



## Compliance with International Education Standards in Saudi Arabia: Policy and Educational Implications

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### Abstract

*The purpose of this study is to determine the extent of compliance with the International Education Standards (IES) in the Kingdom of Saudi Arabia. Saudi Arabia plans to transition to the International Financial Reporting Standards (IFRS) over the next five years. For this to be successful in all respects (that is, adoption, implementation, monitoring and sanctioning), it is necessary for the country to have professional accountants educated, at the very minimum, in terms of the IES as issued by the International Federation of Accountants.*

*The research method is archival using mainly secondary sources of information together with some unstructured interviews. The study found that Saudi Arabia does not follow the IES in their entirety. Gaps were found with respect to professional skills, ethics and values as well as in the training phase. The country is aware of the need to converge with international standards and has set out an action plan to achieve this. However, all stakeholders need to be involved in the action plan in order for convergence to be successful.*

**Keywords:** Professional Accounting, SOCPA, IES, IFRS, Accounting Education

### 1. Introduction

Saudi Arabia has been listed in some official and international reports as the only country in the G20 that does not permit or require the use of International Financial Reporting Standards (IFRS) (see appendix 1). The local professional accountancy organization (PAO), the Saudi Organization for Certified Public Accountants' (SOCPA) action plan, required by the International Federation of Accountants (IFAC) as part of the Statement of Membership Obligations (SMO), indicates that SOCPA will transition to international standards over the next five years (SOCPA, 2012). However, SOCPA has yet to announce a clear adoption strategy or convergence plans to merge its own accounting standards with IFRS. This decision by SOCPA is also controversial because Saudi Arabia has not yet officially indicated its intention to adopt IFRS.

Studies (UNCTAD, 2008) have found that challenges facing adopting IFRS might be classified as institutional, enforcement, implementation, translation, complexity and structure of the International Standards, technical, lack of IFRS knowledge of the firms, inexperience of the audit firms, ignorance of the investment environment, the need for a comprehensive assessment

of GAAP differences and their effects, the need for customized IFRS education and training for all different constituents and maintenance of convergence progress between IFRS and national GAAP. Some of these challenges, such as the lack of IFRS knowledge and the lack of customized education and training for all constituents, could be resolved through a strong professional accountancy education program.

The purpose of this paper is, taking into account the intention of Saudi Arabia to transition to IFRS, (1) to determine the extent of Saudi Arabia's compliance with the International Education Standards (IES) by benchmarking its current professional accounting education system to the IES, and (2) to indicate what improvements are necessary in order to comply with the IES. Adopting the IES provides a platform for a strong professional education program. This in turn is vital to the adoption and implementation of IFRS and its subsequent monitoring and sanctioning, and also enables those areas which may require strengthening to be identified. The different stakeholders involved in capacity building for high quality corporate reporting would have a clear idea as to where dialogue needs to take place and for any policy recommendations to be made.

The remainder of this paper is organized as follows. Section 2 sets out the literature review. Section 3 provides the background to financial reporting, accounting standard setting and the education of accountants in Saudi Arabia. Section 4 describes the background to the IES, the research methodology and results. The discussion of the results follows in Section 5. Finally, Section 6 presents the conclusions, recommendations and limitations of the research.

## **2. Literature Review**

There have been a number of studies investigating the various models of accounting education (Needles and Powers, 1990; Karreman, 2002; Phelps and Karreman, 2005; Ahern et al, 2007; Peek et al, 2007; Stainbank and Ramatho, 2007).

Needles and Powers (1990) compared and analyzed the trend in 17 models for accounting education in the United States (US) and found that the development of analytical and communication skills had been neglected. Karreman (2002) examined the impact of globalization on accounting education in 25 countries. His study attempted to establish a connection between (1) the influence of differences in cultural background ('power distance' and 'uncertainty avoidance'); (2) the present economic position (industrialized or in-transition/emerging) of the countries involved; (3) the effect of the legal system (common law or civil law) on accounting education; and (4) the contribution of higher education to the qualification of accountants on the regulation of the accounting profession, the orientation of the final examination, professional education and practical experience, education background and development of international of accounting standards. His results established a link between the elements of accounting education and the country characteristics, although important differences occur (Karreman, 2002). Karreman (2002) included Saudi Arabia, and thus SOCPA in his analysis, which revealed that Saudi Arabia's professional education was characterized by high government regulation, high membership regulation and that the orientation of the final examination was theoretical.

In 2007, Ahern et al (2007) revisited the general developments and changes in the same countries Karreman used in 2002. A number of new developments were noted such as the move from education guidelines to education standards, new compliance regimes and professional academic partnerships. SOCPA was included in this update. Ahern et al (2007) noted that the IES are not followed in Saudi Arabia.

Other studies have attempted to validate the Karreman (2002) results by using his methodology. For example, Stainbank and Ramatho (2007), benchmarked the professional accounting education programs in seven countries of the Eastern, Central and Southern African Federation of Accountants (ECSAFA) to the IES confirming the Karreman (2002) findings that professional bodies in common law countries tend towards self-regulation as opposed to government regulation in civil law countries; that practical experience was more important in common law countries compared to civil law countries; and that developing and in-transition countries tend towards a theoretical approach. In 2005, Phelps and Karreman (2005) benchmarked the countries comprising the Southern Eastern European Partnership on Accountancy Development (SEEPAD).

The Peek et al (2007) study compares the accountancy certification and licensing arrangements in the US, Mexico and Canada in order to ensure that accounting educators can better prepare students for international career opportunities afforded by the North American Free Trade Agreement (NAFTA) and the Professional Mutual Recognition Agreement (PMRA).

The above studies indicate that information on professional accountancy programs is useful as it provides new information which may further the development of accounting education, helps accounting bodies work towards international standards, assists with regional co-operation where gaps or strengths are identified, and, if weaknesses are identified and acted upon, may result in a strengthening of the professional accounting education system which could result in a better informed market. It may also help with ensuring that skills become more transportable across borders. It is important to note that countries can take individual approaches to complying with the IES and that it is not a case of “one size fits all”. For example, Velayutham and Perera (2005) note that there are differences between the US and United Kingdom (UK) in their approaches to accounting education. They propose two reasons for this: (1) unlike in the US, the UK professional accounting bodies do not insist on completing an accounting major degree as pre-requisite to entry into the profession, hence the need to examine more extensively at the professional stage, and (2) there is competition among professional bodies in the UK where more than one professional body certifies members working in different areas of professional practice.

Research on IFRS is still very limited in the Arab/Gulf countries. This is mainly because most Arab/Gulf countries had already adopted IFRS as of 2005. However, in Saudi Arabia research on IFRS is scarce. AlMotairy and Altorkey (2012) conducted a survey research study on accounting curriculum and IFRS in Saudi universities. The main aim of this research was to diagnose the current students' level of knowledge in the IFRS and explore teaching IFRS in the Saudi universities' curricula by using, with amendment to meet the aim of the research and to reflect the reality of accounting education in Saudi Arabia, the questionnaire used by KPMG-AAA Faculty Survey in 2008. From the research results, a large majority of respondents agreed that there is a need to adopt the IFRS in Saudi Arabia, and this requires Saudi universities to incorporate and teach IFRS.

Why are international standards important? According to the IFAC President, Warren Allen (2012), as growth slows in the mature nations such as North America, the European Union and the Pacific Rim, emerging and developing economies are gaining increased attention from businesses and investors. However, before investors and lenders make funds available, they need to understand the facts about a business or country. He said: “Using international standards provides comparability, credibility, and transparency. These are crucial as international players make their investment decisions” and the “connection between strong PAOs and healthy financial sector performance, economic growth, and social progress cannot be understated”. This

illustrates the importance of Saudi Arabia complying with the IES as the IES are international standards.

### **3. Background**

#### **3.1 Institutional and Statutory Framework in Saudi Arabia**

Until 1991, there was no PAO in Saudi Arabia even though the auditing profession was recognized legally in 1965 by the Companies Act which required companies to appoint auditors. Regulating the profession was the concern of the Ministry of Commerce (MOC). In November 1991 a regulation, *Certified Public Accountants' Regulation, Royal Decree No. M12*, was introduced to be effective from that date. The structure of the auditing profession in Saudi Arabia was initially based on the 1991 Certified Public Accountants' Regulation which superseded the 1974 Public Accountants Regulation. It comprises 38 articles divided into four categories: conditions and procedures of registration in the register, obligations of public accountants, the call to establish a PAO and general rules. The most important feature of this new regulation was the establishment of SOCPA.

SOCPA is the only PAO in Saudi Arabia. It falls under the supervision of the MOC with some administrative responsibility delegated to them. The primary objectives of SOCPA include providing Certified Public Accountant (CPA) examinations, developing accounting and auditing standards, defining professional ethics, establishing CPA quality review programs, and organizing training courses to provide continuous professional education for CPAs. SOCPA also formed technical committees responsible for the achievement of SOCPA's objectives such as Accounting and Auditing Standards, Quality Review, Examinations, Nomination, Continuous Education, and Professional Ethics Committees. The development and reviewing of all accounting standards is the responsibility of the Accounting Standards Committee (ASC). By the end of 2010, there were 20 Saudi accounting standards covering most business transactions and events relevant to public companies. Generally the standards deal with the topics covered by US and IFRS plus topics of local importance (i.e. the Zakat and income tax).

For the last 20 years SOCPA has focused on providing CPA examinations, developing accounting and auditing standards, overseeing professional ethics, establishing CPA quality review programs, and organizing training courses to provide CPE for CPAs (AlMotairy and AlSalman, 2011).

In Saudi Arabia, no person, natural or legal, is entitled to practice the audit profession unless their name is listed in the Register of Certified Public Accountants with the Ministry of Commerce. To be registered as a Certified Public Accountant, an applicant shall be:

- “1. A Saudi national.
2. Of full legal capacity.
3. Of good conduct; not convicted of doctrinal punishment or of an offense involving moral turpitude or breach of trust, unless rehabilitated; not subjected to a disciplinary decision discharging him from governmental service, unless three years have lapsed since the taking of such disciplinary decision.
4. Holder of a Bachelor's degree in Accountancy or any other equivalent Certificate as may be deemed acceptable by the competent authorities in charge of equivalency of degrees.
5. Having practical experience in the field of accounting after graduation, as referred to in clause (4) above, with any of the following bodies

A. Certified Public Accountants' offices duly approved by the Saudi Organization for Certified Public Accountants (SOCPA) and according to the conditions specified in the executive by-laws. This period of service shall be for a minimum of three years, reducible to two years if the applicant is a holder of a Master's degree in accountancy or an equivalent degree, and to one year if the applicant is a holder of a Ph.D. in accountancy or an equivalent degree.

B. Government bodies, companies or sole proprietorships according to the conditions and terms stipulated in the Executive By-laws, provided that such terms are no less than those stated in paragraph (A) above.

6. Full member of the Saudi Organization for Certified Public Accountants.

7. Fully dedicated to practice the profession. However, a Certified Public Accountant may practice other types of activities provided that, such activities are not incompatible with the code of ethics of this profession according to the conditions laid down by the executive by-laws" (SOCPA, 2013).

AlMotairy and AlSalman (2011) comment that in Saudi Arabia, it is difficult to identify which body monitors and enforces reporting and disclosure standards because of the diversity and complexity in the Saudi legal framework for disclosure and that these functions are currently undertaken by four bodies, in varying degrees.

Firstly, the MOC, (through its Companies General Management (CGM)), is the body involved in the review of all annual reports and offering documents issued by listed companies. The CGM, with its legislative power, can take enforcement actions against listed companies, in cases of serious non-compliance and impose sanctions which serve to deter improper financial reporting.

Second, SOCPA regulates the reporting and disclosure standards for listed companies. However, the scope is restricted to the practicing members of SOCPA in their capacity as auditors of listed companies. As SOCPA has no authority over listed companies, it is unable to monitor and enforce compliance with reporting and disclosure requirements by the companies. The 2012 action plan prepared by SOCPA for IFAC indicates that the convergence of national standards with IFRS is its objective (SOCPA, 2012). SOCPA, in this action plan, highlights ongoing efforts to identify obstacles to the convergence process, as well as identifying opportunities to further enable the implementation of IFRS. However, there is no clear plan to converge with IFRS. This action plan is similar in content to the 2009 action plan (SOCPA, 2009) indicating that little or no progress is taking place.

Third, the Saudi Arabian Monetary Agency (SAMA), as the Saudi Central Bank and the regulator of the banking sector and financial institutions, requires all banks, insurance companies, and other financial institutions in Saudi Arabia to prepare their financial statements in accordance with IFRS. Other listed companies are required to prepare their financial reporting based on Saudi accounting standards. The greatest influence for the adoption of IFRS in Saudi Arabia has therefore come from SAMA.

Fourth, the Capital Market Authority (CMA), established in 2003, is the Saudi Arabian government organization responsible for regulating the Saudi Arabian capital markets. Its responsibilities include setting rules and regulations, making sure they are followed, convening a committee to settle disputes and developing the capital markets in Saudi Arabia. The CMA ensures the compliance of listed companies with the initial disclosure requirements. It reviews announcements of listed companies' financial results, material developments or events to ensure their compliance with the CMA and its Implementing Regulations and all relevant instructions

issued by the CMA. In 2006, the CMA passed a Corporate Governance Regulation for listed companies to strengthen the supervisory functions.

As a result of the diversity and complexity of the Saudi institutional framework for financial reporting, the extent of Saudi Arabia's compliance with IFRS is difficult to gauge. All banks and insurance companies listed on the Saudi Stock Exchange must use IFRS. All other listed companies in Saudi Arabia, as well as unlisted companies, must follow accounting standards generally accepted in Saudi Arabia as issued by the SOCPA and the governmental regulations for companies. At present there are only a limited number of accounting standards issued by SOCPA and they, on their own, do not constitute a comprehensive basis of accounting.

### 3.2 Accounting Education in Saudi Arabia

There are more than 34 universities offering accounting programs in Saudi Arabia. All of them offer a four-year bachelor's degree (BBA) in accounting. Of the 34 universities that offer accounting programs, 10 (29%) are private. The rest are government universities. Most of the 10 private universities were founded within the last 10 years. Only two universities offer a master's degree in accounting.

The growth in the number of universities and students studying accounting in Saudi universities has increased during the last seven years due to the expansion and emergence of government universities. Previously, up to 2004, only seven government universities offered accounting programs, now there are 24 government universities. Although there is growth in universities and accounting programs, the main growth in the number of students has been in female students.

Each university has its own approach toward accounting education without any involvement of SOCPA. Developing an accounting program involves a department initiating proposed courses which are agreed on at the college council, and then discussed through the steering committee of academic curriculum and planning, and finally approved by the university council. However, there are many common features in the accounting curriculum or in teaching accounting, so all accounting programs in universities in Saudi Arabia are almost identical, with small differences in two or three courses.

Usually, the curriculum an accounting student would take for the four-year bachelor's degree program (BBA in accounting at Saudi University) is around 129 credit hours. Accounting courses account for 60 credits, or 46.6 percent of total university studies. College requirements on general business and economics account for a further 54 credits, or 41.8 percent of total study. University requirements account for the other 15 credits or 11.6 percent of total study.

The minimum requirement for four-year bachelor degree curriculum (BBA in accounting) is successful completion of 129 Credit hours, as shown in Table 1.

Table I: Credit Hour Requirement for Four-year Bachelor Degree Curriculum

Description	Credit Hours	%
University Requirements (Islamic, social, culture and Arabic skills)	15	11.6
Faculty Requirements (General business and economics)	54	41.8
Department Requirements (Accounting courses)	60	46.6
Total	129	100.0

The demand for the accounting program by students has increased in recent years, according to the university professors interviewed, because there are still opportunities in the business sector for accounting graduates. All business sectors are recognizing the importance of accounting. This enhanced demand is having an effect on students and the way they choose their majors within other disciplines in business colleges. Accounting is one of the most important disciplines in business schools.

### **3.3 Audit Firms in Saudi Arabia**

Saudi Arabia has about 200 audit firms and no more than 500 members of SOCPA which is very low when compared to another developing country such as South Africa which has about 1 900 audit firms; an institutional membership of about 34 000 (South African Institute of Chartered Accountants (SAICA)), of whom about 4 200 are also registered (licensed) auditors. Of the less than 400 SOCPA members who obtained SOCPA certificates since 1994, only five are female. Saudi Arabia has a GDP per capita of US\$20504 (South Africa: US\$ 8066) and has about 160 companies listed on its stock exchange (South Africa: 400 companies). Saudi Arabia has a population of 28.3 million as compared to South Africa's population of 50.8 million. This comparison to South Africa may indicate that there is a human capacity shortage with regards to accounting skills in Saudi Arabia. According to the World Economic Forum (WEF) which in its 2012/13 Global Competitiveness Report ranked Saudi Arabia 19<sup>th</sup> out of 144 countries for the strength of its accounting and auditing (South Africa - 1<sup>st</sup>), "the country has seen a number of improvements to its competitiveness in recent years that have resulted in a solid institutional framework, efficient markets, and sophisticated businesses" but that there is room for improvement on the higher education and training pillar (40th) (WEF, 2012, p. 35). The Report indicates that as the country attempts to diversify its economy, a more skilled and educated workforce will be needed and thus a better "use of talent will increase in importance as global talent shortages loom on the horizon" (WEF, 2012, p. 35).

## **4. The Extent of Saudi Arabia's Compliance with the IES**

### **4.1 Background to the IES**

The concern that in many countries accounting education may not be meeting the needs of the profession prompted IFAC to issue a series of IES (IFAC, 2003) which are currently being re-drafted and re-issued. The IES are preceded by the *Framework for International Education Standards* and the *Introduction to International Education Standards* (IFAC, 2003). The *Framework* contains background information about the objectives and terms of reference of the IES, the Education Committee and the nature, scope and authority of the statements. Of importance are the development concepts and the relationship between capability and competence. The *Framework* also sets out a *Glossary of Terms*. Of importance here, is that the *Framework* indicates that IFAC expects member bodies to comply with these standards.

The *Introduction* re-iterates that all IFAC member bodies are expected to comply with IES (IFAC, 2003 para 4) and that member bodies are expected to use their best endeavours to work towards implementation of the IES and "incorporate into their education programs the essential elements of the content and process on which IES are based or where responsibility for the education program lies with third parties, persuade those responsible for the education requirements of the accountancy profession to incorporate the essential elements into the

program” (IFAC, 2003 para 4). This *Introduction* also indicates that educators need to be trained and encouraged to use a broad range of learner-centered teaching methods that include case studies, projects and other work simulations, work in groups, adapt instructional methods and materials to the ever-changing environment, encourage self-learning, use technology and e-learning, be active participants in the learning process, use measurement and evaluation methods that reflect the environment of the professional accountant, integrate knowledge, skills, professional values, ethics and attitudes across topics and disciplines, identify problems and problem-solving, explore research findings and develop professional skepticism and professional judgment. While a detailed analysis of all the teaching methods used in Saudi Arabia was not undertaken, it is important to note that Saudi Arabia accounting education primarily uses lectures, tutorials, presentations, seminars, and rarely case studies.

In 2009, the International Accounting Education Standards Board (IAESB) agreed that all eight standards should be revised with the aim of improving clarity, ensuring consistency with concepts of the *Framework for International Education Standards for Professional Accountants* (the Framework), and clarifying issues resulting from changes in the environment of accounting education and the experience gained from implementation of the IES by IFAC member bodies. Like IFRS, the IAESB is adopting a principles-based approach to develop the IES using the educational concepts and principles of the Framework

As of November 2012 the IAESB has approved the following IES:

IES 1, Entry Requirements to Professional Accounting Education Programs (Revised). (*IES 1 prescribes the principles to be used when setting and communicating educational requirements for entry to professional accounting education programs.*) This IES is effective from 1 July 2014.

IES 6, Initial Professional Development – Assessment of Professional Competence (Revised). (*IES 6 prescribes the requirements for the assessment of professional competence of aspiring professional accountants that need to be achieved by the end of Initial Professional Development.*) This IES is effective from 1 July 2015.

IES 7, Continuing Professional Development (Redrafted). (*IES 7 prescribes the continuing professional development (CPD) required for professional accountants to develop and maintain the professional competence necessary to provide high quality services to clients, employers, and other stakeholders, and thereby to strengthen public trust in the profession.*) This IES is effective from 1 January 2014.

## **4.2 Research Methodology and Results**

In order to establish Saudi Arabia’s extent of compliance with the IES, the practices in Saudi Arabia were benchmarked to the current IES. The research methodology is thus primarily qualitative archival research using secondary sources of information. Some unstructured interviews were conducted to determine universities’ extent of compliance with the IES. The results that follow are displayed in a table format to facilitate the comparison between the IES and the accounting education practices in Saudi Arabia.

Table 2: A Comparison of the Extent of Compliance with the IES 1 and IES 2

IES	Title	Main requirements of the IES	Saudi Arabia
IES 1 (IFAC, 2003)	Entry requirements to a program of professional accounting education	For an individual seeking to begin a program of professional accounting education leading to membership of an IFAC member body, the entry requirement should be at least equivalent to that for admission into a recognized university degree program or its equivalent	As universities provide professional education, this requirement is met. Necessary expertise and resources are available in the universities.
IES 2 (IFAC, 2003)	Content of professional education programs	This IES indicates that professional accounting study should be part of the pre-qualification program and be long enough and intensive enough to permit candidates to gain the professional knowledge required for professional competence.	
		It should consist of at least two years of full-time study or part-time equivalent.	In Saudi Arabia, full-time students generally complete a four year undergraduate degree which enables education providers to cover the knowledge content as prescribed by IES 2. The professional education has to be at least with 30 credit hours of accounting subjects covering accounting area, auditing and tax and it has to be on an university level.
		The content should consist of: accounting, finance and related knowledge; organizational and business knowledge; and information technology and competences.	The syllabus includes the fields of study identified by IES 2: Accounting and finance, Organization and business, IT knowledge.
	Accounting, finance and related knowledge component includes: Financial accounting and reporting Management accounting and control Taxation Business and commercial law Audit and assurance Finance and financial management Professional values and ethics		Included in Saudi Arabia: Yes/No  yes (most likely SOCPA standards) yes Zakat and income tax yes yes (most likely SOCPA Auditing Standards) yes yes (taught with auditing and not as a separate course or module)
The organizational and business knowledge component includes: economics business environment corporate governance business ethics financial markets quantitative methods organizational behaviour management and strategic decision making marketing international business and globalization		yes yes yes yes yes yes yes yes yes yes	
The information technology component includes:			

general knowledge of IT	yes
IT control knowledge	yes
IT user competencies	yes
one of, or a mixture of, the competences of, the roles of manager, evaluator or designer of information systems.	yes

Table 3: A Comparison of the Extent of Compliance with IES 3 - IES 8

IES	Title	Main requirements of the IES	Saudi Arabia
IES 3 (IFAC, 2003)	Professional skills	Individuals seeking to become professional accountants should acquire the following skills: intellectual skills technical and functional skills personal skills interpersonal and communication skills organizational and business management skills All professional education programs should include some portion of general education.	These skills are acquired:  during the program during the program very weak personal skills are developed poor skills are developed  through seminars About 15 credits out of 127 credits of the total program is general education.
IES 4 (IFAC, 2003)	Professional values, ethics and attitudes	The program of professional accounting education should provide professional accountants with <u>a framework of professional values, ethics and attitudes</u> for exercising professional judgment and for acting in an ethical manner that is in the best interest of society and the profession.	Only through lecturers while teaching the auditing course.
IES 5 (IFAC, 2003)	Practical experience requirements	The period of practical experience should be a minimum of three years. A period of relevant graduate professional education with a strong element of practical accounting application may contribute no more than 12 months to the practical experience requirement.	Students complete a three year training contract after they have completed their four years of full-time study (bachelor degree); or two years after Master degree; or 1 year after PhD.
		<u>Monitoring and control:</u> The member body and/or regulatory authority should ensure that the practical experience candidates have gained is acceptable. Experience should be conducted under the direction of a mentor who is an experienced member of an IFAC member body.  A record of the practical experience gained should be reviewed periodically by the mentor.	<u>Monitoring and control:</u> To be a CPA one has to have an experience in CPA firms or commercial or governmental sectors with a job related to accounting or auditing. There is no requirement for the content of practical training but experience. Practical training takes place in public practice, industry and commerce and in government. Each sector has its own expertise. Providers of practical training are recognised by the government and the professional body as each practical training provider has to have a license. Until now, there is no training contract.  Since 2002 Saudi Arabia has established a comprehensive quality review program to ensure that CPAs comply with the professional and regulatory requirements.

IES 6 (IFAC, 2003)	Assessment of professional capabilities and competence	The professional capabilities and competence of candidates should be formally assessed before the qualification of professional accountant is awarded. (This should be made as near as practicable to the end of the pre-qualification program.)	The SOCPA exam consists of five subjects: 1- Accounting (all areas) - SOCPA accounting standards; 2- Auditing - only Saudi Auditing Standards; 3- Tax and Zakat (Islamic due); 4- Commercial laws; 5- Figh almamalat (how to conduct operation in Islam). SOCPA fellowship examination rules include professional, practical and scientific aspects of the audit profession and applicable regulations.
IES 7 (IFAC, 2004)	Continuing professional development: a program of lifelong learning and continuous development of professional competence	Input-based approach: the professional accountant should complete at least 120 hours in a three year period, of which 60 hours should be verifiable; and at least 20 hours per year. Output-based approach: professional accountant is required to demonstrate the maintenance and development of relevant competence, both objectively verified and validly measured. A combination approach is permitted.	SOCPA requires mandatory Continuing Professional Education (CPE) for full members and in public practice. CPE is regulated by SOCPA. Members have to complete a minimum of 120 hours or equivalent learning units in a three-year rolling period with a minimum of 20 hours in each year.
IES 8 (IFAC, 2006)	Competence requirements for audit professionals	This IES prescribes the minimum competence requirements IFAC member bodies are expected to require any members to obtain before they take on the role of an <u>audit professional</u> .	Not yet implemented.

## 5. Discussion of the Results

Table 2 shows that Saudi Arabia substantially complies with IES 1 and IES 2. While it is not a specific requirement for ethics to be taught as a separate module or course and while professional values, ethics and attitudes are covered by lecturers when teaching the auditing course (see Table 3), consideration should be given to a separate course on ethics.

Table 3, which identifies the extent of Saudi Arabia's compliance with IES 3 to IES 8, shows that professional skills are not emphasized during the university program leading to weak skills or poor skills being developed. Liaison between SOCPA and the universities may enable some remedies to be put in place to rectify the situation. Other countries, such as Canada, have developed over many years through a rigorous process a competency framework for the chartered accounting profession. This UFE Candidates' Competency Map (Map) (CICA, 2012) developed by the Canadian Institute of Chartered Accountants (CICA) is widely acknowledged as an outstanding example of a competency framework. South Africa has adapted this Map and issued its own Competency Framework which forms part of the accounting curriculum at South African universities. SAICA (2008) indicate that the "globalisation of business and harmonisation of professional standards has enabled Chartered Accounting bodies throughout the world to strengthen relationships in a variety of ways, amongst others by formalisation of reciprocity agreements based on an understanding of competencies of CA's entering the profession. The articulation of competencies through documents such as the CICA Map and SAICA Competency Framework provide not only valuable guidance for educators, candidates and employers but also a foundation for cooperation between professional bodies."

Table 3 also shows that practical experience requirements do not conform to the IES requirements. SOCPA should ensure that the practical experience candidates have gained is

acceptable. Experience should also be conducted under the direction of a mentor who is an experienced member of an IFAC member body. A record of the practical experience gained should be reviewed periodically by the mentor. IES 8 has yet to be implemented.

Tables 2 and 3 therefore show that the IES are not followed in their entirety in Saudi Arabia. SOCPA has sent all IES and other IAESB pronouncements to the Minister of Higher Education with a recommendation to incorporate the same in the education programs of universities. Until now, no action has been taken. SOCPA should be able to directly liaise with the universities and in this way, create opportunities for dialogue as to what the curriculum should be for students entering into a program of study leading to an accounting qualification. The Framework recommends that “where responsibility for the education program lies with third parties, persuade those responsible for the education requirements of the accountancy profession to incorporate the essential elements into the program.”

However, a situation where SOCPA dictates to the universities as to what the content should be, should be avoided in order to preserve the independence of the universities. Rather, there should be a partnership between SOCPA and the educational providers to ensure that the content is relevant to the qualification. It should be an urgent matter to ensure that universities are teaching the international standards such as IFRS and the International Standards on Auditing (ISAs) in order that the convergence to international standards is facilitated. The Regulations of SOCPA do allow for two Saudi members of the teaching staff of the accounting department of one or more of the universities to be appointed by the Minister of Commerce upon the nomination of the Minister of Higher Education. In view of the number of universities in Saudi Arabia, this is likely to be insufficient. This communication channel is vitally important to ensure that the IES are met but may not be sufficient as a communication channel. SOCPA should set up its own structures in order to enter into dialogues with those universities that are offering accounting programs. SAMA requires banks and insurance companies to encourage their staff to become familiar with IFRS and their complexities and has thus played a key role in educating and training those in the banking sector in order to produce efficient staff at all levels to deal with the IFRS. This has been an informal role played by SAMA and there is an opportunity here for SOCPA to learn from SAMA’s experience with IFRS.

Currently, the SOCPA qualification is not recognized in other countries. A reason for this may be that SOCPA does not comply fully with the IES requirements. On the other hand, SOCPA general rules for fellowship examination give candidates who have the American Institute of Certified Public Accountants (AICPA), Institute of Chartered Accountants in England and Wales (ICAEW), and CICA fellowship certificates, the right to replace the accounting and auditing subjects - which is required by others (12 hours exam) - by a subject entitled "The Professional Standards" (a 2 hour exam). The object of this exam is to test the competence of candidates with respect to knowledge of professional standards adopted in the Saudi Arabia and also with respect to the realization of professional responsibility and the ethical attributes that SOCPA members should have.

While providers of professional education are recognized by the government, there is no periodic review of professional education.

With regards to the expected future developments in professional accountancy programs in Saudi Arabia, so far there is no agenda for future developments in professional accountancy programs. However, SOCPA’s action plan published on the IFAC website with regards to SMO 2 indicates that, SOCPA will continue to use its best endeavours to ensure that all IES requirements are incorporated into SOCPA’s professional accountancy education system. SOCPA Board, during its meeting of the sixth session, held on 18 December 2012, decided to

transition to the IFRS within a period of 5-6 years to allow university and accounting schools to include in their curriculums the international standards (Accounting, Auditing, ethics, quality control, etc.). Furthermore, it intends to carry out policy dialogues on SMO 2 requirements with the universities and the body that stipulates and disseminates learning outcome requirements for post master theoretical professional education (to the universities) and for practical experience competences (to SOCPA), based on (1) all IES and other IAESB pronouncements and (2) the Professional Profile, issued by SOCPA.

SOCPA and its Education Committee intend to maintain an on-going process to monitor new and revised standards and incorporate them into education and examination requirements. SOCPA also intends to continue to use its best endeavours to ensure SOCPA education requirements continue to incorporate all IES and Professional Profile-requirements. This includes review of the existing requirements and preparation of the Action Plan for amendments where necessary (SOCPA, 2012).

## **6. Conclusions, Recommendations and Limitations**

Saudi Arabia is making progress towards adopting international standards, however, more needs to be done. Hand in hand with adopting IFRS and ISAs will be ensuring that the universities are providing students with a strong accounting program and ensuring that the IES are embedded into the program at all levels. The teaching of IFRS and ISAs is vitally important to support the convergence plans of the country. The adoption of a competency framework, similar to that of CICA (2012) should also be considered. Aspects of the training program need strengthening and IES 8 has yet to be implemented.

All policy makers and stakeholders involved in ensuring that Saudi Arabia has the capacity to produce high-quality corporate reports need to be engaged in ensuring that the education programs meet as a minimum the IES requirements. Clarity needs to be established as to the overall responsibility for all standard setting and for monitoring and enforcing the standards and for sanctioning if applicable.

Adopting international standards will assist Saudi Arabia in entering into mutual recognition agreements with other PAOs as international standards allow benchmarking to take place. Hence, this research provides a useful benchmarking exercise for Saudi Arabia and other countries that are looking to strengthen their accounting programs.

Due to the research methodology adopted, this cannot be considered a comprehensive survey on the extent of compliance with the IES in Saudi Arabia as a number of aspects have not been investigated: for example, how is the assessment done and what is the quality of the assessment? This could be the subject of future research. Furthermore, due to the lack of other peer-reviewed research on accountancy programs in Saudi Arabia, it is not possible to compare this study to those of other authors. Increased research in Saudi Arabia in these areas will rectify this problem.

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APPENDIX 1: Current use of IFRS in the countries of the G20

<b>Country</b>	<b>Status for listed companies</b>
Argentina	Required for fiscal years beginning on or after 1 January 2012.
Australia	Required for all private sector reporting entities and as the basis for public sector reporting since 2005.
Brazil	Required for consolidated financial statements of banks and listed companies from 31 December 2010 and for individual company accounts progressively since January 2008.
Canada	Required from 1 January 2011 for all listed entities and permitted for private sector entities including not-for-profit organizations.
China	Substantially converged national standards.
European Union	All member states of the EU are required to use IFRS as adopted by the EU for listed companies since 2005.
France	Required via EU adoption and implementation process since 2005.
Germany	Required via EU adoption and implementation process since 2005.
India	Is converging with IFRS at a date to be confirmed.
Indonesia	Convergence process ongoing; a decision about a target date for full compliance with IFRS is expected in 2012.
Italy	Required via EU adoption and implementation process since 2005.
Japan	Permitted from 2010 for a number of international companies; decision about mandatory adoption by 2016 expected around 2012.
Mexico	Required from 2012.
Korea	Required from 2011.
Russia	Required from 2012.
<b>Saudi Arabia</b>	Required for banking and insurance companies; full convergence with IFRS currently under consideration. <b>Currently not permitted for listed companies.</b>
South Africa	Required for listed entities since 2005.
Turkey	Required for listed entities since 2005.
United Kingdom	Required via EU adoption and implementation process since 2005.
United States	Allowed for foreign issuers in the US since 2007; awaiting decision regarding use of IFRS for domestic companies.
Source: IFRS Foundation (2013)	