

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 Expressing Interest:	Kuwaiti Association of Accountants and Auditors (KAAA)
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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

KAAA	Kuwait Accountants and Auditors Association
IAASB	International Assurance and Auditing Standards Board
I&D	Investigation and Discipline
IES	International Education Standards
IESBA	International Ethics Standards for Accountants
IFRS	International Financial Reporting Standards
IPSAS	International Public Sector Accounting Standards
IPSASB	International Public Sector Accounting Standards Board
ISQC 1	International Standard on Quality Control 1
ISA	International Standards on Auditing
QA	Quality Assurance
SMEs	Small and Medium Sized Entities
SMOs	Statement of Membership Obligations
SMPs	Small and Medium Practitioners
CBK	Central Bank of Kuwait
CMA	Capital Market Authority
MOC	Ministry of Commerce and industry

Action Plan Subject: SMO 1–Quality Assurance
Action Plan Objective: Support the adoption of a mandatory QA review system for all mandatory audits.

Background:

Kuwait requirements for accounting, auditing, and Financial reporting by corporate sector entities are mandated in a number of laws. Many sources make reference to relevant laws, but it is not always clear what the key requirements of law might be. The laws include, but are not limited to, the following:

- Ministerial Resolution No.18 of 1990, which stipulates the use of IFRS in the preparation of all financial statements in Kuwait.
- The Ministry of Commerce and Industry (MOC) has the authority to license auditors and, together with the Kuwaiti Association of Accountants and Auditors, to carry out the investigation and discipline of licensed auditors as per Decree Law No. 5 of 1981 on the Practice of the Auditing Profession
- Central Bank Law No. 130 of 1977 (as amended), which requires that the auditors’ report includes an opinion on the adequacy of the internal control system. The Law also requires auditors to report additional information arising from an audit if requested to do so by the Central Bank of Kuwait (CBK). The CBK supplements the requirements in the Central Bank Law with the issuance of resolutions, Instructions and circulates on the performance of bank audits.
- Capital Markets Law (No. 7 of 2010), which established the Capital Market Authority (CMA). It outlines the requirement for regulated entities to prepare financial statements in accordance with accounting standards stipulated by the CMA and to appoint an auditor. The CMA issued Decree No. 24 of 2012, which specifies ethical requirements and the rules for auditors who wish to audit entities regulated by the CMA, including work experience, review of the auditors’ work to check for compliance with applicable standards and regulations, and the registration, de-registration, or sanctioning of auditors in the CMA’s register of approved auditors.
- **Background:**
- According to current law, the Ministry of Commerce (MOC) is the only authority responsible for organizing and controlling the registration for Auditors in the state of Kuwait. The Ministry conditions that the auditor is a member in Kuwait Accounting and Auditing Association (KAAA).
- Currently, quality control of the auditors’ practices are reviewed:
- By the Ministry of Commerce through:
 - The Initial disciplinary committee and the Disciplinary Committee of Appeal in addition to the Permanent Technical Committee for the development of accounting rules and audit evidence. All of these key committees are essential by virtue of the law of practicing the accounting profession No. 5 of 1981(in the State of Kuwait), and are reconstituted periodically.
 - Capital Markets Authority, which reviews the quality of performance of auditors registered with the Authority.
 - The Technical Committee in KAAA follow-up in coordination with the Ministry of Commerce and Industry in the development of any related future ministerial decisions before issued.
- At the same time, KAAA is working to enhance the Quality Assurance (QA) review system by establishing a body to be responsible for conducting the QA review system for audit practitioners. This law is subject to the procedures and phases of any Kuwaiti law. KAAA expects the proposal/draft law during this coming December. A committee has been formed in KAAA for working on the approval of this decision. The committee is composed of:
- Mr. Sulaiman Abdul Rahman Al-Bassam – KAAA Board Member.

- Mr. Tarek Sulaiman Al-Kandari – KAAA Board Member.
- Mr. Mohamed Homoud Al-Hajri – Ex-Head of KAAA.
- KAAA Legal Consultant.
- KAAA, CMA and MOC are working together to discuss the adoption of the International Standard on Quality Control (ISQC) 1, with the underlying objective of focusing the implementation of ISQC 1 as the firm level, especially small- and medium-sized practices (SMPs) as most of large firms have quality control systems established in compliance with ISQC 1. KAAA also advised the MOC and CMA that applying/implementing ISQC 1 proportionately to the size and complexity of the firm is one of the keys to efficiently comply with the quality control standard.
- **Mission and vision of the Kuwaiti Body:**
- Developing and issuing accounting standards in compliance with international standards in order to ensure relevance, transparency, reliability, ease of understanding, comparison and consistency of the financial statements of the parties who are likely to keep financial records in accordance with laws it is subject to.
- Adoption of the Code of Conduct for the accounting profession in Kuwait for the first time.
- The establishment and implementation of appropriate quality review program in order to ensure that Certified Public Accountants apply professional standards and to guarantee their compliance with the provisions of Chartered Accountants subsystems and relevant laws.
- Monitoring the work of audit firms and organize their work with government agencies (state-owned companies, the Ministry of Justice, other).
- Supervision and control over audit firms and statutory auditors compliance with the processes and auditing pursuant to the standards and regulations issued by the body.
- Suspension or withdrawal of approval of statutory auditors and audit firms that have been identified as contradictory as a result of the investigation and supervision.
- Keeping a record that contains sufficient information about auditors and update the information therein on a regular basis in the light of the results of the periodic inspection and the quality of the work of the auditors listed in the records.
- Suggestion means of cooperation with a control profession control authorities as well as other supervisory entities, exchange information with each other regarding auditors.
- Organize similar meetings, Conferences and events and make the necessary publications directed to the adoption and implementation of accounting standards and auditing standards in addition to increasing public awareness of relevant issues.
- Regarding QA, the following requirements shall be reviewed by the Technical Committee both at engagement and firm levels:
 - Independence;
 - Assigning personnel to engagements Consultation;
 - Supervision;
 - Hiring;
 - CPD;
 - Acceptance and continuance of clients;
 - Periodic internal quality control review (Inspection).
- These requirements are considered as the basis of the QA review system which will be developed in accordance with the upcoming new law and carried out in accordance with the Technical Committee's recommendations to obtain reasonable assurance that the Registered Auditors comply with assurance and accounting standards, professional ethics, and other instructions issued by competent authorities.
- The reviews are also undertaken for the purpose of evaluating the independence of the firm and personnel in regards to the client and the proper assignment of personnel to the engagement, and for checking for any conflicts of interest.

- **The Capital Markets Authority (CMA)**

- CMA was established in Kuwait to regulate the Kuwait Capital Markets and to maintain a general register for all auditors who are licensed by MOC, which is the legal authority who issue the level “A“ license that authorizes the auditor to audit listed companies, public subscription companies, securities companies, and investment funds established by banks and insurance companies. CMA already issued a decree NO.24 (2012) according to the law No.7 for 2010 for the declaration of CMA establishment. The requirements of this decree (issued on December 17, 2012) have normally been taken into account in drafting the new draft decree which sets new rules for both QA and conditions for listing the category A of CPAs License who audit listed companies.
- Herein below are some of the instructions related to registration of auditors with the Capital Markets Authority:
- **2-4-5 System of Registering Auditors with Capital Markets Authority**
- **2-4-5-1** The Authority prepares a special register for licensed individual auditors, enlisted Kuwaiti companies, collective investment systems, and special purpose companies licensed by the Authority. Registration in this register is possible after fulfilling the requirements stated in this chapter.
- **2-4-5-2** Without prejudice to the provisions of the Decree Law No. 5 of 1981 regarding the practice of auditing profession,
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 - any auditor listed in the register of auditors in the Ministry of Trade and Industry may apply as an auditor of companies controlled by the Authority, subject to meeting the following requirements:
 - Being registered in the auditors’ records for category (A) in the Ministry of Trade and Industry, and practicing the auditor’s profession for not less than 5 years in the field since his registration in the register of auditors in the Ministry of Trade and Industry.
 - Number of his employees should not be less than five, one of whom is a professional partner, and staff should be full time dedicated for work with the auditor.
 - The percentage of professional staff (out of the total team performing the work of auditing a certain job) should not be less than 35%.
 - All employees in the revision and auditing team working with the Auditor should hold a bachelor degree in Accounting from Kuwait University or an equivalent university or institute in Kuwait or abroad.
 - The professional employee presides over the team of revision and auditing working with the Auditor. The number of clients of the team head – not including those whose capital is less than Kuwaiti Dinar three millions or clients other than those stated in article (5-4-2) of this chapter) – should not at any time exceed:
 - Ten clients only for each auditing team who is considered as a professional employee with an experience of not less than seven years.
 - Seven clients only for each auditing team who is considered as a professional employee with an experience of not less than five years.
 - Kuwait employees working in his revision and auditing team should not be less than 15% in the year of his registration as auditor in the record of auditors with the Authority, provided that such percentage is increased to 25 percent within five years, and that the total percentage of Kuwaiti staff will not be less than 50% within ten years as of the date of registration.
 - The auditor enjoying the following qualifications shall be exempted from the provisions of paragraph (1) of this article related to the practical experience of the auditor:
 - The auditor has a professional relation with one of the offices of international reputation.
 - The auditor abides by applying the standards of quality control and risk assessment pursuant to the latest international practices in the field of Auditing.
- **2-4-5-3** The Auditor registered with the Authority should have a clear plan for professional training and development of his staff, with at least thirty years annually for the members of the auditing team, provided that he abides by the training plan along his period of registration in the register.
- **2-4-5-4** As per CMA, Auditors are required to follow a professional Code of Ethics set in accordance with the latest international standards, such as the Code of Ethics issued by the International Federation of Accountants (IFAC). The Code of Ethics must be signed by all the staff of the audit team, which must commit to it.
- **2-4-5-5** The Auditor has to submit his registration application to the register in the Authority on the form prepared for this purpose, accompanied with the following:
 - His basic information, including name, date of registration with the Ministry of Commerce and Industry, his head office and contact information.

- A certificate of registration in the register of the Ministry of Commerce and Industry.
- Certificate of signature authorization.
- A list of the names of employees member in the revision and auditing team of the Auditor, including the professional ones, along with their nationalities, their academic and professional qualifications, and their practical experience.
- A statement of the clients whom he audits at the time of submitting the application.
- The organizational structure adopted in his office.
- A brief statement of his internal regulations and polices, and the technical systems used.
- Submitting a written report undertaking the following:
 - Abiding by providing all the data and information required by the Capital Markets Authority.
 - Abiding by informing the Authority in case of losing any of the requirements or conditions stated above.
 - Committing not to accept any jobs involving contradiction of interests.
 - Abiding not to accept any jobs that will prejudice the profession's honor.
 - Payment of the fees set by the Authority.
 - Fulfillment of any other requirements set by the Authority.
- CMA shall issue its decision regarding the registration request submitted by the Auditor if it fulfills all the required data, information, and requirements mentioned above. In case of rejection, the reason of rejection shall be clearly stated.
- **2-4-5-6** The registered auditor should take the following into consideration:
 - If the auditor is a partner in, or working in an entity that practices consultation services, he has to completely separate the teams working in the revision and auditing tasks from those providing consultations.
 - Not to provide additional services to the client other than those required by the auditing profession. In general, the auditor is prohibited to provide any services that may affect his independence and integrity like consultation services or internal auditing during performing his works of revision and auditing.
 - To review the details or his work plan and the results of the revision and auditing process with the internal auditing committee of the client.
 - To periodically meet with the internal auditing committee of the client prior to submitting the periodical and annual financial statements to the Board of Directors to take any decision or recommendations in this relevance. He may meet with the internal auditing committee of the client or his Board of Directors when necessary.
 - Not to perform any work of revision and auditing to any client for a period of 4 consequent fiscal years, unless the client is in the phase of liquidation, and this period shall be calculated as of the date of registration in the register of auditors in the CMA. He may re-perform the same works for the same client after a stoppage period of not less than two subsequent years.
 - To notify the administration of his client, or the Board of Directors of the company and the shareholders of any matters of material interest like:
 - How suitable and effective are the internal auditing systems and internal regulations applicable in the company, and how far they are abided by.
 - The ability of the company to continue practicing its business.
 - To notify the administration of his client of any discovered violations or activities suspected to be incompliant with the applicable laws, regulations and directives applicable by the client or its Articles of Association. He has to also notify the Authority and the general assembly of the client in case of the existence of fundamental and important violations.
- **2-4-5-7** CMA may review the work of auditors registered with it by controlling that the financial statements of the companies it oversees are produced in accordance with international financial reporting standards (IFRS) and disclosure requirements as issued by the Capital Markets Authority, and that it has reasonable ground to confirm that the report of the auditor is issued in accordance with international financial reporting standards and accepted policies and procedures for quality control.
- **2-4-5-8** The auditor registered with the Commission shall report annually during the month of June information about the human resources that were available to him during the year, auditing activity, consulting and other services provided to the companies controlled by the Capital Markets Authority,

training activity during the year, and review of risk and quality control provided that the report shall state the level of compliance with the content of item (6) of article (2-4-5-2) of this chapter.

- **2-4-5-9** The Board of Commissioners of the Capital Markets Authority (CMA) may forbid, under a reasoned decision, an auditor registered with CMA from auditing the financial statements of companies licensed by CMA and registered companies, for a certain period of time.
- The auditor should carry out his duties until the Annual General Meeting even in the case where he had been written off from the register of auditors with the Commission after his appointment.
- The auditor who was suspended from auditing the financial statements of companies controlled by the Capital Market Authority may appeal of the suspension decision in accordance with the conditions specified by the Commission.
- **2-4-5-10** The Board of Commissioners of the Capital Markets Authority, under a reasoned decision, write-off the auditor from the register if he has breached any of the provisions of article (2-4-5-2) of this chapter, or if his registration with the Ministry of Commerce and Industry has been cancelled, or if a final judgment of a crime involving moral turpitude or dishonesty was issued against him.

Self-Assessment against the Main Requirements of SMO 1

Requirements	Y	N	Partially	Comments
Scope of the system 1. At a minimum, mandatory QA reviews are required for all audits of financial statements.			X	The Capital Markets Authority (CMA) has the right to do Quality assurance review the work of auditors who perform audits for listed and financial institutions. Audit Firms registered with CMA must have quality assurance review system. While the mandatory quality assurance review system does not exist for audits of financial statements for the rest of audits firm which is not under CMA.
Quality Control Standards and Other Quality Control Guidance 2. Firms are required to implement a system of quality control in accordance with the quality control standards.			X	CBK requires that the auditors' report for Listed entities and financial institutions to include an opinion on the adequacy of the internal control system.
3. Most up to date versions of ISQC 1 and other relevant ISA are adopted as the quality control standards.			X	Auditors of Financial institutions have to adopt ISQC as per Central Bank requirements.
4. Member Body assists firms in understanding the objectives of quality control and in implementing and maintaining appropriate			X	KAAA to encourage the Minister of Commerce and Industry to issue a decree regarding the adoption of a QA review system to be applied to all auditors and to authorize KAAA to review it

Requirements	Y	N	Partially	Comments
systems of quality control.				and to cooperate with audit firms to facilitate its implementation through meetings and further explanations.
Review cycle 5. A cycle-based, risk-based, or a mixed approach for selecting firms for QA review is used.			X	Firms registered with CMA
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).		X		
QA Review Team 7. Independence of the QA Team is assessed and documented.		X		
8. QA Team possesses appropriate levels of expertise.				
Reporting 9. Documentation of evidence supporting the quality control review report is required.	X			CMA Law No.7 and Decree No. 24 also stipulate that auditors must follow a professional code of ethics that is aligned with international standards, such as those issued by the IESBA. In addition, audit firms providing services to entities regulated by the CMA and the Central Bank of Kuwait are subject to regulation by both bodies.
10. A written report is issued upon conclusion of the QA review and provided to the firm/partner reviewed.			X	
Corrective and disciplinary actions 11. Reviewed firms/partners are required to make timely adjustments to meet			X	

Requirements	Y	N	Partially	Comments
recommendations from the review report.				
12. QA review system is linked to the Investigation and Discipline system.		X		
Consideration of Public Oversight 13. 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 14. Regular reviews of implementation and effectiveness of the system are performed.			X	Yearly internal control review report mandatory for for public entities and financial institutions.

Action Steps:

#	Start Date	Actions	Completion Date	Responsibility	Resources
<i>There is legislation that is pending approval of the Kuwaiti parliament that would lead to the establishment of a Technical Committee within the MOC that would have structures and responsibilities similar to a public oversight authority. More information is needed to determine a possible timeline for the approval and subsequent implementation of such an oversight system.</i>					
1	December 2016	QA has been established and is operational for some of the mandatory audits (public interest entities).	2019	CMA	
2	September 2015	KAAA started its campaign to approve the Accounting and Audit	Ongoing	KAAA Technical Committee	KAAA Board of Directors

3	June 2016	KAAA to encourage the Minister of Commerce and Industry to issue a decree regarding the adoption of a QA review system to be applied to all auditors and to authorize KAAA to review it and to cooperate with audit firms to facilitate its implementation through meetings and further explanations.	Ongoing	KAAA Technical Committee	KAAA Board of Directors
<i>Support Implementation of Quality and Assurance review system (See SMO Action Plan Update Explanatory Note for examples of possible actions)</i>					
4.	October 2014	Work with the MOC and CMA to ensure that the QA review system is followed and performed by the Technical Committee in accordance with the new regulations of CMA. Coordinate with the Ministry of Commerce and Industry in developing any future relevant ministerial resolutions before issuing.	Completed	KAAA Technical Committee	KAAA Board of Directors
5.	September 2013	Identify any areas of QA review system's divergence from SMO 1 revised requirements. Develop concrete steps to address and modify these areas of divergence to better align with SMO1, ISA 220 and ISQC1 in 2014.	Ongoing	KAAA Technical Committee	KAAA Board of Directors
6.	June 2014	KAAA to encourage the Minister of Commerce and Industry to issue a decree regarding the adoption of a QA review system to be applied to all auditors and to authorize KAAA to review it and to cooperate with audit firms to facilitate its implementation through meetings and further explanations.	Ongoing	KAAA Technical Committee	KAAA Board of Directors
7.	May 2015	Prepare a new quality assurance review questionnaire for auditors and quality controllers in accordance with Clarity International Standards on Auditing (ISA)s.	Ongoing	KAAA Board of Directors	KAAA Board of Directors

Action Plan Subject: SMO 2–International Education Standards for Professional Accountants and Other Pronouncements Issued by the IAESB
Action Plan Objective: Ensure that System of Education and Certification is in Line with IESs

Background:

Kuwait Accountants and Auditors Association is keen to activate its role within the various financial sectors and non-profit organizations specialized in the development of accounting and auditing profession in Kuwait so as to keep pace with the rapid evolution in the professional field, It felt necessary to set up an integrated program of continuing education and professional development, to ensure that auditors follow up of the latest developments on the professional arena in the area of their work and develop their skills on an ongoing basis to upgrade their level of professional performance and maintain a good level to practice the profession in accordance with Law No. (5) for the year 1981, through access to a minimum number of hours of continuing education and professional development as part of their professional responsibilities and prerequisite to renew the license to practice the profession. This comes as a demonstration on KAAA of the importance of these programs, which represent the only way to update the information and refine technical skills, to achieve high quality of the services provided by the auditors in order to progress to the highest levels at the local and regional levels.

Auditing is one of the key elements in the society as it plays an active role in the planning and budgeting field in the areas of implementation and control which cannot be fully performed without supportive data and the availability of numbers provided by the Accounting and Auditing profession, which is the link between the other sciences, including planning, preparation of budget, accounting and management sciences. The Auditor also plays a special role in reviewing these data, auditing and approving them, as he is the only qualified person with information of their dimension, and who understands their nature. Therefore, the auditor holds an important position in all production and service units and occupies a lot of technical and managerial positions.

KAAA has two membership categories as follow:

- A) One category for any person graduated from the Faculty of commerce of one of the Kuwaiti Universities, or holding a similar degree from any other local or foreign University or Institute considered by the Ministry of Education in the state of Kuwait equivalent thereto (General Membership).

The candidates for this category of membership are not required to complete practical experience requirements but should be authorized as accountant graduated from faculty of commerce to practice accounting. They are not holding a license as a Certified Professional Accountant (CPA) otherwise will categorize as a Category B for a certified chartered accountant (see b below).

- B) One category only for the Auditors and Chartered Accountants who obtained their licensed from MOC as CPAs, should they successfully passed the examinations held by MOC (Auditors Membership).

Only national persons are entitled to practice auditing in the State of Kuwait and they must be qualified and pass the CPA exam set by the MOC. Normally there are two exams per year but in some circumstances there is only one offered. In August 2015, and with the support of KAAA, the Ministry of Commerce and Industry agreed to hold the test twice a year.

The organization responsible for conducting the exam is the Exam Committee which comprises members from the MOC, KAAA, and outsiders who administer the exam process. The committee asks professors and practitioners to assist in the preparation of exams. The committee then

prepares the exam, controls the grading process, oversees the operation of exams, and then publishes the results to ensure independence.

In addition to passing an examination, a candidate must also:

- Be a Kuwaiti citizen;
- Receive Bachelor's degree in accounting;
- Have minimum 5 years of experience in auditing/accounting;
- Have a clear criminal record, not convicted or sentenced by court. Also, not dismissed from government services for misconduct/disciplinary act;
- be a member of KAAA; and
- Be fully dedicated to the profession and not have another post.

As mentioned above, MOC delivers licenses for auditors under the conditions that candidates have at least five years of experience at one of the accounting and auditing firm of a member of the society or at an audit firm accredited by MOC and KAAA Board of Directors and pass final examinations supervised and held by the MOC according to Kuwait law. MOC is the only institution with the authority to grant the license.

The license for auditors is categorized into two levels A and B:

- A) Level A regroups auditors who have at least seven years of experience and are licensed to audit listed companies, public subscription companies, securities companies, and investment funds established by banks and insurance companies.
- B) Level B regroups auditors who have at least five years of experience and are licensed to audit unlisted companies, partnership companies, limited companies, and to provide advisory services.

Candidates for auditors category are required to gain the professional knowledge and competence and pass the examinations which cover the following subjects:

- Financial Accounting and IFRS Reporting.
- Auditing Standards.
- Cost Accounting & Managerial Accounting.
- Law & Legislations.

Most of the requirements prescribed are included in the education curriculum and the training programs provided by KAAA for students Admitted for the Examinations.

KAAA Board of Directors has proposed a CPD program to MOC as it is the only authority responsible for setting licensing requirements.

A key focus of the KAAA has indeed been on developing a requirement for a minimum number of hours of CPD for members of KAAA which is in line with International Education Standards (IESs). In 2012, the KAAA Board of Directors approved a draft CPD Program prepared by the KAAA and reviewed by IFAC. In November 2012, the draft was sent to the MOC for final approval but it is not approved yet due to a delay entailed by the

upcoming changes in a commercial law. In May 2015, the Board of Directors approved the continuous education and professional development center again and it was sent to the Ministry of Commerce and Industry for approval. Coordination is going on with MOC in this regard.

To assist KAAA's members in meeting their responsibility for lifelong learning, KAAA also provides many courses, training, forums & workshops to facilitate access to CPD opportunities and resources.

- Professional accountancy education takes place in the public universities of Kuwait, training institutions approved by the Public Authority for Applied Education as well as in private universities. In order to ensure high quality accountancy education, the KAAA meets with program directors of universities and third party providers to address technical issues and areas of non-compliance with the IESs issued by the International Accounting Education Standards Board (IAESB).

Action Steps:

#	Start Date	Actions	Completion Date	Responsibility	Resources
<i>Supporting Adoption of IES</i>					
10.	Ongoing	Continue to identify the technical and financial resource required for ensuring an improvement of professional accountancy education in line with IESs and perform an initial assessment of available and needed resources.	Ongoing	Chair of the Research and Development Committee	Committee Members and Universities Faculties
11.	Ongoing	KAAA at the end stage of implementing new professional education program set in line with IES to help prepare candidates for the local CPA exam.	Ongoing	Training and Professional Development Committee	Committee Members and other subject matter experts
12.	Ongoing	Continue the development and provision of a wide range of training programs which focus on key updates and changes to standards, best practices in the application of standards, and key areas of challenge in the implementation of standards.	Ongoing	Training and Professional Development Committee	Committee Members and other subject matter experts

<i>Support Implementation of Educational Standards</i>					
14.	Ongoing	KAAA will meet with the Minister of Education in Kuwait in a committee to discuss and review new and revised IESs issued by the IAESB.	Ongoing	Board of Directors and Training and Professional Development Committee	Board of Directors and Training and Professional Development Committee
15.	Ongoing	Develop a system for communicating new developments and changes in standards and other guidance to educators, government educators, and KAAA membership. This may be conducted through magazine, emails, or internet website.	Ongoing	Board of Directors and Training and Professional Development Committee	Board of Directors and Training and Professional Development Committee
<i>Contributing to International Standard-Setting</i>					
17	September 2016	KAAA invent a Sub-committee to review and comment on the international standard setters' Exposure Drafts.	Ongoing	Board Member	Board member

Action Plan Subject: SMO 3–International Standards and other Pronouncements Issued by the IAASB

Action Plan Objective: Support Adoption and Implementation of the IAASB Standards

Background:

In Kuwait, the MOC is responsible for the adoption of the International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board (IAASB) as well as for ensuring compliance with their requirements. The use of the most recent clarified version of ISAs is required for audits of all types of companies (both listed and non-listed). (Law No. / Ref.)

The authorities in Kuwait have adopted the ISAs without modifications as the jurisdiction considers that the ISAs are in line with the MOC Policy.

KAAA Research Committee and the Technical Committee of the MOC are both generally responsible for enhancing the implementation of ISAs in the State of Kuwait. However, the KAAA has only an advisory opinion to the MOC, which is the only jurisdiction responsible as a legal authority to support the implementation of ISAs.

KAAA is encouraging the MOC to publish the other pronouncements issued by the IAASB such as International Standards on Review Engagements (ISREs), International Standards on Assurance Engagements (ISAEs), International Standards on Related Services (ISRSs), and International Standards on Quality Control (ISQCs) and take formal and legal steps for their adoption for application in Kuwait and for the publication of both Arabic and English versions of these pronouncements.

Unfortunately, the procedural steps and routine approvals for the formal publication of ISAs by the MOC takes time. This situation could delay the adoption process. Therefore, KAAA is working with MOC to improve the ongoing adoption and application process of ISAs and holds awareness workshops to highlights any changes made by the IAASB to its pronouncements, including ISREs, ISAEs, ISRSs, and ISQC. KAAA is thus working with CMA and MOC to assist them in further developing an ongoing system for consideration, formal adoption, and promulgation of new and revised standards.

KAAA is also holding regular meetings with international audit firms operating in Kuwait as they are applying ISAs according to international best practices and are updating KAAA members about new and revised standards.

KAAA is also developing training, CPD courses and implementation guidance to assist its members with the implementation of the auditing standards.

Action Steps:

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Supporting Adoption of ISA</i>					
17.	Ongoing	Working on passing the law of establishing the Kuwait Accounting and Auditing Authority, its operation mechanism, and providing data and information. Continue discussion with local regulators regarding the possible modifications to specific ISAs necessary to ensure applicability in the Kuwaiti accounting environment.	Ongoing	Board of Directors and the Committee concerned with the preparation of the proposal	Board of Directors and the Committee concerned with the preparation of the proposal
18.	Ongoing	Compare published standards with the new and revised standards issued by the IAASB.	Ongoing	Research and Studies Committee	Research and Studies Committee
<i>Support Implementation of Auditing Standards</i>					
19.	Ongoing	Continue to support the implementation of the IAASB standards and guidelines. Keep KAAA members updated through educational seminars. Specific issues which may be covered through these seminars include: a) Key updates and changes to ISAs. b) Best practices in the application of ISAs. c) Key areas of challenge in the implementation of ISAs. d) Specific challenges facing SMP firms in the implementation of ISAs. In the years 2009, 2012, 2014, and 2017, KAAA conducted its periodical conference (once in around two years) over a two days period which covered a wide a range of topics including a-d aspects above. KAAA invited IFAC and IFAAC in addition to GCC Accounting and Auditing Board representative attended this conference, and a representative of IFAC attended the conference. KAAA will conduct another conference in late 2016 with additional discussions about the New business law project in Kuwait, corporate governance procedures, and the wide range of new challenges in the implementation of ISAs.	Ongoing	Board of Directors and other Specialists	Board of Directors and other Specialists

		There were also many scheduled meeting held during 2015 to follow up with the MOC about how to encourage the Audit and SMP firms to comply with the changes in ISAs and other modifications in practice.			
20.	June 2014	Developed a training seminar specifically for university professors to assist them in teaching the theory and practical application of the new updates of ISA in the classroom.	Ongoing	Research and Studies Committee and other Specialists	Research and Studies Committee and other Specialists
21.	Ongoing	Publish articles in KAAA Magazine to notify members of all new, proposed, revised international standards and other pronouncement issued by the IAASB, in order to enhance the awareness of the financial auditors, trainees and the public in general about the new and revised standards.	Ongoing	Magazine Committee	Magazine Committee
<i>Contributing to International Standard-Setting (See SMO Action Plan Update Explanatory Note for examples of possible actions)</i>					
22	September 2017	Translation of International Standards and updates and other Pronouncements Issued by the IAASB	September 2018	Board Member	Board Member

Action Plan Subject: SMO 4–IESBA Code of Ethics for Professional Accountants
Action Plan Objective: Ensure Alignment of KAAA Code of Ethics with IESBA Code of Ethics

Background:

MOC is the only authority legally responsible for setting ethical standards for the accountancy profession in the country. The KAAA only provides advisory opinion and undertakes necessary researches. The Code of Ethics for the accountancy profession in Kuwait was first adopted in 2006. It now refers to the requirements of the English version of the Code of Ethics issued by the International Ethics Standards Board for Accountants (IESBA) which was effective as of January 2011 and includes additional national ethical requirements and guidelines.

KAAA will be discussing with MOC some of the latest changes brought to the IESBA Code of Ethics, including the changes addressing Conflicts of Interest and Breaches to a requirement of the Code. In this respect, KAAA is using its best endeavors to urge the MOC to incorporate these changes into the Kuwaiti Code of Ethics to be applied to all auditors who are listed at the General Register book.

Specifically, the IESBA Code of Ethics contains two sections that address conflicts of interest, Section 220 for Professional Accountants in Public Practice and Section 310 for Professional Accountants in Business. Failure to identify and address conflicts of interest on a timely basis may result, for example, in an accountant having to withdraw from an arrangement at a point in time where the affected parties have insufficient time to effect an orderly transition to an alternative service provider. Therefore, the KAAA takes action to explain to the MOC the changes in the IESBA Code of Ethics to be adopted in Kuwait during 2014 and will continue meeting with MOC during the year 2015 for a final review before adopting the new code changes.

KAAA also noted the following:

- The IESBA has revised the Code to more comprehensively deal with a professional accountant’s actions when encountering a breach of a requirement of the Code. The changes in particular establish a robust framework for addressing a breach of an independence requirement in the Code. The changes are effective on April 1, 2014, with early adoption permitted.
- The IESBA has also revised the Code to establish more specific requirements and provide more comprehensive guidance to support professional accountants in identifying, evaluating, and managing conflicts of interest. The changes clarify the meaning of a conflict of interest under the Code. They affect both professional accountants in public practice and professional accountants in business, taking into account their different circumstances. The changes are effective on July 1, 2014, with early adoption permitted.
- The IESBA has made a change to the definition of “engagement team” to clarify the relationship between internal auditors providing direct assistance on an external audit and the meaning of an engagement team under the Code. The IESBA issued the revised definition in conjunction with the International Auditing and Assurance Standards Board (IAASB)’s issuance of its International Standard on Auditing (ISA) 610 (Revised 2013), Using the Work of Internal Auditors. ISA 610 (Revised 2013) includes requirements and guidance addressing the external auditor’s responsibilities if using internal auditors to provide direct assistance under the direction, supervision, and review of the external auditor for purposes of the audit, where such assistance is not prohibited by law or regulation.

The revised definition of “engagement team” is effective for audits of financial statements for periods ending on or after December 15, 2014. Early

adoption is permitted.

Therefore, KAAA will also promoted these changes to the MOC to further ensure their adoption in 2014.

KAAA is lately working on signing a memorandum of cooperation with the Arab International Society for Certified Accountants, pursuant to which KAAA shall have the sole right to present and distribute the Arabic Version of IESBA Code of Ethics in Kuwait. Coordination is going on with the Ministry of Commerce and Industry in this regard.

Action Steps:

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Promoting the Adoption of the Latest Changes to the IESBA Code of Ethics</i>					
23.	December 2015	Compare the current Code of Ethics with the revised IESBA Code of Ethics (effective in 2014) to determine the differences between the two versions.	Ongoing	Board of Directors and Auditors Committee	Board of Directors and Auditors Committee
24.	June 2014	Publish differences between the Kuwaiti Code of Ethics (KCE) and the revised IESBA Code of Ethics in KAAA's magazine.	Ongoing	Board of Directors and Auditors Committee	Board of Directors and Auditors Committee
25.	June 2014	Promote the adoption of the revised IESBA Code of Ethics, ensuring that its requirements are compulsory for all members and member firms.	Ongoing	Board of Directors and Auditors Committee	Board of Directors and Auditors Committee
26.	May 2015	Support ongoing convergence with IAASB pronouncements. This includes review of the implementation of the Action Plan to date and updating to Action Plan for future activities as necessary.	Ongoing	Board of Directors and Auditors Committee	Board of Directors and Auditors Committee
<i>Disseminating the Code of Ethics and Supporting its Implementation</i>					

#	Start Date	Actions	Completion Date	Responsibility	Resource
27.	June 2013	<p>Provide copies of the Code of Ethics to members or indicate to members where soft copies of the revised code can be obtained.</p> <p>KAAA continues to encourage its members to implement the Code of Ethics by delivering a training courses and publish articles in KAAA magazine and encourage KAAA members and the experts to prepare and publish articles and other promotional materials in KAAA magazine in order to enhance the awareness of the Code of Ethics.</p>	Ongoing	Board of Directors and Auditors Committee	Board of Directors and Auditors Committee
#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Maintaining Ongoing Processes</i>					
28.	June 2011	Continue publishing the most recent version of the Kuwaiti Code of Ethics on the KAAA website www.kwaaa.org , and a link to IFAC website www.ifac.org .	Ongoing	Board of Directors and Auditors Committee	Board of Directors and Auditors Committee
29.	Ongoing	Continue monitoring IESBA Code of Ethics for any changes or updates.	Ongoing	Board of Directors and Auditors Committee	Board of Directors and Auditors Committee
30.	Ongoing	<p>Continue prompt dissemination of all changes to the IESBA Code of Ethics through: (a) mailing of the new standard or pronouncement to all members; and (b) explaining it through articles in our quarterly magazine.</p> <p>This was undertaken in 2012 and 2013 through mailing and publication of articles in quarterly magazine.</p>	Ongoing	Board of Directors and Auditors Committee	Board of Directors and Auditors Committee
31.	Ongoing	In 2014, KAAA conducted the fourth conference (once in every two years) over a two days period which covered a wide range of topics including a-b aspects above.	Ongoing	Board of Directors and other Specialists	Board of Directors and other Specialists

Action Plan Subject: SMO 5–International Public Sector Accounting Standards and Other Pronouncements Issued by the IPSASB
Action Plan Objective: KAAA Promotion of IPSASs as the National Public Sector Accounting Standards

Background:

The International Public Sector Accounting Standards (IPSASs) have not been adopted in Kuwait, in accordance with the Kuwaiti Laws & Regulations.

As of today, the public sector accounting standards, which are adopted in Kuwait, are cash-based and regulated by law. Therefore, in regards to SMO 5, the role of KAAA is limited to the promotion of IPSAS and other pronouncements issued by IPSASB to the relevant authorities.

KAAA works on providing governmental authorities with the International public sector accounting standards (IPSAS) upon obtaining the Arabic version from the Arab International Society for Certified Accountants, by the end of 2015.

KAAA supports the adoption and implementation process. Supporting this process usually includes actions such as:

- Organizing seminars/training courses on the subject;
- Raising awareness of the subject through online and mail publications;
- Engaging regulators and parliamentarians in discussion on the topic in an effort to raise awareness of the benefits and to encourage alignment with international standards and best practices; and
- Translation of IPSAS standards and international best practices and publication for raising awareness among the members.

Action Steps:

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Adoption/Supporting Adoption of IPSAS</i>					
33.	Ongoing	KAAA is going to use its best endeavors to promote use of IPSAS to the relevant Government authority.	Ongoing	Board of Directors	Board of Directors
34.	Ongoing	Arrange a meeting and presentation with the Ministry of Finance to demonstrate the importance of IPSAS adoption in governmental departments.	Ongoing	Board of Directors	Board of Directors

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Maintaining Ongoing Processes</i>					
35.	Ongoing	Publish articles in KAAA magazine notifying KAAA's members of all IPSAS, guidelines, studies and occasional papers developed by the IPSASB.	Ongoing	Board of Directors	Board of Directors

Action Plan Subject: SMO 6—Investigation and Discipline
Action Plan Objective: KAAA Promotion of SMO 6 and Support of the MOC Disciplinary Committee

Background:

Kuwait currently maintains a program for investigating and disciplining members of the accountancy profession for misconduct, including breaches of professional standards and rules. MOC has the authority to conduct investigations and this is done through a special committee to look into any claims or issues, which is the initial disciplinary committee and the disciplinary committee of appeal. Members of the disciplinary committee include 2 staff from the MOC and 2 members from KAAA to maintain balance, while the disciplinary committee of appeal is made of two members representing KAAA, and is presided with a judge from the Ministry of Justice. KAAA normally is represented in both committees. In short, KAAA has no authority to conduct any investigation but supports proper investigation and discipline of the profession through its representation on the said Committees.

Investigation & Disciplinary (I&D) system includes one committee/panel to investigate the complaint and a separate committee/tribunal to administer disciplinary action. Members of these committees are appointed by MOC, which confirms at the start of the investigation that any individual chosen to assist in an investigation is independent from (a) the subject of the investigation, and (b) anyone connected with or interested in the matter is investigated. In regards to sanctions, MOC has the right to issue warnings to members, restriction to practice up to two years and exclusion from membership. However, the MOC system of I&D permits the defendant to appeal the conviction and any imposed sanctions. The same procedures apply to the appeal process as apply to hearings upon referral to the disciplinary committee of appeal.

To support the proper functioning and implementation of this program, KAAA has established in its rules the provisions and processes for investigating and disciplining its members. Individuals may be brought before the Disciplinary Committee for criminal activity, acts or omissions likely to bring the accountancy profession into disrepute, breaches of professional standards, breaches of ethical requirements, gross professional negligence and a number of less serious instances of professional negligence that, cumulatively, may indicate unfitness to exercise practicing rights. Violations of this nature may result in loss or restriction of practice rights, loss of professional title (designation), and/or exclusion from KAAA membership. Individuals convicted of a violation do have the option to appeal such a decision.

KAAA has continually emphasized the need for the Disciplinary Committee to take into account the components and requirements of SMO 6 in the design and delivery of its system of investigation and discipline.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Raising Awareness Regarding SMO 6 and its Components</i>					

#	Start Date	Actions	Completion Date	Responsibility	Resource
37.	June 2011	<p>Raise the MOC and the Disciplinary Committee's (through seminars, publications and articles) awareness of SMO 6 revised requirements.</p> <p>KAAA proposed that MOC have more powers in the new law to adopt new penalties such as fines and different types of sanctions.</p> <p>Further efforts are being exerted to improve the investigation and disciplinary system in both KAAA and MOC. KAAA is currently revising the law No. 5 of 1981, and adding further authorities for both MOC and KAAA, in preparation for submitting the same to the Kuwaiti National Assembly (Parliament).</p>	Ongoing	KAAA Chairman and Secretary	KAAA Chairman and Secretary
<i>Maintaining Ongoing Processes</i>					
38.	Ongoing	Continue to participate and support the Disciplinary Committee in its efforts to undertake investigation, discipline and appeals activities.	Ongoing	KAAA Chairman and Secretary	KAAA Chairman and Secretary
39.	Ongoing	Continue dissemination of rules on the provisions and processes for investigation and discipline through website and inclusion in seminars and trainings, also with the objective of raising its members and the public's awareness of the investigation and disciplinary mechanisms functioning to further ensure that complaints they wish to raise are forwarded to the relevant body.	Ongoing	KAAA Chairman and Secretary	KAAA Chairman and Secretary

Self-Assessment against the Main Requirements of SMO 6

1. Requirements	Y	N	Partially	Comments
2. Scope of the system 1. A system of investigation, discipline and			X	System for all mandatory audits has been established but is not yet operational.

1. Requirements	Y	N	Partially	Comments
appeals exists for the accountancy profession. The system is operational.				
2. Information about the types of misconduct which may bring about investigative actions is publicly available.	X			
3. Initiation of Proceedings				
3. Both a “complaints-based” and an “information-based” approach are adopted.				
4. Link with the results of QA reviews has been established.				
4. 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			
5. 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.				

1. Requirements	Y	N	Partially	Comments
6. Sanctions 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.	X			
7. Rights of representation and appeal 11. A third appeals body exists which is separate from both the disciplinary committee and investigative committee.				
8. Administrative Processes 12. Timeframe targets for disposal of all cases are set.				
13. Tracking mechanisms to monitor progress in investigation and discipline and related procedures are established.				
14. Records of investigations and disciplinary processes are established.				
9. Public Interest Considerations 15. Activities are supported to ensure that the public is aware that an investigative and disciplinary system exists in the jurisdiction.			X	
16. A process for the independent review of complaints on which there was no follow-up is established.	X			

1. Requirements	Y	N	Partially	Comments
17. The results of the investigative and disciplinary proceedings are made available to the public.	X			
10. Liaison with Outside Bodies 18. There is an appropriate process for liaison with outside bodies on possible involvement in serious crimes and offences.				
11. Regular review of implementation and effectiveness 19. Regular review of implementation and effectiveness of the system are performed and corrective actions are implemented.				

Action Plan Subject: SMO 7–International Financial Reporting Standards and Other Pronouncements issued by the IASB
Action Plan Objective:

Background:

The State of Kuwait through a MOC’s Order (Ministerial Order in 1992/93) made it mandatory for all companies (listed and non-listed) to apply International Financial Reporting Standards (IFRSs). MOC is now considering adopting the IFRS for SME for specific entities but the project is still under negotiation with the related parties in Kuwait.

All Kuwaiti Laws, such as the companies’ law, central bank law, security exchange law, and the law on the organization of the profession of chartered accountants have referred to and required the use of IFRS since 1993. All new International Accounting Standards Board (IASB) pronouncements are applicable in Kuwait as issued; therefore the standards adopted and applied in Kuwait maintain no divergences from current IFRS.

Therefore, the major challenge compliance with SMO 7 is not IFRS adoption, but rather the implementation of IFRS in Kuwait. This is due to the need for many seminars and training courses and more discussions about the implementation of IFRS in Arabic language.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Continuing to Support the Adoption and Implementation of IFRS</i>					
41.	June 2015	KAAA Continue to support implementation of IFRS in Kuwait through facilitation of an ongoing translation process of IFRS to a viable for KAAA members providing training and education.	Ongoing	Board of Directors and Auditors Committee	Board of Directors and Auditors Committee
42.	Ongoing	Hold meetings with university professors to introduce the theory and practical application of the new updates of IFRS in the classroom.	Ongoing	Board of Directors and Auditors Committee	Board of Directors and Auditors Committee

#	Start Date	Actions	Completion Date	Responsibility	Resource
43.	Ongoing	<p>Keep KAAA members updated through educational seminars. Specific issues which may be covered through these seminars include:</p> <p>a) Key updates and changes to IFRSs.</p> <p>b) Practical application of IFRSs for listed and non-listed companies.</p> <p>c) Key areas of challenge in the implementation of IFRSs.</p> <p>d) Issues surrounding the use of IFRS for SMEs.</p> <p>KAAA continues facilitating many courses and training programs on IFRS Updates.</p>	Ongoing	Board of Directors and Auditors Committee	Board of Directors and Auditors Committee
<i>Review of KAAA Compliance Information</i>					
44.	Ongoing	<p>Perform periodic review of KAAA response to the IFAC compliance self-assessment questionnaires and update sections relevant to SMO 7. Once updated inform IFAC compliance staff about the updates in order for the compliance staff to republish updated information. Ensure review of revised SMO 7 and compliance with any modifications/additions to its requirements.</p>	Ongoing	KAAA Chairman and Secretary	KAAA Chairman and Secretary



Date : 08 May 2019

Name : Fisal A. Al-Tabiekh

Title : Chairman

Company : Kuwaiti Association of Accountants and Auditors

Address : P.O.Box 22472 Safat 13085 Kuwait

Email : Info@kwaaa.org

Dear Ms. Prinsloo,

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

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

On behalf of the leadership of the NAME OF ORGANIZATION, 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,

Fisal A. Al-Tabiehg



(Signature of President or Chairman of the Board or equivalent)

Chairman

(Title)

(Name of Organization) **Kuwaiti Association of Accountants and Auditors**

(Date) 08 May 2019

