discussed the standard.
3. SOCPA ASC has discussed comments made during the roundtable meetings, and made any necessary additions or changes that enhance the standard or its application in the Kingdom.
4. SOCPA ASC's recommendations has been publicized to solicit comments by the public.
5. Comments made by the public has been discussed and any necessary amendments been incorporated for the standard to be approved for application in the Kingdom.

Now, all ISAs and other pronouncements issued by the International Auditing and Assurance Standards Board (IAASB) are adopted by SOCPA in accordance with the IAASB's modification policy. The endorsed standards became effective as of the beginning of 2017. Modifications include only:

- Audit documentation (ISA 230) retention period for at least 10 years as required by CPAs Regulations
- Adding footnotes in the audit report illustrations to comply with the legal requirements

SOCPA also takes in consideration, the implementation process of building awareness of the adopted standards, provide relevant education and training, develop or disseminate implementation guidance and any other activities that promote proper understanding and use of the standards in practice. SOCPA notifies its members of all new, proposed, and revised international standards and other pronouncements issued by the IAASB. SOCPA maintains ongoing processes to translate into Arabic language and to adopt any new requirements, standards or pronouncements issued by the International Auditing and Assurance Standards Board (IAASB). SOCPA signed an agreement with IFAC for translation of ISAs as part of its adoption process.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Adoption of the International Standard and other Pronouncements Issued by the IAASB</i>					
1.	January 2014	SOCPA Board decided to transit to the standards issued by the International Auditing and Assurance Standards Board (IAASB) (2016-2017 version) starting from 1 January 2017	Completed	SOCPA Auditing Committee	SOCPA technical staff
<i>Building Awareness of the Pronouncements issued by the International Auditing and Assurance Standards Board (IAASB) and on Supporting Implementation of the Auditing Standards</i>					
2.	January 2013	SOCPA also takes in consideration, the implementation process of building awareness of the adopted standards, provide relevant education and training, develop or disseminate implementation guidance and any other activities that promote proper understanding and use of the standards in practice.	Ongoing	SOCPA Auditing Committee	SOCPA technical staff
3.	October 2013	Development of certification examination and training material in accordance with ISAs.	Completed in May 2017	SOCPA Examination / Training / Auditing Standards Committees	SOCPA Assistant Secretary General for Exams / Training / Standards
4.	January 2016	Make available to members of the profession translated copies of IFAC implementation guides. Regular training sessions on ISAs.	Ongoing	SOCPA Auditing Standards Committee	SOCPA Assistant Secretary General for Standards
5.	Ongoing	Establish a system to monitor the activities of the IAASB and to provide comments on new and revised pronouncements that are issued by the Board.	Ongoing	SOCPA Auditing Standards Committee	SOCPA Assistant Secretary General for Standards
<i>Maintaining Ongoing Processes</i>					
6.	January 2014	Review of revised SMO 3 requirements and possible incorporation of changes into adopted standards.	Ongoing	SOCPA Auditing Standards Committee	SOCPA Assistant Secretary General for Standards
7.	Ongoing	SOCPA notifies its members of all new, and revised international standards and other pronouncements issued by the IAASB through website and magazine.	Ongoing	SOCPA Auditing Committee	SOCPA Assistant Secretary

					General for Standards
8.	Ongoing	SOCPA maintains ongoing processes to adopt any new requirements, standards or pronouncements issued by the International Auditing and Assurance Standards Board (IAASB).	Ongoing	SOCPA Auditing Committee	SOCPA Assistant Secretary General for Standards
9.	February 2017	SOCPA has recently signed an agreement with IFAC for translation of ISAs as part of its adoption process.	Aug 2017	SOCPA Auditing Committee	SOCPA Assistant Secretary General for Standards

Action Plan Subject: SMO 4–IESBA Code of Ethics for Professional Accountants
Action Plan Objective: Build awareness to ensure high quality implementation of the requirements of IESBA Code of Ethics

Background:					
<p>The Saudi Organization for Certified Public Accountants (SOCPA) is responsible for determining ethical standards for the accountancy profession in accordance with the Certified Public Accountants (CPAs') Regulations issued by (Royal Decree No. M12 (1991 AD)).</p> <p>SOCPA Code of Ethics and independence requirements are being converged with those of the IESBA Code of Ethics 2010, for application by all professional accountants in the jurisdiction. Any modifications that may be made, will keep the resulting standards no less stringent than those defined in the IESBA Code. Professional Ethics Committee conducted last review on February 2017, and results been submitted to Board of directors for final approval.</p>					
#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Adoption of IESBA Code of Ethics</i>					
1.	January 2014	SOCPA will converge with the IESBA Code of Ethics 2010.	June 2017	SOCPA Ethics Committee	Members of SOCPA Ethics Committee
<i>Maintaining Ongoing Processes</i>					
2.	January 2014	Set a good ongoing process to ensure it is addressing new or revised international pronouncements.	Ongoing	SOCPA Ethics Committee	Members of SOCPA Ethics Committee
3.	January 2014	SOCPA also takes in consideration, the implementation process of building awareness of the adopted IESBA Code of Ethics.	Ongoing	SOCPA Ethics Committee	Members of SOCPA Ethics Committee
4.	Ongoing	SOCPA notifies its members of all new, and revised IESBA Code of Ethics.	Ongoing	SOCPA Ethics Committee	Members of SOCPA Ethics Committee
5.	Ongoing	SOCPA maintains ongoing processes to adopt any new requirements, standards or pronouncements issued by IESBA.	Ongoing	SOCPA Ethics Committee	Members of SOCPA Ethics Committee

Action Plan Subject: SMO 5–International Public Sector Accounting Standards and Other Pronouncements Issued by the IPSASB
Action Plan Objective: Continue to use best endeavors to support adoption of IPSAS requirements

Background:					
<p>Saudi Ministry of Finance has recently instructed all government agencies to begin transition to the project of applying Accrual basis (accrual basis of Accounting) instead of Cash basis. The financial committee of Saudi Royal Court supervises this project. An executive committee for the project was formed, headed by H.E Minister of Finance and encompassing H.E President of General Auditing Bureau, H.E the Secretary of the financial committee of the Saudi Royal Court, and H.E the deputy minister of finance as members, beside formation of a steering committee for the project. Phase one and phase two of the project were offered for bidding and awarded to a specialized international firm as a technical consultant to implement the two phases and a CPA firm as a management consultant. It was stressed that a quarterly report is to be submitted to the supervisory committee (the financial committee) showing percentage completed, cooperating and non-cooperative bodies, and bodies need to be supported.</p> <p>SOCPA is expected to provide training sessions in Arabic for accrual based IPSAS.</p>					
#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Continue to Use Best Endeavors to Support Adoption of IPSAS Requirements</i>					
1.	Aug 2017	<p>The Saudi Ministry of Finance instructed all government agencies to begin transition to the project of applying Accrual basis (accrual basis of Accounting) instead of Cash basis. The financial committee of Saudi Royal Court supervises this project. An executive committee for the project was formed, headed by H.E Minister of Finance and encompassing H.E President of General Auditing Bureau, H.E the Secretary of the financial committee of the Saudi Royal Court, and H.E the deputy minister of finance as members, beside formation of a steering committee for the project.</p> <p>The project aims to achieve the following:</p> <ul style="list-style-type: none"> • provide an accurate concept on the financial obligations arising from the operations of government agencies. • maintain, compile and record government assets in the accounting records, and create appropriate governance bodies to maintain the public funds. • improve the efficiency of preparing the government budget. • provide clear prospective financial vision, and making decisions based on precise and clear bases. 	Dec 2019	Saudi Ministry of Finance	Saudi Royal Court technical staff, Saudi Ministry of Finance technical staff, General Auditing Bureau technical staff, Specialized International Firm, Management CPA Firm

#	Start Date	Actions	Completion Date	Responsibility	Resource
		<ul style="list-style-type: none"> • create financial control and consistency among all financial practices followed within the country. • cost optimization with respect to government expenses. <p>The project has been divided into four phases:</p> <ul style="list-style-type: none"> ❖ Phase one: includes study of current situation, assessment of the extent within government bodies of readiness to transit, and preparation of government accounting framework to be applied in Saudi Arabia. ❖ Phase two: includes preparation of a realistic and achievable work plan showing the steps to be taken by the Ministry of Finance and other government entities to transit to the accrual basis of accounting, and identifying key milestones of the entire transit program, up to issuance of the country's consolidated financial statements. ❖ Phase three: includes the implementation of the accounting transmit plan in each government body and the development of account manuals and accounting systems needed for applying the accrual basis and the accounting and financial work policies and procedures, that should be consistent with the nature of work in each government body. ❖ Phase four: includes, being assured that the accounting systems and the employees within each government body are well prepared to work in accordance with the accrual basis on daily and comprehensive manner. This phase includes the actual launching of the accrual basis accounting system. <p>Phase one and phase two of the project were offered for bidding and awarded to a specialized international firm as a technical consultant to implement the two phases and a CPA firm as a management consultant. It was stressed that a quarterly report is to be submitted to the supervisory committee (the financial committee) showing percentage completed, cooperating and non-cooperative bodies, and bodies need to be supported.</p>			

#	Start Date	Actions	Completion Date	Responsibility	Resource
2.	2018	SOCPA is expected to provide training sessions in Arabic to promote the use of accrual based IPSAS.	Ongoing	Ministry of Finance and the General Auditing Bureau	SOCPA Secretary General
3.	October 2008	Ongoing work by SOCPA on preparing Accounting Standards for non- for-profit organizations.	June 2011 Completed	SOCPA Accounting Standards Committee	Consultants
<i>Maintaining Ongoing Processes</i>					
4.	Ongoing	Continue to identify opportunities and using best endeavors to further assist in implementation of IPSASs.	Ongoing	Ministry of Finance and the General Auditing Bureau	SOCPA Secretary General
5.	2016	Review of revised SMO 5 requirements, distribute to members of the Committee for possible incorporation of changes in adopted IPSASs.	Ongoing	SOCPA Secretary General	SOCPA Secretary General

Action Plan Subject: SMO 6—Investigation and Discipline
Action Plan Objective: Using best endeavors to adopt SMO 6 requirements

Background:

The Ministry of Commerce & Investment, in accordance with Article 29 of the Certified Public Accountants (CPA) Regulation (Royal Decree No. M12 (1991 AD)), established an Investigation and Disciplinary Committee comprised of the Deputy Minister of Commerce and Investment, a SOCPA Board member, and a legal advisor.

SOCPA I&D system covers nearly all the features required by the revised SMO 6, as SOCPA penalties are: Reprimand, Warning, or suspension from practicing the profession, Removal of the name of the non-compliant from the Certified Public Accountants' Register and publishing the resolution providing for the penalty of suspension or the removal of the name of the non-compliant member at his expense in one or more of the local newspapers (**the results of proceedings are made public**). Furthermore, any person enrolled in the CPAs' register who violates the provisions of these Regulations and whose violation constitute a crime shall be subject to imprisonment for not more than one year and a fine not exceeding SR200,000 and not less than SR50,000 or by one of the two penalties (fine/payment of costs).

The aggrieved party may refer the judgement to the Grievance Board (**separate disciplinary process**) for consideration. The Grievance Board shall have the jurisdiction to impose the penalty of the removal of the name from the Register provided for in these Regulations. It shall also have the jurisdiction to consider all claims filed by or against the certified public accountant for any reason relating to the practice of the profession in conformity with the provisions of these Regulations.

Moreover, any person who performs the following acts shall be subject to penalties mentioned above:

1. Practicing the accounting and auditing profession without license.
2. Practicing the accounting and auditing profession after his license being cancelled or expired and did not follow necessary procedures for renewal.
3. Submitting false date or using illegal methods which resulted in containing a license for practicing the accounting and auditing profession or in the reward of a license.
4. Using advertisement methods that causes the public to believe, incorrectly, in its deservedness to practice the accounting and auditing profession.
5. Assume a title from those assigned usually to the accounting and auditing practitioners.

SOCPA has already included, within the proposed revised CPA's Regulations, all the features required by the revised SMO 6 and the proposed revised Regulations are expected to be issued by the end of this year through convergence. The proposed revised CPA's Regulations have been submitted to SOCPA board of directors for final approval, but board asked to finish the restructuring action plan for SOCPA first, then they will make a decision about the proposed revised CPA's Regulations.

Further, in the new Companies Regulations recently issued in 2015, there are substantially enhanced penalties on auditors. Please refer Appendix III.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Improving I&D Mechanisms</i>					
1.	2016	Incorporation of the requirement of formation of the two separate committees, one for investigation and the second one for making the decisions, within the proposed Regulations.	November 2016 Completed	SOCPA Board	SOCPA Board
2.	April 2017	Study, discussion and the approval of proposed Regulations by the Competent Authority. The proposed revised CPA's Regulations have been submitted to SOCPA board of directors for final approval, but they asked to finish the restructuring action plan for SOCPA first, then they will make a decision about the proposed revised CPA's Regulations.	In process, date not yet determined	Ministry of Commerce and Investment and SOCPA Board	Ministry of Commerce and Investment and SOCPA Board
<i>Maintaining Ongoing Processes</i>					
3.	January 2014	Review of revised SMO 6 requirements and possible incorporation of changes into the existing requirements of SOCPA through convergence.	31 Dec 2017	SOCPA Ethics committee	Ministry of Commerce and Investment and SOCPA Board

Appendix II—Main Requirements of SMO 6

Requirements	Y	N	Partially	Comments
Scope of the System				
1. A system of investigation, discipline and appeals exists for the accountancy profession. The system is operational.	X			
2. Information about the types of misconduct which may bring about investigative actions is publicly available.	X			
Initiation of Proceedings				
3. Both a “complaints-based” and an “information-based” approach are adopted.	X			
4. Link with the results of QA reviews has been established.	X			
Investigative Process				
5. A committee or similar body exists for performing investigations.	X			
6. Members of a committee are independent of the subject of the investigation and other related parties.	X			
Disciplinary Process				
7. A separate disciplinary committee/entity exists to make disciplinary decisions on referrals from the investigation committee.	X			
8. Members of the committee/entity include professional accountants as well as non- accountants.	X			
9. The tribunal exhibits independence of the subject of the investigation and other related parties.	X			

Requirements	Y	N	Partially	Comments
<p>Sanctions</p> <p>10. The disciplinary system allows imposing an extensive range of penalties. It is particularly important to include (a) loss of professional designation; (b) restriction and removal of practicing rights; and (c) exclusion from membership.</p>	X			
<p>Rights of Representation and Appeal</p> <p>11. A third appeals body exists which is separate from both the disciplinary committee and investigative committee</p>	X			
<p>Administrative Processes</p> <p>12. Timeframe targets for disposal of all cases are set.</p>	X			
<p>13. Tracking mechanisms to monitor progress in investigation and discipline and related procedures are established.</p>	X			
<p>14. Records of investigations and disciplinary processes are established.</p>	X			
<p>Public Interest Considerations</p> <p>15. Activities are supported to ensure that the public is aware that an investigative and disciplinary system exists in the jurisdiction.</p>	X			
<p>16. A process for the independent review of complaints on which there was no follow-up is established.</p>	X			
<p>17. The results of the investigative and disciplinary proceedings are made available to the public.</p>	X			
<p>Liaison with Outside Bodies</p> <p>18. There is an appropriate process for liaison with outside bodies on possible involvement in serious crimes and offences.</p>	X			

Requirements	Y	N	Partially	Comments
<p>Regular Review of Implementation and Effectiveness</p> <p>19. Regular review of implementation and effectiveness of the system are performed and corrective actions are implemented.</p>	X			

Appendix III

Part XI: Penalties
<p>Article (211)</p> <p>Without prejudice to any more severe penalty specified in any other law, shall be punished with imprisonment for not more than five years and a fine of not more than SR (5,000,000) five million Saudi riyals or with either penalty:</p> <p>a- Every director, officer, board member, auditor or liquidator who registers false or misleading information in the financial statements or in the reports he prepares for the partners or the general assembly or neglects to provide significant occurrences in such reports or statements with the intention of hiding the company financial position from the partners or any third parties.</p> <p>b- Every director, officer or board member who uses the company funds in a way that he is aware it would affect the company interests to achieve a personal gain for himself or for any person or company or to get benefit from any project or transaction in which he has a direct or indirect interest.</p> <p>c- Every director, officer or board member who uses his powers or votes in such capacity in a way that he is aware it would affect the company interests to achieve a personal gain for himself or for any person or company or to get benefit from any project or transaction in which he has a direct or indirect interest.</p> <p>d- Every director, officer, board member or auditor who fails to invite the general assembly of the company or the partners – or to take the necessary action in this regard as appropriate – when he becomes aware that the losses reach the limits estimated under the provisions of the articles (150) and (181) hereof or fails to publish the occurrence under the provisions of the article (181) hereof.</p> <p>e- Every liquidator who assumes the responsibility of liquidating the company and uses its funds, assets or rights with third parties in a way that he is aware it would affect the company interests or intentionally causes damage to the partners or creditors to achieve a personal gain for himself or for any person or company or to get benefit from any project or transaction in which he has a direct or indirect interest or if his acts in the company funds are favoring a creditor on the other in recovering their rights without legal reason.</p>
<p>Article (212)</p> <p>Without prejudice to any more severe penalty specified in any other law, shall be punished with imprisonment for not more than one year and a fine of not more than SR (1,000,000) one million Saudi riyals or with either penalty:</p> <p>a- Every auditor who fails to notify the company through the devices or the persons in charge of its management about the breaches he finds in his work and which seem to involve penal violations.</p>

- b- Every public officer who discloses the company secrets he had access to by virtue of his job to any party other than the competent authorities.
- c- Every person appointed to audit the company works who intentionally provides, in the reports he prepares, incorrect occurrences or ignores significant occurrences that would affect the audit results.
- d- Whoever declares, publishes or announces the incorporation of a company before completion of its incorporation procedures for any reason.
- e- Whoever attempts to publish the names of persons against the facts and considered them linked or to be linked with the company in any form to attract subscription or collect shares.
- f- Whoever intentional provides false statements against the provisions of the Law or the company memorandum or articles of association, in any documents of the company, in the application for licensing such documents or in the documents attached with the incorporation application and whoever signs or publishes such documents while aware of that.
- g- Whoever exaggerates or provide false acknowledgments from the partners or from third parties in relation to the evaluation of the in-kind shares, distribution of dividends among partners or payment of their values while being aware whether at the company incorporation, capital increase or amendment of distribution of dividends among partners.
- h- Whoever assumes the identity of a shareholder or partner and, as a result, voted in the assemblies of shareholders or partners, whether personally or through another person.
- i- Whoever uses the company for a purpose other than the purpose for which the company is licensed.

Article (213)

Without prejudice to any more severe penalty specified in any other law, shall be punished with a fine of not more than SR (500,000) five hundred thousand Saudi riyals:

- a- Whoever decides, distributes or collects, with bad intention, profits or revenues in breach of the provisions of the Law or the company memorandum or articles of association and every auditor who approves such distribution while being aware of the breach.
- b- Any board member who intentionally causes the delay of the invitation or meeting of the general assembly.
- c- Whoever accepts to be appointed as a board member or managing director for the management of a joint stock company or continued to be a member in breach of the provisions of the Law and any board member of a company in which such breaches are committed with his knowledge.
- d- Any member of the board of directors of a joint stock company in which he got a guarantee or loan in breach of the provisions of the Law and any board chairman of a company in which such breach is committed with his knowledge.
- e- Whoever accepts the duty of auditor or continues to perform this duty while being aware of the reasons preventing him from performing such duty under the provisions of the Law.
- f- Whoever intentionally prevents a shareholder or a partner from participating in a general assembly of shareholders or partners or denies such shareholder or a partner the voting right associated with the shares or stocks or in his capacity as a partner in breach of the provisions of the Law.
- g- Whoever obtains a benefit or a guarantee or a promise of a benefit or guarantee for voting in certain way or to abstain from voting and whoever grants, guarantees or promises such benefits.
- h- Whoever neglects in the performance of his duty of invitation of the general assembly of shareholders or partners to meet within the period set for the meeting under the provisions of the Law.
- i- Whoever neglects in the performance of his duty of publishing the company financial statements under the provisions of the Law.
- j- Whoever fails to make the necessary documents available to the shareholder or the partner under the provisions of the Law.

- k- Whoever neglects in the performance of his duty of providing the Ministry with the documents set forth in this Law.
- l- Whoever fails to prepare and note the meeting minutes under the provisions of the Law.
- m- Whoever intentionally hinders or causes to hinder the work of those who are entitled – by virtue of the Law – to have access to the company papers, documents and accounts or abstains from enabling them performing their duties.
- n- Whoever neglects in the performance of his duty of publishing the company memorandum of association or incorporating it in the Commercial Register under this Law and whoever fails to publish the amendment of the company memorandum or articles of association or the amendment of the Commercial Register information under the Law.
- o- Any liquidator who fails to publish the liquidation or the completion thereof under the provisions of the Law.
- p- Whoever neglects in the performance of his duty of adding any of the information specified in the article (15) hereof.
- q- Any auditor who fails to comply with any of the provisions of this Law.
- r- Any company or officer of a company who fails to comply with the implementation of the laws and regulations related to the company work and business or to comply with the instructions, circulars or regulations issued by the competent authority without reasonable excuse.

Article (214)

In case of repetition, the penalties set for the offenses and breaches provided in the articles (211), (212) and (213) of this Law shall be doubled. In this Law, a person shall be considered repeating the offense or breach if he commits the same offense or breach for which he was convicted by a final judgment within three years from the date of the judgment.

Action Plan Subject: SMO 7–International Financial Reporting Standards and Other Pronouncements issued by the IASB
Action Plan Objective: Build awareness to ensure high quality implementation of the requirements of International Standards and other Pronouncements issued by the IASB

Background:

Under the CPA's Regulations, SOCPA is responsible for reviewing, developing, and approving accounting standards. In 2012, SOCPA Board decided to transit to the standards issued by the International Accounting Standards Board (IASB) starting from the first of January 2017. The implementation of the transition plan has required an appropriate approach including study of the IASB Standards, looking into the application period and to decide whether any changes are needed on IASB Standards, or on the current rules and regulations. The following procedures has been applied on each of the IAS/IFRS (2017 version):

1. SOCPA accounting standards committee has studied the IASs/IFRSs to determine whether it can be applied “as is” or whether it should be amended to align with local rules and regulations, taking in consideration the level of technical and professional preparedness in the Kingdom;
2. SOCPA has organized roundtable meetings which include financial statements preparers and users, academics and representatives of supervision bodies, who has deliberated and discussed the standard;
3. SOCPA accounting standards committee has discussed comments made during the roundtable meetings, and incorporated any necessary additions or changes that enhance the standard or its application in the Kingdom;
4. SOCPA accounting standards committee's recommendations has been publicized to solicit comments by the public; and
5. Comments made by the public has been discussed and any necessary amendments has been incorporated for the standard to be approved for application in the Kingdom.

Now, all IFRSs and other pronouncements issued by the International Accounting Standards Board (IASB) are adopted with additional disclosures to meet the local needs. The endorsed standards became effective as of the beginning of 2017. SOCPA also takes in consideration, the implementation process of building awareness of the adopted standards, provide relevant education and training, develop or disseminate implementation guidance and any other activities that promote proper understanding and use of the standards in practice. SOCPA notifies its members of all new, proposed, and revised international standards and other pronouncements issued by the IASB through website and magazine.

The IFRS Foundation publishes IFRS in Arabic and SOCPA has become the official translator for IFRS Foundation from 2017. SOCPA maintains ongoing processes to translate into Arabic language and to adopt any new requirements, standards or pronouncements issued by IASB.

SOCPA also actively participates in the IFRS standard setting process through the following ways:

- SOCPA Nominee on the IFRS Foundation Board of Trustees since 2013
- SOCPA Nominee a member of IFRS SME Implementation Group
- SOCPA actively participates in the AOSSG
- SOCPA actively pursues technical matters with the IFRIC

So summarizing the above,

<ul style="list-style-type: none"> • SOCPA had endorsed the 2017 version of full IFRS for listed entities with the option of early adoption of new standards like IFRS 9, 15 and 16. For non-public interest entities, SOCPA has again adopted the latest 2015 version of IFRS for SMEs. • Amendments done by SOCPA are only a few additional disclosures. • SAMA also requires banks and insurance companies to follow the latest version and also encourages early adoption of new standards. However, in quarter 1, SAMA decided to stop the use of IAS 12 and IFRIC 21 being not in line with SAMA regulations. 					
#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Adoption of the International Standard and other Pronouncements Issued by the IASB</i>					
1.	January 2012	SOCPA Board decided to transit to the standards issued by the International Auditing and Assurance Standards Board (IAASB) starting from the first of January 2017.	Completed in September 2016	SOCPA Accounting Standards Committee	SOCPA technical staff
<i>Building Awareness of the Pronouncements issued by the International Accounting Standards Board (IASB) and on Supporting Implementation of the accounting Standards</i>					
2.	January 2013	SOCPA also takes in consideration, the implementation process of building awareness of the adopted standards, provide relevant education and training, develop or disseminate implementation guidance and any other activities that promote proper understanding and use of the standards in practice. Training sessions in Arabic and English are regularly conducted on each and every IFRS.	Ongoing	SOCPA Accounting Standards Committee	SOCPA technical staff
3.	October 2013	Establish a system to monitor the activities of the IASB and to provide comments on new and revised pronouncements that are issued by the IASB.	Ongoing	SOCPA Accounting Standards Committee	SOCPA technical staff
<i>Maintaining Ongoing Processes</i>					
4.	January 2014	Review of revised SMO 7 requirements and possible incorporation of changes into adopted standards. Following specific activities are regularly conducted: <ul style="list-style-type: none"> • Regular IFRS training sessions in Arabic and English; • Publishing of standard specific guidance with special focus on first time adoption challenges; • SOCPA participation in awareness sessions conducted by audit firms and other bodies. 	Ongoing	SOCPA Accounting Standards Committee and SOCPA Secretary General	SOCPA Assistant Secretary General for Standards

#	Start Date	Actions	Completion Date	Responsibility	Resource
5.	Ongoing	SOCPA notifies its members of all new, and revised international standards and other pronouncements issued by the IASB through website and magazine.	Ongoing	SOCPA Accounting Standards Committee	SOCPA Assistant Secretary General for Standards
6.	Ongoing	SOCPA maintains ongoing processes to translate into Arabic language and to adopt any new requirements, standards or pronouncements issued by IASB. 2017 version have been used for transition.	Ongoing	SOCPA Accounting Standards Committee	SOCPA Assistant Secretary General for Standards

November 9, 2017

Mr. Fayezul Choudhury
Chief Executive Officer
IFAC
New York, USA

Dear Mr. Choudhury

Subject: Letter to Confirm Institutional Support for the SMO Action Plan

This letter is to confirm that the leadership of SOCPA has reviewed the information contained in the SMO Action Plan prepared by SOCPA as part of the IFAC Member Compliance Program and will provide institutional support for its implementation.

On behalf of the leadership of the SOCPA, I endorse publication of the SMO Action Plan on the IFAC website in the interests of transparency and to demonstrate our commitment to enhancing the quality and credibility of the accountancy profession worldwide.

Sincerely,



Dr. Ahmad Almeghames
Secretary General
Saudi Organization for Certified Public Accountants (SOCPA)