

The document of endorsement of the International Code of Ethics for Professional Accountants for adoption in Saudi Arabia

Saudi Organization for Chartered and professional Accountants

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Scope of Application of the International Handbook of the Code of Ethics:

The international code of ethics endorsed in the Kingdom of Saudi Arabia (KSA) is applied to all members of the profession of accounting and auditing in the Kingdom of Saudi Arabia, whether they are certified professional accountants in public practice or professional accountants in business, as well as all SOCPA members, whether they are principle or associate members. Also, Such Code is applied to all those who provide accounting, auditing and other services that require adherence to the professional conduct and ethics issued by SOCPA in relation to these services.

It should be noted that the terms and expressions used in this Code must not be taken in isolation from their moral connotations that reflect the objectives of this Code and must not be restricted to only to their verbal connotations.

Relationship between the International Code of Ethics and Other Professional & Regulatory Standards & Requirements:

The relationship between the International Code of Ethics and other professional standards and requirements is integrative; since the approved international code is considered complementary and applicable to the general provisions of professional standards. The provisions which may be generally stipulated in the auditing standards (such as Independence), the approved international code lays down its detailed provisions. Furthermore, the approved international code in KSA includes detailed provisions for some issues that the audit standards do not directly address, such as rotation of partner (partners) and advertising, for example.

Therefore, there is a close link between the ethics stipulated in the adopted and amended international code and other professional standards related to the conduct and work of a professional accountant. This close link is complementary and establishes a common understanding of the principles of the professional conduct of the accountant.

It must also be understood that there are other ethical requirements issued by legislative bodies governing the work that a professional accountant may perform, which must be adhered.

Reasons for Omission or Addition

The SOCPA has taken into account the context of the Saudi Arabian local environment and the rapid development that the country is undergoing, in addition an effort has been made to harmonize the approach taken with the Kingdom's 2030 Vision, and as such the

international code(2018 Edition), has been adopted in whole bar exceptions made in this document by deletion, addition or amendment, for the following general reasons:

- Existence of some articles and terms that contradict Sharia principles or laws related to public practices.
- Anticipated transitional status that Saudi is undergoing with regard to adopting international standards for accounting, auditing and quality control, taking into account controlling and codifying some practices, with the possibility of re-examining the code and amending it in the future, as practical experience is acquired, post adoption..
- Identified international issues with some practices (such as the combination of audit services and non-assurance services), which require caution and careful application of the guiding principles of the international code. Therefore a more definitive and rules based approach, where appropriate, has been developed to address these practices through-out this document.
- Existence of some provisions related to providing assurance services to the audit client that may affect independence of the practicing member, and so to address these the committee decided to consider studying these services, and issue a periodic list of permitted services.
- Existence of some services and practices related to the local environment (such as Zakat services and other services that may be requested from the auditor by governmental and regulatory bodies (laws and regulations)).

Amendments to International Code of Ethics

(A) Significant notes related to reading these amendments:

1. The principle of professional behavior requires a professional accountant to comply with relevant laws and regulations. Accountants need to be aware of the differences between laws and regulations and the adopted international code of conduct and comply with the more stringent provisions unless prohibited by law or regulation.
2. The following amendments to the pronouncements as issued by IESBA are made as at 1 July 2018, and SOCPA will study and endorse any updates issued by IESBA on a timely basis.

3. An entire amendment by deletion, addition or modification of a section, subsection or paragraph may have been made, and this will be directly indicated by a separate paragraph within the amendments in the section (Entire Amendments) below.
4. In case of partial amendment, additions are underlined, and deletions are indicate when text is struck through, and where there has been a limited amendment a subsection under a longer section of the Code, three dots are placed (...) at the beginning of the main paragraph, and sometimes at the beginning of the first subsection instead of writing the entire paragraph for the purpose of arriving as the amended subsection.

(b) Entire Amendments

1. For the purposes of application, the Handbook of The International Code intended for application in the Kingdom of Saudi Arabia begins with the indexing of the international code, and the related previous introductory section is deemed guidance.
2. Paragraph R350.3 has been reworded to read as follows: "A professional accountant may have custody of client funds or other assets unless this is prohibited by law, regulations, or circumstances related to the professional accountant."
3. For the purposes of application of Section (540) related to the length of the relationship between the auditor and the audit client, the following time limits shall be applied (for public interest entities):

In Charge	Maximum	Required Cooling off Period
Audit office / Firm	Rotation is made according to regulatory requirements	
Engagement Partner	7	5
Engagement Quality Control Reviewer (EQCR)	7	3
Other Key Audit Partners (KAPs)	7	2

Note: The application of Part (540) as it relates to the EQCR and other KAPs roles is dependent on the existence of these roles in the audit office / firm.

4. It is prohibited to provide audit services as well as non-assurance services for the audit client at the same time, and accordingly, the non-assurance services provisions of Section (600) of the international code and other sections to combine these services is not applicable in the Kingdom of Saudi Arabia, and the relationship extends to include:
- a The application is made at the audit office, the firm or network firm level.
 - b With regard to the network firm, this prohibition applies to the provision of non-assurance services to subsidiaries that are under the control of the audit client, whether inside or outside the Kingdom.
5. Provision of other assurance services or other audit related services to the audit client at the same time is subject to the determination as per the rules issued by the SOCPA, and accordingly, these services may be combined in the event that the SOCPA deems them permissible in accordance with the services list issued by circular and thus accepting combination in accordance with the published controls.

(c) Partial Amendments:

R 100.3

A professional accountant shall comply with the Code.

~~There might be circumstances where laws or regulations preclude an accountant from complying with certain parts of the Code. In such circumstances, those laws and regulations prevail, and the accountant shall comply with all other parts of the Code.~~

Also, the Sharia principles, good Islamic morals, and the laws and regulations applicable in the Kingdom of Saudi Arabia must be adhered to. In the event that there are circumstances or cases that the professional accountant believes there is a conflict between the provisions of the Code and the application of laws and legislation, application of the section related to the conflict must cease and SOCPA should be contacted to obtain an explanation of the appropriate actions to be taken

120.13A 1

Under auditing, review and other assurance standards, including those issued by the IAASB endorsed in the Kingdom of Saudi Arabia, professional accountants in public practice are required to exercise professional skepticism when planning and performing audits, reviews and other assurance engagements. Professional skepticism and the fundamental principles that are described in Section 110 are inter-related concepts.

R250.5

~~In many jurisdictions,~~ There are laws and regulations that the Kingdom of Saudi Arabia has laid down, adopted or approved in international agreements, such as those related to bribery and corruption, that prohibit the offering or accepting of inducements in certain circumstances. The professional accountant shall obtain an understanding of relevant laws and regulations and comply with them when the accountant encounters such circumstances.

250.11 A6

- ~~Donating the inducement to charity after receipt and appropriately disclosing the donation, for example, to those charged with governance or the individual who offered the inducement.~~

260.18 A2

Resigning from the employing organization is not a substitute for taking other actions that might be needed to achieve the senior professional accountant's objectives under this section. ~~In some jurisdictions,~~ however, ~~there might be~~ if there are limitations as to the further actions available to the accountant. In such circumstances, resignation might be the only available course of action.

340.11 A6

Examples of actions that might be safeguards to address such threats created by offering or accepting such an inducement include:

....

- ~~Donating the inducement to charity after receipt and appropriately disclosing the donation, for example, to a member of senior management of the firm or the individual who offered the inducement.~~

R400.73

If, following the discussion set out in paragraph R400.72(b), those charged with governance request the firm to continue as the auditor, the firm shall do so only if:

- The interest or relationship will be ended as soon as reasonably possible but no later than six months after the effective date of the merger or acquisition, this is conditional on the firm obtaining a legal opinion explaining the necessity and legitimacy of continuity in light of the facts, circumstances and provisions of the relevant regulations.
- Any individual who has such an interest or relationship, including one that has arisen through performing a non-assurance service that would not be permitted by Section 600 and its subsections, will not be a member of the engagement team for the audit or the individual responsible for the engagement quality control review; and
- Transitional measures will be applied, as necessary, and discussed with those charged with governance.

7- Approval

The code of ethics has been approved on the basis of international code according to this document approved by the Board of Directors of the SOCPA on 5/28/1442H corresponding to 12 January 2021, with application effective dated 12/12/1443H corresponding to 1 July 2022, and early adoption is permitted from the date of its approval.