هيئة السوق المالية
Capital Market Authority

KINGDOM OF SAUDI ARABIA

Capital Market Authority

Rules for Auditors of Entities Subject to the Authority's Supervision

English Translation of the Official Arabic Text

**Issued by the Board of the Capital Market Authority
Pursuant to its Resolution Number (1-135-2018)
Dated 12/4/1440H Corresponding to 19/12/2018G
Based on the Capital Market Law
Issued by Royal Decree No. M/30 dated 2/6/1424H
Amended by Resolution of the Board of the Capital Market Authority
Number (3-106-2026) Dated 29/2/1448H Corresponding to 12/8/2026**

Note: Arabic is the official language of the Capital Market Authority

Important Notice:
The current version of these Rules, as may be amended, can be found at the Authority website: www.cma.org.sa

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Part 1: General Provisions

Article 1: Preliminary

a) The purpose of these Rules is to set out the standards and conditions required for the auditors of the entities subject to the Authority's supervision, including the mandating of registration, its conditions, procedures and the continuing obligations on registered auditors which include the Authority's instructions regarding the inspection and its results.

b) These Rules shall have no prejudice to the provisions of the other related laws, and the obligations set out by the Saudi Organization for Chartered and Professional Accountants under the Law of the Profession of Accounting and Auditing.

Article 2: Definitions

a) Any reference to the "Capital Market Law" in these Rules shall mean the Capital Market Law issued by the Royal Decree No. M/30 dated 2/6/1424H.

b) Without prejudice to Paragraph (c) of this Article, expressions and terms in these Rules have the same meaning which they bear in the Capital Market Law and the Glossary of Defined Terms used in the Regulations and Rules of the Capital Market Authority, unless the context indicates otherwise.

c) For the purpose of implementing these Rules, the following expressions and terms shall have the meaning they bear as follows, unless the context indicates otherwise:

Law of the Profession of Accounting and Auditing: The Law of the Profession of Accounting and Auditing issued by Royal Decree No. (M/59) dated 27/7/1442H.

Entities Subject to the Authority's Supervision (ESAS): for the purposes of these Rules, it shall mean the following:

1) The Exchange.
2) The Depositary Center.
3) The CCP.
4) Capital Market Institutions, except Capital Market Institutions licensed to carry on arranging or advising activities.
5) Investment Funds.
6) Listed Companies.
7) Special Purposes Entities, except Special purposes Entities established for the purpose of issuing debt instruments in the context of securities crowdfunding.

Audit Engagements: Audit of financial statements, prepared by an entity, in accordance with the auditing standards adopted by the Saudi Organization for Chartered and Professional Accountants for the purpose of expressing an opinion as to whether such financial statements present fairly the financial position of the entity at a specific date, and the results of its operations for a specific financial period, or review of the interim financial statements, prepared by the entity, for the purpose of expressing a conclusion as to whether anything has come to the attention that causes to believe that the interim financial statements are not prepared, in all material respects, in accordance with the accounting standards adopted by the Saudi Organization for Chartered and Professional Accountants.

Professional Standards: Accounting and auditing standards, standards on review engagements, the professional code of ethics, the quality management standards, and other standards and circulars issued by the Saudi Organization for Chartered and Professional Accountants, and any pronouncements adopted by it.

Accounting Firm: The entity which carries on audit engagements in accordance with the provisions of the Law of the Profession of Accounting and Auditing, whether it is an individual or professional firm.

Certified Public Accountant (CPA): The natural person who carries on and is responsible for audit engagements, its performance, and signing of audit reports issued by the accounting firm in accordance with the provisions of the Law of the Profession of Accounting and Auditing.

Registration: Registration of the accounting firm or the CPA to carry on audit engagements for ESAS in accordance with the provisions of these Rules.

Inspection: The examination of periodic data and information provided by the accounting firm and inspecting the audit engagements of entities subject to the Authority's supervision, and inspecting and assessing the quality management system and the degree of compliance with it.

Quality Management System: A system designed, implemented, and operated by the accounting firm to provide reasonable assurance that:

1. The accounting firm and its personnel comply with their responsibilities in accordance with the applicable professional standards and statutory and regulatory requirements, and perform the engagements in accordance with such standards and requirements.
2. Engagement reports issued by the accounting firm or the engagement partners are appropriate in the circumstances.

Audit Manager: A member of the engagement team who conducts a supervisory role over audit engagements and is not the CPA signing the audit report, whether designated as an audit manager, senior audit manager, or executive manager.

Engagement Quality Reviewer: A partner, another individual within the firm, or an external individual appointed by the firm to perform an objective evaluation, completed on or before the date of the engagement report, of the significant judgments made by the engagement team and the conclusions reached based on those judgments.

Professional Staff: An individual who conducts audit engagements at a registered accounting firm and is not a registered CPA, an audit manager, or an engagement quality reviewer.

Article 3: Waivers

The Authority may waive a provision of these Rules in whole or in part as it applies to an applicant for registration, a registered accounting firm or a registered CPA, either upon a request from the applicant for registration, the registered accounting firm or the registered CPA or on its own initiative.

Article 4: Right to Appeal

Any person subject to these Rules may appeal to the Committee for the Resolution of Securities Disputes in respect of any decision or action that the Authority takes under these Rules.

Part 2: Registration

Article 5: Registration Requirement

a) No person may carry on audit engagements for ESAS unless it has been registered with the Authority.
b) The accounting firm and CPA must be registered with the Authority prior to being appointed to carry on audit engagements for ESAS.

Article 6: Registration Procedures

a) For the purpose of these Rules, the applicant for registration shall mean the accounting firm or the CPA who submits the application for registration to carry on audit engagements for ESAS. An applicant for registration becomes subject to these Rules from the date of submission of its application.
b) The accounting firm must submit its application for registration in accordance with the application form prescribed by the Authority.
c) The CPA must submit his application for registration through the accounting firm in accordance with the application form prescribed by the Authority.

Article 7: Accounting Firm Registration Conditions

To register the accounting firm with the Authority, the following conditions must be satisfied:

1) It is licensed to practice the profession of account auditing in accordance with the Law of the Profession of Accounting and Auditing.
2) It is fit and proper to carry on audit engagements for ESAS, including:
    a. No judicial decision has been issued against it as a result of an offence involving fraud or any act involving a lack of integrity or dishonesty during the ten years preceding the date of application for registration with the Authority.
    b. That it has an appropriate system of quality management for audit and review engagements of financial statements.
    c. That it has an appropriate technological system for documenting audit and review engagements of financial statements.
    d. It has adequate indemnity insurance coverage against the risks of professional failures.
    e. That it has the necessary arrangements in place to provide technical consultation to its personnel conducting audit engagements.
    f. That it has a sufficient number of audit managers holding the fellowship of the Saudi Organization for Chartered and Professional Accountants,

or equivalent professional fellowships accepted by the Authority, having regard to the nature, scale and complexity of the accounting firm's business activities.

3) That the accounting firm pay the fees prescribed by the Authority for its registration.
4) Any other conditions specified by the Authority.

Article 8: CPA Registration Conditions

To register the CPA with the Authority, the following conditions must be satisfied:

1) He is licensed to practice the profession of account auditing in accordance with the Law of the Profession of Accounting and Auditing.
2) He is fit and proper to carry on audit engagements for ESAS, including:
   a. To hold the Fellowship Certificate in accordance with the Law of the Profession of Accounting and Auditing.
   b. No judicial decision has been issued against him as a result of an offence involving fraud or any act involving a lack of integrity or dishonesty during the ten years preceding the date of application for registration with the Authority.
   c. He has not been sentenced for committing any of the offenses stipulated in Article (10) of the Law of the Profession of Accounting and Auditing during the five years preceding the date of application for registration with the Authority.
   d. He has not been sentenced to removal of his name from the Certified Public Accountant Register under the Law of the Profession of Accounting and Auditing during the five years preceding the date of application for registration with the Authority.
   e. He has not been subjected to suspension under the Law of the Profession of Accounting and Auditing, during the two years preceding the date of the application for registration with the Authority.
   f. He has practiced the profession of account auditing after obtaining the license in accordance with the Law of the Profession of Accounting and Auditing for a period not less than five years, including a period of not less than three years working in a supervisory level over the audit engagements for ESAS, the entities accepted by the Authority, or entities under the supervision of a foreign regulatory body that applies regulatory standards and requirements equivalent to those of the Authority or are accepted by it.

g. He has to be a full-time professional to practice the profession of account auditing in accordance with the Law of the Profession of Accounting and Auditing.
h. The Accounting Firm for which he works must be registered with the Authority.
3) He is of integrity, and has sufficient skill, care and diligence.
4) That the accounting firm through which the CPA operates pay the fees prescribed by the Authority for the registration of the CPA.
5) Any other conditions specified by the Authority.

Article 9: Procedures and powers of the Authority in relation to an application for Registration

a) In considering an application for registration, the Authority may:
   1) Carry out any enquiries that it considers appropriate;
   2) Require the applicant for registration, or its representative, to attend before the Authority to answer any questions and explain any matter the Authority considers relevant to the application for registration;
   3) Require to provide any additional information that the Authority considers necessary, provided that such information is submitted within (30) days from the date of the Authority's request; and
   4) Verify the accuracy of any information provided by the applicant for registration.
b) The Authority will aim to consider the application for registration within (30) days of receiving all information and documents that it considers pertinent.
c) The Authority may refuse to consider the application for registration if the applicant fails to provide the required information, or fails to provide such information within the specified time period.
d) The Authority may, after considering the application for registration, take any of the following actions:
   1) Approve the application for registration;
   2) Approve the application for registration subject to such conditions and limitations as it considers appropriate;
   3) defer making a decision for such period as may be necessary to carry out further investigation or to allow for the provision of additional information; or;
   4) Reject the application for registration and give grounds for the rejection.
e) If the Authority resolves to approve the application for registration, it will add the name of the registered accounting firm or the registered CPA to the register

that the Authority shall maintain for this purpose, and shall notify the applicant of such approval.

f) If the Authority resolves to reject the application for registration, it will notify the applicant in writing of the rejection and the grounds for the rejection.

Part 3: Continuing Obligations

Article 10: Conditions for Maintenance of Registration

a) As a condition of the maintenance of registration, the registered accounting firm shall, at all times, be fit and proper to carry on audit engagements for entities subject to the Authority's supervision, including compliance with the following:

1) The Law of the Profession of Accounting and Auditing, its Implementing Regulations, and the Professional Standards.
2) The Capital Market Law and Its Implementing Regulations.
3) That it holds a valid license to practice the profession of auditing in accordance with the Law of the Profession of Accounting and Auditing, and provides the Authority with a copy thereof upon renewal.
4) That it holds a valid and adequate insurance policy covering the risks of professional failures, and provides the Authority with a copy thereof upon renewal.
5) That no judicial decision has been issued against it as a result of an offence involving fraud or any act involving a lack of integrity or dishonesty.
6) That it has an appropriate system of quality management for review and audit engagements of financial statements.
7) That it has an appropriate technological system for documenting audit and review engagements of financial statements.
8) That it has a sufficient number of audit managers holding the fellowship of the Saudi Organization for Chartered and Professional Accountants, or equivalent professional fellowships accepted by the Authority, having regard to the nature, scale and complexity of the accounting firm's business activities.
9) The Authority's instructions relating to the inspection and its results including the following:
   a. Cooperating with the Authority and providing it with the required information and documents, and ensuring that such information and documents are complete, clear, accurate, and not misleading.
   b. Complying, within the time periods specified by the Authority, with the preparation and submission of a corrective action plan, and adhering to its implementation following the Authority's approval thereof, where the results of the Authority's inspection require the registered accounting firm to prepare such a corrective action plan.
   c. Providing the audit committee of the listed company -if the Authority has inspected the audit file thereof- with the Authority's final inspection

results relating to that audit file, within (10) days from the date on which the registered accounting firm receives such results.

10) That it maintains a record of the engagement team's working hours for each audit engagement of ESAS, and provides the Authority with a copy thereof upon request.
11) Providing the Authority immediately of all information and documents that the Authority may require for the purpose of implementing the provisions of Capital Market Law and Its Implementing Regulations.
12) Any Standards or Conditions specified or imposed by the Authority on the accounting firm when carrying out audit engagements for entities subject to the Authority's supervision, or any instructions to cease carrying on such engagements.
13) That it has the necessary arrangements to provide the technical consultation to the staff of the registered accounting firm, who conduct the audit engagements for ESAS.
14) That the registered accounting firm pay the fees prescribed by the Authority for the maintenance of its registration.

b) As a condition for the maintenance of the registration of a registered CPA shall, at all times, be fir and proper to carry on audit engagements for entities subject to the Authority's supervision, including compliance with the following:
   1) The Law of the Profession of Accounting and Auditing, its Implementing Regulations, and the Professional Standards.
   2) The Capital Market Law and its Implementing Regulations.
   3) That he holds a valid license to practice the profession of auditing in accordance with the Law of the Profession of Accounting and Auditing, and that a copy thereof is submitted to the Authority upon renewal.
   4) That he participates for a sufficient amount of working hours in each audit engagement for an ESAS in respect of which he has issued a report, in order to ensure the quality of such engagements.
   5) That the number of audit engagements for listed companies carried out by him at any given time does not exceed an appropriate number.[1]
   6) Any standards or conditions specified or imposed by the Authority on the CPA when carrying out audit engagements for ESAS, or any instructions to cease carrying on such engagements.

[1] Guiding Paragraph.

7) That no judicial decision has been issued against him as a result of an offence involving fraud or any act involving a lack of integrity or dishonesty.
8) That no judicial decision has been issued against him as a result of committing any of the offenses stipulated in Article (10) of the Law of the Profession of Accounting and Auditing.
9) That he has not been sentenced to removal from the Certified Public Accountant Register under the Law of the Profession of Accounting and Auditing.
10) That he is a full-time professional practicing the profession of auditing in accordance with the Law of the Profession of Accounting and Auditing.
11) That the accounting firm through which the CPA operates pays the fees prescribed by the Authority for the maintenance of the CPA's registration

Article 11: Compliance with Professional Standards

The review of interim financial statements and the audit of annual financial statements of entities subject to the Authority's supervision shall be conducted in accordance with the Professional Standards.

Article 12: Notification Requirements

a) The registered accounting firm must notify the Authority in writing within (7) days of the date of any changes in the information provided to the Authority, including the following:
    1) Any change in the details of the names of the partners, or the names of the contact persons with the Authority at the registered accounting firm.
    2) Any change in the address of the registered accounting firm.
    3) Any change in the website address or email address of the registered accounting firm.
    4) Any change in the articles of association, bylaws, or commercial registration of the registered accounting firm.
b) The registered accounting firm must immediately notify the Authority in writing upon becoming aware of any of the following:
    1) The filing of a lawsuit relating to the firm's business or the practice of the auditing profession against the registered accounting firm or any of its partners, or audit managers.

2) The commencement of an investigation against the registered accounting firm or any of its partners, in respect of any of the offenses stipulated in the Law of the Profession of Accounting and Auditing.
3) The issuance of any judgment or decision imposing a penalty, or corrective or precautionary measures, in accordance with the Law of the Profession of Accounting and Auditing, against the registered accounting firm or any of its partners, or audit managers.
4) The issuance of any judgment or decision imposing a penalty relating to the firm's business or the practice of the auditing profession by any judicial, supervisory, or regulatory authority against the registered accounting firm or any of its partners or audit managers.

c) The registered accounting firm shall notify the Authority immediately upon becoming aware that any of the conditions for the maintenance of registration set out in these Rules are no longer fulfilled by it or by any of its registered CPAs.
d) Upon receiving a notification in accordance with Paragraphs (a), (b) or (c) of this Article, the Authority may:
    1) Require the registered accounting firm to provide any additional information that the Authority deems necessary to properly assess the subject matter of such notification.
    2) Impose any other conditions, restrictions or requirements that the Authority reasonably deems necessary to address the actual or potential effects of the subject matter of the notification.

Article 13: Transparency Report

a) The registered accounting firm must publish an annual transparency report in both Arabic and English on its website within a period not exceeding four months from the end of its financial year, which includes, at minimum, the information required in Annex (1) of these Rules, and the information contained therein shall be clear, accurate, and not misleading.
b) The registered accounting firm shall notify the Authority of the publication of the report referred to in paragraph (a) of this Article, and provide the Authority with a copy thereof in both Arabic and English immediately upon its publication.
c) The transparency report referred to in paragraph (a) of this Article shall be made available to the public on the website of the registered accounting firm for a period of not less than (5) years from the date of its publication thereon.

Article 14: Periodic Information

The registered accounting firm shall submit periodic information to the Authority, in the form specified by the Authority, and within a period not exceeding four months from the end of its financial year.

Article 15: Compliance with the Rules

a) The registered accounting firm must appoint a registered CPA to be in charge of communicating with the Authority.
b) The registered accounting firm shall ensure its own compliance, as well as the compliance of the registered CPAs employed by it, with the registration conditions and the continuing obligations set out in these Rules.

Part 4: Issues Affecting Registration

Article 16: Registration Suspension, Cancelation or Restriction of Activity

The Authority may suspend or cancel the registration of any registered accounting firm or registered CPA, or restrict its activity in auditing the accounts of ESAS, if it has violated any of the provisions of the Capital Market Law or its Implementation Regulations, or breaches any of the registration standards or conditions specified by the Authority.

Article 17: Ceasing to Carry on Audit Engagements

a) Upon the permanent or temporary ceasing of a registered accounting firm or any of its registered CPAs to carry on audit engagements for ESAS, the registered accounting firm must prepare a fair and appropriate plan for its clients of ESAS including, at minimum, the following:
   1) Notifying the Authority in advance and in writing of the date on which the registered accounting firm or the registered CPA intends to cease to carrying on audit engagements, the period of its ceasing and the reasons thereof.
   2) In case the registered accounting firm ceases to carry on audit engagements, it shall not contract with clients of ESAS to carry on audit engagements.
   3) Notify its clients of ESAS within a reasonable period of its decision to cease carrying on audit engagements, the period of its ceasing and the reasons thereof.
   4) Properly completing any remaining audit engagements with the registered accounting firm, or taking appropriate action to serve the interests of its clients of ESAS, without prejudice to other relevant laws.
   5) Submission of a report to the Authority regarding the actions taken to implement this plan.

b) The registered accounting firm or the registered CPA shall not be exempted from the liability arising from any mistake, by any of them, that occurred prior to its ceasing to carry on audit engagements for ESAS.

Part 5: Final Provisions

Article 18: Publication and Entry into Force

These Rules shall become effective in accordance to its approval resolution.

Annex (1)
Information Required in the Transparency Report

The registered accounting firm must publish an annual transparency report which includes, at minimum, the following information:

1. Statement on the governance of the registered accounting firm, including the following:
    a. A description of the legal form of the registered accounting firm, including the name of the network of firms with which it is affiliated, a description of the nature of the relationship and the legal arrangements between them, a detailed description of the role of the network in enhancing the quality of audit services provided by the firm, and the names of all entities that belong to the network in the Kingdom.
    b. Description of the organizational structure including the name of the owner of the registered accounting firm or its partners, the name of the foreign partner's representative (if any), the names of the CPAs registered with the Authority, managers and senior executives, and a description of the committees formed in the registered accounting firm, including the name of the such committees, their chairs, and its duties during the financial year (if any).
    c. Name of the registered CPA, who works at the registered accounting firm, and who is a member of the board of directors of any of the ESAS, or in the committees of any of the ESAS, with the names of these entities, and a description of the nature and duration of such membership.
    d. The basis for determining partners' remunerations.
    e. A description of the independence policies applied by the registered accounting firm, and an acknowledgement that such policies have been properly prepared and implemented effectively.
    f. A description of the quality management system applied by the registered accounting firm, including a description of each of its components, the names of the individuals assigned responsibility for oversight of the system, the names of the individuals responsible for its operation, and disclosure of the results of the firm's annual evaluation of the applied system as to whether it has been properly designed and implemented effectively.

2. A statement of the average years of professional experience of the partners, audit managers, and professional staff of the firm, calculated as follows:
    a. Average years of professional experience of partners = (total number of years of professional experience of partners / number of partners).
    b. Average years of professional experience of audit managers and above, excluding partners = (total number of years of professional experience of managers / number of managers).
    c. Average years of professional experience of professional staff = (total number of years of professional experience of professional staff / number of professional staff).
3. A statement of the number of individuals holding the fellowship of the Saudi Organization for Chartered and Professional Accountants and equivalent fellowships accepted by the Authority, and their percentage calculated as follows: (total number of professional staff and audit managers in the audit department holding the fellowship of the Saudi Organization for Chartered and Professional Accountants or equivalent fellowships accepted by the Authority / total number of professional staff and audit managers in the audit department).
4. Disclosure of the overall the jobs nationalization percentage at the registered accounting firm, and the overall Saudization percentage in the audit department at the level of audit managers and professional staff.
5. Information on the latest internal inspection of the quality management system implemented within the registered accounting firm, including the following:
    a. The date on which the inspection was conducted.
    b. A description of the scope of the inspection.
    c. The manner in which the inspection was carried out by the accounting firm and the network of firms with which it is affiliated, the policy regarding the number of inspection cycles, and the classification of inspection results.
    d. The number of members of the inspection team, their job titles, academic and professional qualifications, and the location of office to which they belong.
    e. A statement of the period covered by the inspection.
    f. The number of audit engagements inspected, including the number of engagements relating to entities subject to the Authority’s supervision.
    g. A statement of the results of the inspection of the quality management system, and the classification of the results of the inspected audit engagements.

h. The mechanism adopted by the registered accounting firm to address the results of the inspection.

6. Details of any punishment, penalty, precautionary measure or preventive restriction relating to the practice of the auditing profession imposed on the registered accounting firm or the CPAs working for it by the Authority or any other supervisory, regulatory or judicial authority during the last financial year, including the date of issuance thereof, a description of such measure, the legal basis for its imposition, the name of the issuing authority, the name of the person against whom it was imposed, and its impact on the business of the registered accounting firm (if any).

7. Details of any litigation or claim (including any litigation pending or threatened) or any ongoing investigations which have an effect on the registered accounting firm's business, during the last financial year, including the date on which the claim was filed, the name of the judicial authority before which it was filed, the subject matter of the claim, a statement of the relationship between the registered accounting firm and the claimant or defendant (where applicable), and a description of the firm’s activities that may be affected by such claim.

8. A list of the clients of the registered accounting firm that are ESAS, and the registered CPA who carried on audit engagements for such clients and a statement of the total number of working hours for the audit engagements of such entities during the last financial year, including the following:

#	Client Name	Legal Form	Sector	Financial Year	Name of the CPA	Total Number of Working Hours	Working Hours of the CPA	Working Hours of the Audit Manager	Working Hours of the Engagement Quality Reviewer
1.									
2.									
3.									
Total									

9. Information on continuing professional education during the last financial year of the staff who conduct the audit engagements for ESAS, including the following:

	Number	Key Training Courses	Average Number of Hours	
			Accounting and Auditing	Other
Registered Certified Public Accountant (CPA)				
Manager				
professional staff				

10. Financial information of the last financial year, including the following:

No.	Financial Information of the Registered Accounting Firm		Amount in Saudi Riyals
1.	Total revenue		
2.	Total revenues from audit engagements for ESAS		
3.	Total revenues from other services for ESAS	Total revenues from other services for ESAS that are audited by the registered accounting firm	
		Total revenues from other services for ESAS that are not audited by the registered accounting firm	
4.	Total revenues from audit engagements for entities other than ESAS		
5.	Total revenues from other services for entities other than ESAS	Total revenue from other services for entities other than ESAS that are audited by the registered accounting firm	
		Total revenue from other services for entities other than ESAS that are not audited by the registered accounting firm	