

## **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 adoption<sup>1</sup> and implementation<sup>2</sup> 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**

<b>IFAC Member:</b>	Saudi Organization for Certified Public Accountants (SOCPA)
<b>Approved by Governing Body:</b>	SOCPA Secretary General
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<sup>1</sup> *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.

<sup>2</sup> *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**

<b>ASC</b>	Auditing Standards Committee
<b>CPA</b>	Certified Public Accountant
<b>CPD</b>	Continuing Professional Education
<b>IAASB</b>	International Auditing and Assurance Standards Board
<b>IAESB</b>	International Accounting Education Standards Board
<b>IASB</b>	International Accounting Standards Board
<b>IES</b>	International Education Standards for Professional Accountants
<b>IESBA</b>	International Ethics Standards Board for Accountants
<b>IFAC</b>	International Federation of Accountants
<b>IFRS</b>	International Financial Reporting Standards
<b>IPSASB</b>	International Public Sector Accounting Standards Board
<b>ISA</b>	International Standards of Auditing
<b>ISQC</b>	International Standard on Quality Control
<b>MCI</b>	Ministry of Commerce and Investment
<b>QRC</b>	Quality Review Committee
<b>SME</b>	Small and Medium Enterprise
<b>SMO</b>	Statement of Membership Obligation
<b>SOCPA</b>	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 revised 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.
- SOCPA has the right to inspect the firms with poor results annually or even more than once during one year and to check the follow-up on Action Plans for these firms.
- Any time during the year (or several times in a year), on request from any government body or upon receiving any legitimate complaint / whistle blowing through SOCPA portal, which is accessible for everyone.

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"> <li>• Invite reviewers from the Institute of Chartered Accountants of England and Whales (ICAEW) and the Institute of Chartered Accountants of Pakistan (ICAP) under MOU with both bodies;</li> <li>• Studying the review working papers from these bodies in order to improve upon its own documentation;</li> <li>• Translation of ICAP’s Audit Practices Manual (2012) into Arabic for use by SMPs in KSA;</li> <li>• Conducting workshops and presentations on auditing standards;</li> <li>• Appointment of Full time Experienced and Qualified Reviewers</li> <li>• Specialized training sessions for our qualified full time reviewers covering full IFRS, IFRS for SMEs, ISQC 1 and ISAs during 2021.</li> <li>• Liaising with other regulators in different jurisdictions to see best practices and to update our methodologies accordingly.</li> </ul>	<p>Completed</p> <p>Completed</p> <p>Completed in December 2016</p> <p>Experienced and qualified full time reviewers were appointed starting from 2017 to 2021 and ongoing</p>	SOCPA Quality Review Committee	SOCPA technical staff

			<p>Completed Full IFRS and IFRS for SMEs trainings for SOCPA full time reviewers through external consultant in Q1 2021 and ISQC 1 and ISA training planned in Q2 2021</p> <p>Ongoing</p>		
3.	Ongoing	<p>Study by an external consultant to study the current SOCPA Quality Review process and suggest improvements in the same.</p> <p>Visited a regulator in another Jurisdiction for understanding their methodology and accompanying their reviewers in field for some of their inspections in order to understand best practices in other Jurisdictions and to update our inspection methodologies for such best practices.</p>	<p>February 2017 Completed</p> <p>All the SOCPA full time reviewers visited the Regulator Jurisdiction during August 2019 and later updated the SOCPA inspection methodology with the best practices noted</p>	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><b>Scope of the System</b></p> <p>1. At a minimum, mandatory QA reviews are required for all audits of financial statements.</p>	X			Selection is done from all Audits, Reviews and other Assurance Services related to financial statements
<p><b>Quality Control Standards and Other Quality Control Guidance</b></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 already had executed 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 &amp; Ethics.'</p> <p>SOCPA has also completed the translation of Arabic version of IFAC SMP Quality Control Guide to all firms and this has been uploaded in SOCPA website for support to firms under Small and Medium sized practices.</p>
<p><b>Review Cycle</b></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, special reviews are also carried out any time during the year (or several times in a year) on request from any government body or upon

Requirements	Y	N	Partially	Comments
				receiving any legitimate complaint / whistle blowing through SOCPA portal, which is accessible for everyone..
<b>QA Review Team</b>				
7. Independence of the QA Team is required to be assessed and documented.	X			SOCPA is mostly executing the reviews with full time SOCPA Independent Reviewers. If any subject matter experts are included they are required to sign the Independence declaration.
8. QA Team possesses appropriate levels of expertise	X			SOCPA full time QC team currently comprise of experienced and qualified reviewers. Further, subject matter experts are also engaged on need basis.
<b>Reporting</b>				
9. Documentation of evidence supporting the quality control review report is required.	X			SOCPA has prepared its detailed inspection checklists (containing requirements of ISQC 1 and ISAs), which is duly filled by the reviewers for each inspection as an evidence supporting the QC review report. Further, based on the requirement of the QC manual, we obtain full set of the working papers for the selected sample.
10. After completion of review, exit meeting is held and minuted. Copy of minutes and review notes are signed by both reviewer and reviewee.				All inspection have closing meetings and the minutes for such closing meetings are signed by both SOCPA Reviewers and Firms representatives.
11. A written report is issued upon conclusion of the QA review and provided to the firm/partner reviewed.	X			The final inspection report containing the findings / recommendations are signed by both SOCPA Reviewers and Firms representatives
<b>Corrective and Disciplinary Actions</b>				
12. Reviewed firms/partners are required to make timely adjustments to meet recommendations from the review report.	X			A detailed action plan is agreed with the firm for corrective actions, where the firm is classified as non-compliant. Such action plans are followed up by the SOCPA reviewers
13. QA review system is linked to the Investigation and Discipline system.	X			Findings are shared with the Investigation Committee.
<b>Consideration of Public Oversight</b>				
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			SOCPA closely coordinates with Capital Market Authority (CMA) who are responsible for Public Oversight in Kingdom of Saudi Arabia. SOCPA has signed detailed MOU with CMA for sharing of information and assisting each other in review processes.

Requirements	Y	N	Partially	Comments
<p><b>Regular Review of Implementation and Effectiveness</b></p> <p>15. Regular reviews of implementation and effectiveness of the system are performed.</p>	X			<p>An external consultant was appointed to review the existing system and recommend improvements and the same has been completed during 2019.</p> <p>Further, SOCPA QC department liaises with other regulatory bodies world-wide for arrangements towards understanding their methodologies and identifying the best practices and based on those results SOCPA regularly updates its QC policies and methodologies.</p> <p>In addition to above, SOCPA is also working towards a plan to have another review by external consultant to review the newly improved inspection mechanism and to have independent recommendations for further enhancing the efficiency and effectiveness of the system.</p>

**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.. 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 with at least 21 accounting academic hours, while to be a licensed auditor, a candidate who passed SOCPA exams must have the prescribed practical experience (i.e. minimum of one year) in the field of accounting or auditing after graduation. Every SOCPA full member practitioner is required to complete 300 CPD points (approximately 180 hours) every year. Currently, SOCPA are working on updating the rules and policies of CPD to be aligned with the new membership types included in the new law of Accounting and Auditing Profession and to fully comply with IES 7.

Furthermore, since 2017, SOCPA professional examinations have been set based on international standards.

With regard to education alignment, 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 were 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 were urged to use those books as references. To the best of our knowledge, majority of universities have adopted these books in their curricula.

In order to make a tremendous influential step, SOCPA are currently working on an educational initiative with a local university professionally recognized in the accounting discipline to design updated international-oriented accounting curricula complying with IESs to assist local universities to align their curricula with labor market needs. At the meantime, several webinars, focus groups, workshops will be held to assess challenges and raise awareness of accounting contemporary subjects among accounting faculties in local universities (e.g. IFRS, IPSAS, Tax, big data analytics, etc.). By the end of this project, SOCPA will offer well-designed flexible and adaptable accounting curricula to all local universities to enhance and improve the quality of accounting education in the KSA.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Consider 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	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. 1. Principles of Auditing 3 /e Editions by Hayes, Wallage and Gortemaker	Completed in December 2016	SOCPA education committee	SOCPA staff / Members of the education committee and university staff

		<p>2. Financial Accounting 9th Editions by Harrison, horngren, Thomas and Suwardy</p> <p>3. Advanced Accounting 11th &amp; 1st Editions by Floyd A. Beams, Joseph H Anthony, Bruce Bettinghus , and Kenneth Smith</p> <p>4. Intermediate Accounting, Volume 1.Third Edition by Kin Lo and George Fisher</p> <p>5. Intermediate Accounting, Volume 2. by Kin Lo and George Fisher</p>			
5.	2021	Revising and updating rules and policies of CPD to comply with both the new law of Accounting & Auditing and IES 7	Completed in August	SOCPA education committee	SOCPA staff / Members of the education committee
6.	2021	Designing an international-oriented accounting curricula complying with IESs for local universities	May 2022	SOCPA education committee	SOCPA staff / Members of the education committee and university staff
7.	2014	Convert the SOCPA Accounting and Auditing exams on international standards.	Completed in May 2017	SOCPA examination committee	SOCPA staff
8.		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

As of 2019, the 2018 version of ISA has been endorsed for application in the jurisdiction. SOCPA translated the handbook in line with IFAC translation policy, available here

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 2012	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 As of 2019, the 2018 version of ISA has been endorsed for application in the jurisdiction. SOCPA translated the handbook in line with IFAC translation policy, available <a href="#">here</a> .	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

<b>#</b>	<b>Start Date</b>	<b>Actions</b>	<b>Completion Date</b>	<b>Responsibility</b>	<b>Resource</b>
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

<b>Background:</b>					
<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. The IESBA Code of Ethics 2020 has been endorsed for application in Saudi Arabia as of January 2021</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.	Completed	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 through direct communication with the members, website and magazine.	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

<b>Background:</b>					
<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 starting from the second half of 2021.</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"> <li>• provide an accurate concept on the financial obligations arising from the operations of government agencies.</li> <li>• maintain, compile and record government assets in the accounting records, and create appropriate governance bodies to maintain the public funds.</li> <li>• improve the efficiency of preparing the government budget.</li> <li>• provide clear prospective financial vision, and making decisions based on precise and clear bases.</li> </ul>	Dec 2019	Saudi Ministry of Finance	<p>Saudi Royal Court technical staff, Saudi Ministry of Finance technical staff, General Auditing Bureau technical staff, Specialized International Firm, Management CPA Firm</p>

	<ul style="list-style-type: none"> <li>• create financial control and consistency among all financial practices followed within the country.</li> <li>• cost optimization with respect to government expenses.</li> </ul> <p>The project has been divided into four phases:</p> <ul style="list-style-type: none"> <li>❖ <b>Phase one:</b> 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.</li> <li>❖ <b>Phase two:</b> 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.</li> <li>❖ <b>Phase three:</b> 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.</li> <li>❖ <b>Phase four:</b> 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.</li> </ul> <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>			
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#	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 starting from the second half of 2021.	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, in accordance with Article 13 of the Law of the Profession of Accounting and Auditing (Royal Decree No. M59 (2021 AD)), A committee, or more, shall be formed pursuant to a decision by the Minister to consider the violations stipulated in Article 14 of this Law. Such committee shall comprise four members, including two specialists in the profession and two legal advisors; one of the advisors shall be the chairman of the committee

SOCPA I&D system covers nearly all the features required by the revised SMO 6, as SOCPA penalties are: A warning ,Reprimand, Cancellation of his SOCPA membership ,A fine not less than ten thousand riyals and not more than five hundred thousand riyals ,Suspension from practicing the profession for a period not exceeding one year, If the same violation is repeated within three years from the date the first violation is committed, the committee may double the imposed fine and may revoke the violator's license if he is suspended from practicing the profession more than twice or if he is suspended from practicing the profession for two years or more within a period of five years. The violation shall be commensurate with the prescribed penalty Reprimand.

**(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 five years and a fine not exceeding two million riyals, or either penalty .

The aggrieved party may refer the judgement to the Grievance Board (**separate disciplinary process**) for consideration. 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:

- a) Providing false information or forged certificates to obtain a license.
- b) Leading the public to believe that he has the right to practice the profession despite the fact that he is unlicensed, his license is revoked, he ceased practicing, or he is suspended from practicing the profession.
- c) Knowingly providing false information or concealing information which should be disclosed in any report, account, or document.
- d) Certifying false reports or documents which include false facts the issuance of which is legally or professionally required.
- e) Certifying the distribution of fictitious profits.
- f) Disclosing client's confidential information.
- g) Certifying financial reports which have not been audited by him or an accountant working under his supervision.
- h) Providing or aiding in the provision of false information relating to the qualifications of his employees and their experiences in the field of accounting and auditing or other fields required by the profession.

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

<b>Requirements</b>	<b>Y</b>	<b>N</b>	<b>Partially</b>	<b>Comments</b>
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.				
<b>Rights of Representation and Appeal</b>				
11. A third appeals body exists which is separate from both the disciplinary committee and investigative committee	X			
<b>Administrative Processes</b>				
12. Timeframe targets for disposal of all cases are set.	X			
13. Tracking mechanisms to monitor progress in investigation and discipline and related procedures are established.	X			
14. Records of investigations and disciplinary processes are established.	X			
<b>Public Interest Considerations</b>				
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			
17. The results of the investigative and disciplinary proceedings are made available to the public.	X			
<b>Liaison with Outside Bodies</b>	X			

Requirements	Y	N	Partially	Comments
18. There is an appropriate process for liaison with outside bodies on possible involvement in serious crimes and offences.				
<b>Regular Review of Implementation and Effectiveness</b> 19. Regular review of implementation and effectiveness of the system are performed and corrective actions are implemented.	X			

### Appendix III

Part XI: Penalties
<b>Article (211)</b>
<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>

**Article (212)**

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:

- 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.
- 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 participates in the EEG
- SOCPA actively participates in the Islamic Finance Transaction Group
- SOCPA actively pursues technical matters with the IFRIC

So summarizing the above,

- AS of January 2017 SOCPA had endorsed full IFRS for listed entities with the option of early adoption of new standards like IFRS 9, 15 and 16. For non-pubic interest entities, SOCPA has again adopted the latest 2015 version of IFRS for SMEs.
- Amendments done by SOCPA are only a few additional disclosures.

#	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

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Maintaining Ongoing Processes</i>					
4.	January 2014	<p>Review of revised SMO 7 requirements and possible incorporation of changes into adopted standards. Following specific activities are regularly conducted:</p> <ul style="list-style-type: none"> <li>Regular IFRS training sessions in Arabic and English. There are two types of sessions: Private (for specific company or accounting firm) and public;</li> <li>Publishing of standard specific guidance with special focus on first time adoption challenges;</li> <li>SOCPA participation in awareness sessions conducted by audit firms and other bodies.</li> </ul>	Ongoing	SOCPA Accounting Standards Committee and SOCPA Secretary General	SOCPA Assistant Secretary General for Standards
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. On an ongoing basis, SOCPA translates the latest publications by IASB according the agreement of the IFRS Foundation.	Ongoing	SOCPA Accounting Standards Committee	SOCPA Assistant Secretary General for Standards