HISTORICAL INTRODUCTION
ON ACCOUNTING AND AUDITING
PROFESSION IN SAUDI ARABIA

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• By the mid of the 14th Hijri century (1930) the accounting and auditing profession acquired the attention of the authorities in Saudi Arabia. The Commercial Business Regulation issued by Royal Decree No. 32, dated 15.01.1350H, stated that accounting records should be maintained.

• issuing CPA Regulations in 1395H (1974), which was the first foundation stone laid to organize the profession in the Kingdom. A higher committee for certified public accounting was established.

• In 1401H (1981), King Saud University commenced to hold a series of symposiums about accounting development methods in Saudi Arabia, in order to reach suitable recommendations for resolving out any obstacles that may hinder the development of the profession.

• In 1401H, the Academic Board allowed King Saud University to establish Saudi Accounting Association. The purpose of the Association is to promote accountancy thoughts, exchange of ideas and academic productions, consultation and conducting studies.

**Development of the accounting profession in three phases as follows:**

**Phase 1: Comparison Study of Profession in a Number of Countries (1400H/1980 – 1401H/1981):**

• The Objective of this study was to determine the experience of those countries in the profession development in order to benefit from that in the development of the profession in the Kingdom.

• The three groups were as follows:
  - The Second Group: France, West Germany and Sweden.
  - The Third Group: Tunisia, Venezuela and Brazil.
  - The U.S.A, West Germany and Tunisia were selected for the comparative study.
• The comparative study consisted of:

  - Review of authoritative pronouncements, laws and regulations of the three countries which relate to:
    1. Accounting standards and financial reporting requirements;
    2. Auditing standards and auditing requirements;
    3. Professional ethics; and
    4. The internal organization of the accounting profession.

  - Interviews with officials of the institutes representing the accounting profession in the three countries.

  - Analysis of data gathered as a result of the previous two steps.

  - The preparation of a comprehensive report (in Arabic) setting forth:
    1. A comparison of the internal organization of the accounting profession; standards of accounting and auditing; and the code of professional ethics in the three countries.
    2. Tentative conclusions as to the implications of the study to the development of the accounting profession in Saudi Arabia.

• Two approaches were considered as follows:

  - Approach one:

    Combine phases two and three in one comprehensive study to develop recommendations for a highly regarded accounting profession that would cope with the development in other areas in the Kingdom and accommodate the best available in other developed countries.

  - Approach two:

    Limit phase two to the development of recommendations that would address the most immediate requirements.
Phase 11: Preparation of Conceptual framework and some selected subjects


After careful consideration of the two approaches, a contract was signed between the Ministry of Commerce and the firm on 11.10.1402H to proceed with phase two of the project in accordance with the second approach described above. The contract requires the firm to carry out the following:

1. Selected subjects from financial accounting which cover the following:
   - Objectives of financial accounting,
   - Concepts of financial accounting, and
   - Standards of presentation and general disclosure.

2. Auditing standards.

3. Internal organisation of the accounting profession.

1.2 Method of Implementation:

Extensive research was made and a variety of methods were explored to determine the best approach for the implementation of this phase in order to arrive at recommendations suitable to the environment in the Kingdom within a reasonable time frame and to establish a basis for continuous development with the assistance of national calibre who are capable of updating such recommendations.

- Implement this project is to divide it into the following segments:
  A. The study of selected subjects in financial accounting, including:
     - Objectives of financial accounting.
     - Basic concepts in financial accounting.
     - General presentation and disclosure.
  B. Auditing standards, which cover: general standards including professional qualification, independence, due care; standards
of field work including planning, Control, Recording, Evidence, Reporting and relevant procedures.

C. Internal organization of the accounting profession.

**Phase 3 : Establishment of SOCPA (1412/1992 – Up to date )**

- As indicated in phase the efforts made by the Saudi Ministry of Commerce culminated in the issue of Royal Decree No. M/12 dated 13.05.1412H (1992 G) authorizing the passage of the new CPA Regulations. Article (19) of these Regulations stated that an Organization shall be established under the name of (Saudi Organization for Certified Public Accountants “SOCPA”).

- The following presents an executive summary of the SOCPA objectives, responsibilities and current activities:

**First : Objectives :**

- Review, develop and approve accounting standards.

- Review, develop and approve auditing standards.

- Establish the necessary rules for fellowship certificate examination (CPA exam.) including professional, practical an scientific aspects of audit profession and applicable regulations.

- Organize continuous education programs.

- Establish an appropriate quality review program in order to ensure that Certified Public Accountants implement professional standards and comply with the provisions of Certified Public Accountants Regulations and relevant by-laws.

- Conduct special research work and studies covering accounting, auditing and other related subjects.

- Publish periodicals, books and bulletins covering accountancy and audit related subjects.

- Participate in local and international committees and symposiums relating to the profession of accounting and auditing.
Second: Management:

- The Board of Directors practices the powers required for realizing its objectives. The Secretary General of SOCPA executes and follows up Board decisions and practices authorities of executive management. Technical committees prepare general rules organizing the profession, including establishing and developing accounting and auditing standards, professional ethics, organizing SOCPA fellowship exam, practice monitoring programs. These committees are formed from experts and members of high specialization; University staff, practitioners from companies and government departments.

Third: SOCPA Resources:

These resources consist of:
1. Subscriptions as determined by the Board of Directors.
2. Government subsidies.
3. Gifts, donations and legacies that the Board decides to accept.
4. Return on the investment of the SOCPA funds and proceeds from the publication and sale of research work, studies and other publications as well as income from services rendered by the Organization.

Fourth: Works Achieved by SOCPA:

Represented in its board of directors, technical committees and secretariat general of the SOCPA continuously work to achieve its objectives. The organization structure has been established and a number of professional projects were commenced. Some of which has been completed and remaining others are expected to complete within the near time.

1. Development and approval of professional standards and rules:
   a. Review and Develop Accounting Standards
   b. Review and develop Auditing Standards
   c. Codes of Professional Conduct

2. Monitoring CPAs performance:
   a. Quality Control Standards For CPA Firms
   b. Practice- monitoring program
The review program requires CPA Firms to comply with the following:

1. Provide SOCPA with periodic data on CPA Firm
2. Apply adequate quality control
3. Acceptance review implementation by CPA firms

3. Educational and professional qualification:

   A. SOCPA Fellowship Exam.
   B. Courses Covering SOCPA Fellowship Examination
   C. Special courses for practitioners licensed at issue time of the regulation
   D. Special Training Courses

4. Serving members and public interests
5. Researches, Studies and Information's
6. Human and Financial Resources and Organizational Structure
7. SOCPA Strategic Plan