

PREFACE

HISTORICAL REVIEW OF THE PROJECT

In mid 1399H. talks were held with H.E. the Deputy Minister of Commerce, Mr. Yousaf Al-Hamdan, at that time. The subject was accounting environment, auditing profession and aspects of its development in Saudi Arabia. At that time, the situation seemed critical and certain deficiencies in the profession were having a more serious impact on the economic and financial activities in the country than was actually recognized. The discussion concluded with an agreement on the necessity of taking practical measures to remedy such deficiencies and to develop the profession in a manner that would enable accountants and auditors to cope with the fundamental changes occurring in this field. Three months later, further discussions on this subject were held with H.E. the Minister of Commerce, Dr. Sulaiman Al Saleem, and it was determined that the profession in Saudi Arabia was not keeping abreast with the changes taking place in the country. However, deficiencies were not clearly identified to allow designing effective solutions. A brief summary of deficiencies which have a general impact on the financial, commercial and economic activities, and also on the level of development of the profession itself being one of the fundamental activities of society is provided in this preface.

To assist the Ministry in taking appropriate steps for developing the profession, Al-Rashed firm, through its professional activity, formed a team of researchers, with the participation of Dr. Abdullah Al-Faisal from the department of accountancy at King Saud University, to conduct a preliminary survey in order to define the deficiencies. The survey was summarized in a memorandum which specifies deficiencies in the major areas of the profession.

The finding of the study was reviewed by the Ministry and was accepted as a suitable start for the development of the profession. Al-Rashed firm was requested to prepare a plan taking into consideration the experiences of other countries in this field, and the specific requirements of the of the Kingdom's environment. The result, was a comprehensive plan illustrating methods to be followed to develop the profession. This plan comprises the preparation of accounting and auditing standards and an internal organisation of the profession which provide bases for its continuous development.

The plan was discussed with concerned authorities at the Ministry and it was decided to develop the profession in two phases which are :

PHASE 1 :

Conduct a comparative study of the profession in three different countries. The purpose of the study was to obtain information about the development of the profession in these countries to benefit from their experiences.

The Ministry of Commerce commissioned the Al-Rashed firm to start phase 1 of the project. Three countries were selected for this comparative study. To make the selection, nine different countries were identified and classified into three groups based on the extent of development of their profession, their economic environments and the ability to benefit from their experiences in developing the profession in the Kingdom. The three groups are as follows :

The First Group : U.S.A; England and Canada
The Second Group : France, West Germany and Sweden
The Third Group : Tunisia, Venezuela and Brazil

Selected countries, one of each group, to comprise the study were U.S.A., West Germany and Tunis.

This comparative study specifically consisted of :

- i) Review of authoritative pronouncements, laws and regulations of the three countries which relate to :
 - a) Accounting standards and financial reporting requirements;
 - b) Auditing standards and other auditing requirements;

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- c) Professional ethics; and
- d) The internal organization of the profession.
- ii) Interviews with officials representing the profession from the three countries to seek the help of experts from these countries proficient in their languages.
- iii) Analysis of data gathered from steps i and ii.
- iv) The preparation of a comparative report to be written in Arabic, setting forth the profession's status in the three countries; the report should touch on the following :
 - a) A comparison of the internal organization of the profession; the standards of accounting and auditing; and the code of professional ethics in the three countries.
 - b) Tentative conclusions as to the implications of the study to the development of the profession in Saudi Arabia.

A detailed comparative study report on phase 1 results was submitted to the Ministry of Commerce. The report was discussed with Al-Rashed firm in a meeting attended by H.E. The Minister of Commerce, H.E. The Deputy Minister and other high ranking officials of the Ministry. Later on, a discussion was conducted with H.E. The Deputy Minister of Commerce, Dr. Abdul-Rahman Al-Zamil, to determine the most suitable method for the implementation of phases II and III of the project.

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Two options were considered which are :

OPTION ONE :

Combine phases two and three into one comprehensive study to develop the profession in the Kingdom of Saudi Arabia to cope with developments in other areas within the Kingdom and accommodate the best available practices of other developed countries. However, it was decided that combining the two phases would require a substantial amount of time including a field survey in order to specify the major beneficiaries from financial statements in the Kingdom, the information required by them to make their decisions and the extent of the profession's capability to provide such information .

OPTION TWO :

Implement phase two for the time being, especially the most immediate requirements for developing the profession. Specifically, limit this phase to developing auditing standards, the internal organization of the profession, the code of professional ethics, the financial accounting conceptual framework, and the general presentation and disclosure standard.

The Ministry of Commerce chose option two and entrusted the Al-Rashed firm to implement it. The contract was signed on 11.10.1402H.