

# Law of the Profession of Accounting and Auditing 1442 - 2021

## ➤ Article 1:

In this Law, the following terms shall have the meanings assigned thereto, unless the context requires otherwise:

- **Law:** Law of the Profession of Accounting and Auditing.
- **Regulations:** The implementing regulations of this Law.
- **Ministry:** Ministry of Commerce.
- **Minister:** Minister of Commerce.
- **SOCPA:** The Saudi Organization for Chartered and Professional Accountants.
- **Board:** SOCPA board of directors.
- **Profession:** The profession of accounting and auditing.
- **License:** A document issued by the Ministry which permits its holder to practice the profession in accordance with the rules and conditions specified in this Law and its Regulations.
- **Certified Public Accountant:** A natural or legal person licensed to practice the profession.
- **Committee:** The committee which reviews administrative and ethical violations in accordance with the provisions of this Law.

## ➤ Article 2:

The profession may not be practiced without a license issued in accordance with the provisions of this Law.

## ➤ Article 3:

➤ Conditions for granting a license shall be as follows:

1. For a full-time professional, the applicant must:

- a). be a Saudi national;
- b). be competent;
- c). hold a bachelor's degree or a higher degree in accounting or any relevant specialty according to the standards specified by the Regulations;
- d). be a full member of SOCPA and have at least one year of relevant experience; and
- e). be of good character and not have been convicted in a hadd offense or any other offense impinging on honor or integrity, unless his record has been expunged, nor dismissed from public service pursuant to a disciplinary decision, unless three years have lapsed from the date of the decision.

2. For a part-time professional, a license may be granted according to the rules specified by the Regulations, taking the following into consideration:
- The conditions stipulated in paragraph (1) of this Article.
  - Setting a maximum period for practicing the profession on a part-time basis.
  - Increasing the number of supervisory hours required of the licensee for each client and setting the maximum total hours per year.
  - Refraining from providing audit services to high-risk companies.

## ➤ Article 4:

- A license application shall be filed with SOCPA in accordance with the procedures specified by the Board. SOCPA shall, upon verifying completion of the conditions stipulated in Article 3 of this Law, submit to the Ministry its recommendations regarding the application within the period specified by the Regulations.
- The Ministry shall issue its decision on the license application within the period specified by the Regulations. If the application is rejected, the rejection shall be reasoned and the applicant may appeal the rejection decision before the administrative court.
- The Regulations shall specify the procedures for reviewing and deciding on the application and shall determine the license fee, term, and renewal conditions.

## ➤ Article 5:

Without prejudice to the penalties stipulated in Article 10 of this Law, the Ministry may revoke the license upon a recommendation by SOCPA. A licensee whose license is revoked may appeal such action before the administrative court. Revocation of the license shall not result in the cancellation of his SOCPA membership.

## ➤ Article 6:

A certified public accountant must have a main office to practice the profession and he may open branches. He must notify SOCPA of the address of his main office and the address of his branches, if any, and of any change thereto within a period not exceeding 14 days from the date of the change. All notices served to the main address registered with SOCPA shall be deemed valid.

## ➤ Article 7:

➤ A certified public accountant shall:

1. sign and certify reports he issues; however, if the report is issued by a professional company, the report shall be signed and certified by the partner who participates in or supervises the preparation of the report;

2. use his personal name as the name of his main office; he may, however, use any other name, provided that it is coupled with his personal name. Any correspondence, documents, reports, or statements issued by him must include his personal name and license number. He shall also display his license in a conspicuous place in his office;
3. provide SOCPA with necessary information on his activity, in accordance with the Regulations;
4. comply with the profession's rules, code of conduct, and ethics, as well as with accounting, auditing, and technical standards approved by the Board;
5. maintain documents, reports, and financial statements for a period of not less than 10 years from the date of issuing his report on each audited fiscal year, in accordance with the rules specified by the Regulations;
6. provide SOCPA, upon request, with reports and audited financial statements using any means it deems fit;
7. hire a specific percentage of Saudi nationals in accounting and auditing jobs in accordance with the Regulations and in line with the Labor Law and relevant decisions; and
8. comply with the number of hours specified in the Regulations for supervising each audit for which a report is issued.

## ➤ Article 8:

➤ A certified public accountant may not:

1. audit companies or institutions in which he has a direct or indirect interest, subject to the Regulations;
2. exceed the maximum number of listed joint-stock companies as determined by the Capital Market Authority or unlisted joint-stock companies as determined by the Board which he may audit annually;
3. disclose any information related to any of his clients to which he becomes privy or use the same for his own benefit, except with the express consent of the client or upon a request from relevant government agencies; and
4. audit accounts of joint-stock companies, banks, and public agencies and institutions prior to the lapse of five years from the date of obtaining the license.

## ➤ Article 9:

- If, for any reason, a certified public accountant ceases to practice or is suspended from practicing the profession temporarily or permanently, he shall notify SOCPA and his clients within 30 days from the date of cessation or suspension. If his suspension is

- If a certified public accountant is permanently suspended from practicing the profession or if he ceases to do so for a certain period and such cessation negatively affects his clients or others, he or his representative shall notify SOCPA of all rights, obligations, and pending activities in order to address the same in accordance with the procedures specified by the Regulations.

## ➤ Article 10:

- Without prejudice to any penalty stipulated under any other law, any person who commits one or more of the following offenses shall be subject to imprisonment for a term not exceeding five years and a fine not exceeding two million riyals, or either penalty:
  - 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.
- The court may include in the judgment a stipulation that a summary thereof be published at the expense of the convicted person in one newspaper or more issued in the area of his residence, or, if his area has no newspaper, in the newspaper of the area nearest to his place of residence, or by using any other appropriate medium; such action shall depend on the type, gravity, and impact of the committed offense, provided the summary is published after the judgment becomes final.

## ➤ Article 11:

The Public Prosecution shall investigate the offenses stipulated in Article 10 of this Law and may file a criminal suit before the competent court.

## ➤ Article 12:

The competent judicial body shall consider compensation and civil suits arising from the application of this Law which are filed by or against the certified public accountant.

## ➤ Article 13:

- 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.
- Committee work procedures shall be issued, and the remuneration of its chairman, members, and secretary shall be determined pursuant to a decision by the Minister and paid from SOCPA's budget.
- Without prejudice to relevant laws, a person against whom a penalty decision is issued may appeal such decision before the administrative court.
- Imposition of the penalties stipulated in this Law shall not prejudice the right of recourse against the person causing the harm.

## ➤ Article 14:

- The committee shall, upon a referral from SOCPA's relevant department, review any of the following violations:
  1. Violations of this Law or the Regulations or decisions issued for the implementation thereof.
  2. Violations of the profession's rules, code of conduct, and ethics, as well as its professional and technical standards.

## ➤ Article 15:

- Without prejudice to any penalty stipulated in any other law, a certified public accountant who commits any of the violations stipulated in Article 14 of this Law shall be subject to one or more of the following penalties:
  - a). A warning.
  - b.) Reprimand.
  - c). Cancellation of his SOCPA membership.
  - d). A fine not less than ten thousand riyals and not more than five hundred thousand riyals.
  - e). 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.

## ➤ Article 16:

- The committee may, in addition to the penalties stipulated in Article 15 of this Law, consider taking corrective measures against the offending certified public accountant, including the following:
  1. Requiring him to attend specific training courses.
  2. Restricting the number of clients he may have and the type of services he may provide for a period of not less than one year and not more than two years.
  3. Requiring him to provide a plan which specifies the measures he shall take to rectify the violation. SOCPA shall carry out an independent examination of the work he performs during the rectification period.

## ➤ Article 17:

The committee may, while the violation is under review and upon SOCPA's request, decide as a precautionary measure to prevent the violating certified public accountant from certifying his client's financial statements and require him to disclose all his clients.

## ➤ Article 18:

The committee may summon the violator to hear his statement. If the violation is associated with any of the offenses stipulated in Article 10 of this Law, the committee shall refer it to the Public Prosecution for investigation.

## ➤ Article 19:

A certified public accountant whose license is revoked under this Law may request reinstatement of his license after the lapse of five years from the date the revocation decision becomes effective. The Minister, or his designee, shall decide on the request. The same conditions and procedures required to issue a license shall apply.

## ➤ Article 20:

Without prejudice to the powers of relevant agencies, SOCPA employees appointed pursuant to a decision by the Minister shall detect the offenses stipulated in Article 10 of this Law as well as the violations of the provisions of this Law and the Regulations and decisions issued for the implementation thereof.

## ➤ Article 21:

This Law shall supersede the Law of Certified Public Accountants promulgated by Royal Decree No. (M/12) dated 13/5/1412H and shall repeal any provisions conflicting therewith.

## ➤ Article 22:

This Law shall enter into force 90 days following its publication in the Official Gazette. The Minister shall, within 90 days from the date of publication of this Law, issue the Regulations and decisions necessary for its implementation; such Regulations and decisions shall enter into force on the date this Law enters into force.



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