

IFIAR 2022 Member Profile – CMA

1. Jurisdiction	<p>1.1 Insert the name of the jurisdiction in English:</p> <p>Kingdom of Saudi Arabia.</p>
2. Member ¹	<p>2.1 Insert the name of the Member, both in the local language and in English:</p> <p>Capital Market Authority هيئة السوق المالية</p> <hr/> <p>2.2 Include relevant contact information, including postal address, telephone numbers, a link to the website and other relevant information:</p> <p>CMA Head Office - King Fahad Road P.O. Box 87171 Riyadh 11642 Tel.: +966 11 205 3000 Website: https://cma.org.sa/en/Pages/default.aspx</p> <hr/> <p>2.3 Include the basis for establishment of the Member, as well as the legislation or regulations which provide the Member the authority/mandate with respect to audit regulation. Please describe with an appropriate level of detail the mission and responsibilities of the Member with respect to audit regulation:</p> <p>The Capital Market Authority (CMA) was established under the Capital Market Law (CML) pursuant to Royal Decree No. (M/30) dated 31/7/2003, as the independent regulator of the capital market in Saudi Arabia. The CMA has a legal personality, financial and administrative autonomy, and it reports directly to the President of the Council of Ministers.</p> <p>CMA is the agency responsible for issuing regulations, rules and instructions, and for applying the provisions of the CML. Sub-paragraph (9) of Paragraph (a) of Article (6) of the CML provides CMA the right to establish standards and conditions required for the auditors who audit the books and records of the Exchange, the Depository Center, brokerage companies, investment funds and joint stock companies listed on the Exchange (commonly referred to as "Entities Subject to Authority's Supervision" or "ESAS".) Paragraph (c) of Article (5) of the CML provides CMA the right to carry on inspections of audit firms. Pursuant to the CML, CMA adopted the Rules for Registering Auditors of Entities Subject to the Authority's Supervision (the "Rules"), which encompass the required standards and conditions to be met by the ESAS auditors, including for</p>

¹ In the case where there are two or more regulators from the same jurisdiction that have been approved according to Section 2.3 of the IFIAR Charter, they together are considered as one Member. In that case, regulators are requested to include information for both organizations in the Member Profile.

	<p>initial and continuing registration with the CMA in order to conduct ESAS audit engagements, as well as the requirements, procedures and obligations for such registration.</p> <p>2.4 Have there been any major changes to the Member’s organization or to the governing legislation since completing last year’s Member Profile?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>If yes, please describe these changes with an appropriate level of detail:</p>
<p>3. Governing Body Composition and members</p>	<p>3.1 Describe with an appropriate level of detail the current composition of the Member’s governing body, including the ratio between Board members who are independent from the audit profession and those who are not². The audit profession includes, for example: audit firms, professional accountancy bodies and bodies or entities associated with the audit profession.</p> <p>The CMA Board consists of five (5) full-time Commissioners and all are independent from the audit profession.</p> <p>The CMA Board Commissioners are as follows:</p> <ul style="list-style-type: none"> • His Excellency Mr. Mohammed bin Abdullah Elkuwaiz, Chairman • Mr. Youssef Hamad Al-Bilhid, Vice Chairman • Mr. Ahmed Rajeh Al-Rajeh, Member • Mr. Khalid Abdulaziz Al-Homoud, Member • Mr. Khalid Mohammed Al-Solai, Member <p>3.2 What are the eligibility criteria / requirements and composition requirements for the members of the governing body?</p> <p>The Board consist of 5 Commissioners, who are appointed by Royal Order and shall be natural Saudi Arabian persons, working on a full-time basis, and professionally qualified. The Royal Order shall specify from the Board members the chairman and deputy chairman who will replace the chairman in his absence.</p> <p>Furthermore, the term of membership of the Board shall be five years renewable once. The member shall remain in his office on the termination of his membership term until a successor is appointed.</p> <p>3.3. Is each member of the governing body independent from the audit profession? The audit profession includes, for example: audit firms,</p>

² An individual is independent of the profession even if he is a CPA, Chartered Accountant, or holder of another equivalent qualification, as long as this individual is not employed by or affiliated to a registered audit firm, nor employed by or affiliated to of a professional accountancy body, nor employed by or affiliated to bodies or entities associated with the audit profession.

	<p>professional accountancy bodies and bodies or entities associated with the audit profession.</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <hr/> <p>3.4 If the answer to question 3.3 is “No”, is the majority of the members of the governing body non-practitioner?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p style="text-align: right;">N/A</p> <hr/> <p>3.5 If the answer to question 3.3 is “No”, which safeguards are in place to provide for the Member’s overall independence from the audit profession?</p> <p style="text-align: right;">N/A</p> <hr/> <p>3.6 Is there a restriction or recusal process that is applicable to members of the governing body of the Member who are current or former auditors/practitioners?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Does this include a “cooling-off” period for former auditors?</p> <p><input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>If yes to either of the above, please describe:</p> <p>No Commissioners are current auditors/practitioners.</p> <p>All commissioners work on a full-time basis and are restricted to engage in any other profession or job. Although there are no restriction or recusal process that is applicable to former auditors, all Commissioners are subject to the CMA Board Regulation, which, in alignment with the CML, determines the Board governance framework. The CMA Board Regulation provides conflicts of interest rules which - among other things - stipulate that if any Commissioner has a conflict of interest in a subject listed on the Board's agenda, he must disclose it before beginning the discussion of the topic. This must be recorded in the minutes of the meeting. In this case, he should not attend the discussion of that topic, participate in its discussion, nor vote on it.</p>
	<p>3.7 Other than the governing body, are members of the profession involved in the Member’s organization (including in any inspections, committee or panel role)?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If yes, please describe their role with an appropriate level of detail, including the ratio between those who are independent and those who are not in the relevant function and whether such role includes decisional or control authority:</p>

	<p>The CMA’s advisory committee at its current session, involved one member of the committee (a ratio of 1:12) who is a member of the profession (practitioner). However, the said committee works towards providing consultations on any topics presented by the CMA Board to be studied. It is comprised of a number of members from market participants, experts, specialists and experienced academicians. The committee is advisory and has no decisional or control authority except for providing the CMA’s board with its recommendations regarding its duties.</p>
4. Funding Arrangements	4.1 Describe the main funding arrangements of the Member, including the setting and approval of the budget and the fees, if any:
	<p>The financial resources of the CMA consist of the following:</p> <ul style="list-style-type: none"> a) Fees for services and commissions charged by the CMA in accordance with the provisions of the CML and the regulations and instructions issued in pursuance thereof, b) Charges against using its facilities, return on its funds, and proceeds of the sale of its assets, c) Fines and financial penalties imposed on violators of the provisions of the CML, d) Funds provided by the government to the CMA, and e) Any other resource determined by the CMA board. <p>As part of paragraph (a) above, registered accounting firms pay such fees as prescribed by the CMA for initial registration and continuation as such. The fees are proportionate to the size of each registered audit firm.</p> <p>The CMA has a separate annual budget that is submitted to the Minister of Finance and gets approved in accordance with applicable regulations. Surplus funds collected by the CMA shall be remitted to the Ministry of Finance after deducting all current and capital expenses needed. However, the CMA maintains general reserve equal to the double of its expenditures as reported in previous annual budget.</p>
	<p>4.2 Is the funding free from undue influence by the profession?</p> <p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Please describe with an appropriate level of detail the safeguards in place to prevent undue influence by the profession:</p> <p>The profession has no role in determining the fee level or the budget. The fees are set out by the CMA Board.</p>
5. Inspection System	5.1 Does the Member have the responsibility for recurring inspections of audit firms undertaking audits of public interest entities (PIEs)?
	<p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>

5.2 Is this responsibility undertaken directly or through oversight of inspection conducted by another organization?

Directly

Through Oversight

- **If directly, kindly provide a brief description or summary of the responsibility, including the regulatory reporting process after inspections i.e. recommendations issued, follow-up, etc.).**
- **If through oversight of another organization, please describe with an appropriate level of detail the other organization, its relation to the Member, its role, and the arrangements for oversight:**

As per Article 2 of the Rules for Registering Auditors of Entities Subject to the Authority's Supervision ("the rules"), inspection is defined as analyzing periodic data and information provided by the accounting firm and inspecting and assessing the quality control system and the degree of compliance with it. Quality control system is defined as the policies and procedures approved by the accounting firm in order to reasonably verify the compliance of the firm's employees with the professional standards and related laws governing their performance in carrying on audit engagement, including the professional code of ethics approved by the Saudi Organization for Certified Public Accountants. Subparagraph 5 of article 11 of the Rules stated that as a condition of the maintenance of registration, the registered accounting firm and the registered CPA must comply at all times with the following: ... The Authority's instructions regarding the inspection and its results. The inspection is conducted by CMA. Observations on quality controls and audit files are communicated to the accounting firms in the format of comment forms after the conclusion of the field work. Firms are then obligated to provide a remediation plan which is monitored subsequently to follow on implementation. Based on the severity of the observation, CMA take administrative actions or other measures necessary to ensure the compliance with law and professional standards, which range from warning to financial penalties or deregistration.

In addition to the inspection visits, article 14 of the Rules states that 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. Such periodic information is reviewed in line with the Rules.

5.3 Please describe with an appropriate level of detail the requirements and practices regarding the frequency of inspections:

A risk-based approach inspection plan is prepared and updated on annual basis. The plan will take several risk factors into consideration, including the size of audit firms and industry risk considerations. Inspections of the

	<p>CMA registers audit firms and CPAs undertaking the audits of ESAS. ESAS are not allowed to engage with an audit firm or a CPA unless the firm and the CPA are registered with the CMA. To be registered, the audit firm and the CPA need to fulfill registration requirements specified in the Rules for Registering Auditors of Entities Subject to the Authority's Supervision.</p> <p>7.3 If the Member has the responsibility for <u>Audit and/or Ethics Standard Setting</u>, please indicate whether this responsibility is undertaken directly or through oversight of Audit and/or Ethics Standard Setting conducted by another organization?</p> <p><input type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <ul style="list-style-type: none"> • If directly, please describe the responsibility with an appropriate level of detail. • If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedures applied, as well as the role of the Member in these procedures. <p style="text-align: center;">N/A</p> <p>7.4 If the Member has the responsibility for <u>Permanent Education of Auditors</u>, please indicate whether this responsibility is undertaken directly or through oversight of Permanent Education of Auditors conducted by another organization?</p> <p><input type="checkbox"/> Directly <input type="checkbox"/> Through Oversight</p> <ul style="list-style-type: none"> • If directly, please describe the responsibility with an appropriate level of detail. • If through oversight, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a description of the powers of the other organization and procedures applied, as well as the role of the Member in these procedures. <p style="text-align: center;">N/A</p> <p>7.5 If the Member has the responsibility for <u>Enforcement</u>, please indicate whether this responsibility is undertaken directly or through referral to other organization(s)?</p> <p><input checked="" type="checkbox"/> Directly <input type="checkbox"/> Through Referral</p> <ul style="list-style-type: none"> • If directly, kindly provide a brief description or summary of the enforcement responsibility, the procedure and process involved, including the regulatory reporting process that led to disciplinary action. • If through referral, please indicate the name of the other organization and its composition (i.e. whether practitioners from the audit profession are involved in decision-making). Also give a
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	<p>description of the enforcement powers of the other organization and procedures applied, as well as the role of the Member in these procedures.</p> <p>The CMA, through Investigation Department, is directly responsible for all enforcement matters related to auditors registered with CMA to carry on ESAS audits.</p> <p>7.6 If the Member has the responsibility for other tasks within the area of Audit Oversight, please describe with an appropriate level of detail: N/A</p>
<p>8. Main Other Responsibilities of the Member <u>outside</u> the area of Audit Oversight</p>	<p>8.1 Please describe with an appropriate level of detail whether the Member has responsibility for tasks outside the area of audit oversight such as Supervision of Financial Reporting or Securities Regulation:</p> <p>The CMA is entrusted with the following duties:</p> <ul style="list-style-type: none"> • Regulate and develop the exchange, seek to develop and improve methods of systems and entities trading in securities, and develop the procedures that would reduce the risks related to securities transactions. • Regulate the issuance of securities and monitor securities and dealing in securities. • Regulate and monitor the works and activities of parties subject to the control and supervision of the authority. • Protect citizens and investors in securities from unfair and unsound practices involving fraud, deceit, cheating or manipulation. • Seek to achieve fairness, efficiency and transparency in securities transactions. • Regulate and monitor the full disclosure of information regarding securities and their issuers, the dealings of informed persons and major shareholders and investors and define and make available information which the participants in the market should provide and disclose to shareholders and the public. • Regulate proxy and purchase requests and public offers of shares. • License the establishment of special purposes entity, and regulate and control its business, uses, issuance of securities, the registration in its registry established by the authority and the provisions of its articles of incorporation, and regulate the provisions of the registration of funds transferred to it, including documentation of the rights thereof and its legal standing against others, and the issuance of rules governing thereof. • Regulate the pledge of securities and its enforcement.
<p>9. Major Events and Activities</p>	<p>9.1 Describe any recent major events and activities:</p> <p>In 2021, The CMA held a meeting with the registered accounting firms to discuss any difficulties and challenges they face. On January 6, 2022, CMA conducted a workshop on ISQM1, ISQM2, and ISA 220-revised.</p>