

## Circular

Subject: Clarification regarding scope of services to be factored in calculating the maximum allowed fees for other auditing-related services

### M/s Accounting Firms,

- With reference to SOCPA's Circular no. (000573), dated 17/8/1443H, regarding the list of services permitted to be provided to an audit client concurrently with an audit engagement (revised), which stipulated that "The total fees for services other than audit shall not exceed 70% of the audit fees of the same year"; and
- Given the need to define the audit fees and fees for services other than audit for the purpose of applying SOCPA's Circular abovementioned,

SOCPA's Ethics Committee has considered services other than audit that shall be factored in audit fees and those that shall not for the purpose of determining the maximum allowed fees for services other than audit provided to an audit client. Consequently, the Committee has **decided that** the following shall be considered when determining services other than audit that shall be factored in audit fees and services that shall not for identifying the scope to calculate the maximum allowed fees for services other than audit:

1. The level of the firm/network (as explained in para. 3 of the overall amendments in the Document of Endorsement of the International Code of Ethics Applicable in the Kingdom of Saudi Arabia).
2. Permitted Services other than audit, that shall be factored in calculating the proportion, are those listed in SOCPA's Circular no. (000573), dated 17/8/1443H, which are not required by any law or regulation or by a special request from an authorized competent authority.
3. The period of time means the audit engagement period.
4. The maximum proportion of fees for services other than audit to audit fees (70%).

**The proportion of the maximum allowed fees for services other than audit shall be calculated as follows:**

According to the table below, the total fees for services other than audit provided to a specific audit client, that must be factored in calculating the proportion, shall be calculated and, then, divided by the total fees for audit engagement with the same client for the same year (the period of time). The resulting percentage shall be less than 70% according to the following equation:

The maximum allowed fees for services other than audit =	$\frac{\text{Total fees for services other than audit provided to the audit client}}{\text{Total audit fees}}$
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**Table of services other than audit that shall be factored in audit fees and those that shall not for identifying the scope of services to calculate the maximum allowed fees for services other than audit**

Services	Factored in calculating total audit fees (denominator)	Factored in calculating the total fees for services other than audit (numerator)	Not factored in calculating the maximum proportion of fees for services other than audit
1- Audits of financial statements (other than audits of annual financial statements) including audits of financial statements prepared according to other reporting frameworks or special purpose frameworks, audits of a single financial statement or of specific elements, accounts or items of a financial statement and engagements to report on summary financial statements derived from financial statements audited in accordance with ISAs applicable in the KSA by the same auditor.	Yes		
2- Reviews of financial statements in accordance with ISREs applicable in the KSA.	Yes		
3- Assurance engagements in accordance with ISAEs applicable in the KSA.		Yes	
4- Assurance engagements in accordance with Zakat, tax and customs laws: Assurance on Zakat and income tax returns, monthly and annual withholding tax returns and customs declarations.		Yes	
5- Agreed-upon procedures engagements that national laws and their implementing regulations require to be conducted by a chartered accountant.			Yes
6- Agreed-upon procedures engagements in accordance with ISRSs applicable in the KSA regarding financial data and information derived from records and statements audited by the same auditor		Yes	

Services	Factored in calculating total audit fees (denominator)	Factored in calculating the total fees for services other than audit (numerator)	Not factored in calculating the maximum proportion of fees for services other than audit
provided that the intended users are independent of the entity.			
7- Engagements to prepare reports required from the accountant by virtue of laws and regulations of another jurisdiction to the extent that such laws and regulations do not conflict with those applicable in the KSA.			Yes
8- Engagements to prepare reports required from the client's auditor relating to Sukuk, IPOs, and right issues and new shares subscription in accordance with the Capital Market Law and any regulations issued by the Capital Market Authority.			Yes

**For your information and to act accordingly.**

Kind regards,

**Chief Executive Officer**

**Dr. Ahmed A. Almeghames**