

Chapter Six
Instructions Concerning External Auditor

Content	Date of Last Instructions
1. Decree Law No. (5) of 1981 concerning the practice of auditing and its explanatory note.	17/1/1981
2. Instructions concerning the necessity of providing the External Auditor with any regulations issued by the Central Bank of Kuwait (The Central Bank of Kuwait).	11/2/1989
3. The Central Bank of Kuwait must be notified of the Company's External Auditor's name before presenting the name to the General Assembly of Partners (GAP).	11/2/1993
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Decree Law No. (5) Of 1981 concerning the Practice of Auditing Profession

- Having reviewed the Amiri Decree issued on 4th Ramadan, 1396 H, corresponding to 29th August, 1976 to review the Constitution, and
- Amiri Decree issued on 14th Shawwal, 1400 H, corresponding to 24th August, 1980, and
- Article 16 of the Constitution, and
- Law No. (6) of 1962 concerning the practice of Auditing, amended by Law No. (3) of 1965, and
- Based on the presentation of the Minister of Commerce and Industry, and

The approval of the Council of Ministers.

We have issued the following law:

Chapter One
Auditors' Register and Conditions and Procedures for registration therein

Article (1)

No person may be engaged in the practice of auditing unless enrolled in the register of auditors with the Ministry of Commerce & Industry.

Article (2)

Those who are registered in the auditors' register must fulfill the following conditions:

1. Be a natural person.
2. Hold a bachelor degree in Accounting from Kuwait University, or an equivalent university or higher institute considered by the Minister of Education. The auditor must also be a member of an association of accountants for which a decision by the Minister of Commerce & Industry had been issued.

1) Decree Law No. (5) of 1981 Concerning the Practice of Auditing Profession and its Explanatory Note.

3. Auditors of banks, insurance companies and financial companies must have a minimum of seven year experience after obtaining the academic qualification, while other auditors must have five year experience. The above-mentioned years of experience should be in one of the following fields:
 - a) Auditing accounts in a certified auditing office firm,
 - b) Practicing accounting or auditing accounts of companies, institutions, or public or private authorities.
 - c) Practicing accounting, or monitor auditing at any ministry.
4. Be a Kuwaiti national with a full civil capacity, and not less than 25 years old.
5. Be a reputable person, and not sentenced to a felony, or a crime that violates honor and honesty, or is sentenced to disciplinary action of violation of profession's honor, unless he has been rehabilitated, or if three years have elapsed since the date of his final conviction of the disciplinary offense.
6. Pass the Auditorship exam, as determined by the Minister of Commerce and Industry with regard to the exam's materials, rules, procedures, place and timing.

Article (3)

All persons listed in the auditors' register with the Ministry of Commerce & Industry shall submit the documents evidencing that the registration's conditions as provided in the previous article had been fulfilled, except for the conditions stipulated in items 3, 4 and 6 of the previous Article. These documents must be submitted within a period not exceeding 6 months from the effective date hereof, to consider their registration in the mentioned register in accordance with the provisions of this Law; otherwise, this registration shall be considered as void.

Article (4)

Without prejudice to the provisions of Article 5 of this Law, if the audit firm consists of more than one auditor listed in the Register, one of them must be Kuwaiti and that each of them shall sign the work done by them individually.

1) Decree Law No. (5) of 1981 Concerning the Practice of Auditing Profession and its Explanatory Note.

Article (5)

Non-Kuwaitis enrolled in the register of auditors shall be subject to a temporary registration of three years from the said date. A decree by the Minister of Commerce and Industry may renew this period once, for a period not exceeding two years.

Article (6)

The registration application shall be submitted to the Ministry of Commerce & Industry. It shall be presented to a committee formed under the chairmanship of the Undersecretary of the Ministry of Commerce & Industry or his representative, in addition to the membership of two specialists in the auditing profession nominated by the Kuwait Accountants Association. They shall be appointed by a decree from the Minister of Commerce and Industry for two renewable years.

A file containing the following information and documents shall be attached to the registration application:

- a) Applicant's name, surname, nationality, residence, and date of submitting the application.
- b) Certificates of academic qualification or their relevant official certificates, and the dates of obtaining them.
- c) Names of the associations of accountants to which he belongs, and the date of his membership.
- d) Birth certificate, or an official extract thereof.
- e) A certificate of previous experience.
- f) A certificate indicating a clear criminal record from relevant authorities in the State of Kuwait.

These data are recorded in a special record.

The Undersecretary of the Ministry of Commerce & Industry is entitled to request any other documents from the applicant.

1) Decree Law No. (5) of 1981 Concerning the Practice of Auditing Profession and its Explanatory Note.

Article (7)

The application shall be decided on within three months of the date of submission thereof. If the applicant is required to submit additional information / documents, the said period shall then start from the date of submitting the required information or documents.

Article (8)

The applicant shall be notified of the issued decision of acceptance or rejection within fifteen days as of the date of issuance through a letter with acknowledgement of receipt.

Article (9)

The auditor registered in the auditors' register shall administer an oath to perform his duties with honesty and honor, respect the principles of the profession, not to conceal the truth from those who may concern, not to disclose the confidences of his clients or any information entrusted to him by virtue of his work, and abide by the code of ethics governing the profession. The oath shall be taken before the Undersecretary of the Ministry of Commerce & Industry or whoever acts in his place. The auditor then signs a related document.

The auditor shall not proceed before swearing an oath.

Article (10)

The name of the auditor whose application is accepted - after swearing an oath - shall be recorded in the auditors' register, in accordance with the precedence of the approval of entry.

A statement of the period of registration and the rules and conditions for its renewal shall be issued by the Minister of Commerce and Industry.

1) Decree Law No. (5) of 1981 Concerning the Practice of Auditing Profession and its Explanatory Note.

Chapter Two

Rights and Duties of an Auditor

Article (11)

The auditor may obtain a certificate of registration in the auditors' register, showing his name, head office address, date of registration, and the registration number.

Article (12)

The registered auditor shall review the accounts of individuals, companies and authorities in accordance with the technical accounting rules and the rules of honor of the profession, which are stated in a resolution issued by the Minister of Commerce and Industry and based on the recommendations of the Permanent Technical Committee for Establishing Accounting Rules . This committee is formed for such purpose by a resolution issued by the Minister of Commerce and Industry.

Article (13)

The auditor shall associate his name with his registration number in all the letters, certificates, budgets and reports he signs.

Article (14)

The person enrolled in the register of auditors shall notify the Ministry of Commerce & Industry with his office address within thirty days of the date of registration, and within fifteen days of the date of change in case of any changes therein.

Article (15)

Each auditor, appointed in such manner in a company, shall notify the Ministry of Commerce & Industry through a letter with acknowledgement of receipt within eight days of the date of his appointment.

1) Decree Law No. (5) of 1981 Concerning the Practice of Auditing Profession and its Explanatory Note.

Article (16)

The auditor shall designate a file for each company he audits, in which he keeps all the documents, copies and correspondence letters he releases to the company throughout the duration of his auditing.

The auditor shall list, in a record, all his work for each company, including the date of performing each work, time taken to complete each work, and the names of his assistants or experts whom he hired along with a description of what each one of them did.

The auditor – even after quitting his job - must keep these files and records for ten years as of the date of last entry.

Article (17)

The Undersecretary of the Ministry of Commerce & Industry may request the auditor to submit a report accompanied with supporting documents on the joint stock companies that he audits.

The Undersecretary is entitled to make remarks to the auditor concerning this report.

Article (18)

The auditor of a joint stock company is not entitled to be the chairman of the company's board of directors, a delegate member, a member of its board of directors, or an employee therein.

Article (19)

The auditor of the company must not be:

- a) A partner in the company, or performing any administrative work therein;
- b) A partner or an employee in any of those mentioned in Article (18) or in the preceding paragraph.
- c) A relative to the fourth degree of those entrusted with the company's management or accounts.

1) Decree Law No. (5) of 1981 Concerning the Practice of Auditing Profession and its Explanatory Note.

Article (20)

The auditor must not practice any other profession that include a conflict of interests with auditing, particularly the following:

- a) Consultation services not relating to accounting.
- b) Promotion services for the establishment of companies.
- c) Maintaining accounts, and preparing closing accounts and balance sheets.
- d) Promoting his office, or seeking employment through breaching of the dignity of the profession.

1) Decree Law No. (5) of 1981 Concerning the Practice of Auditing Profession and its Explanatory Note.

Chapter Three

Penalties

Article (21)

The Undersecretary of the Ministry of Commerce & Industry may refer the auditor to the Disciplinary Committee if he is charged with violating the provisions of this law, or the disciplines of the profession, negligence, an act of dishonor and dishonesty, or dropping one of the conditions stipulated in this law.

If the Undersecretary of the Ministry found out that the incident attributed to the auditor is a criminal offense, he shall refer the case to the Public Prosecution.

Article (22)

The disciplinary action shall be filed by a decree from the Undersecretary of the Ministry of Commerce & Industry to the committee referred to in Article (6), provided that it is held under the chairmanship of the Assistant Undersecretary of the Ministry of Commerce & Industry, who is appointed by a decree from the Minister of Commerce and Industry.

The Committee shall adjudicate in the disciplinary action after informing the accused auditor to attend fifteen days at least prior to the scheduled date of the hearing. Notifying the auditor shall be through a letter with acknowledgement of receipt, indicating the charge against him, the date and place of the hearing.

If the accused does not attend, despite the announcement, he may be sentenced in absence.

Article (23)

The disciplinary penalties that may be inflicted upon the auditor are:

- a) Warning.
- b) Suspension from practicing the profession for a period not exceeding three years.
- c) Writing off the name from the registry of auditors.

1) Decree Law No. (5) of 1981 Concerning the Practice of Auditing Profession and its Explanatory Note.

Article (24)

If the auditor is sentenced to the penalty of suspension from profession, the chairman of the Disciplinary Committee shall notify the companies he works for.

If the company does not have another auditor and the date of the General Assembly meeting has not yet taken place, the Company may issue an order from the President of the Supreme Court to appoint an auditor from the registry instead of the suspended auditor.

The suspended auditor shall not commence the company's business after the end of the suspension period, until the General Assembly approves the company's accounts, unless the company has dispensed his services.

Article (25)

The chairman of the Disciplinary Committee shall notify the relevant department in the Ministry of Commerce & Industry of any disciplinary decisions it issues.

The mentioned department shall record these decisions in a special register.

Article (26)

The auditor may not request to be re-registered in the Registry before five years from the date of his disciplinary dismissal.

The auditor shall - once suspended or his name written off - return to the company its documents.

Article (27)

The auditor may appeal against the decision of the Disciplinary Committee within one month from the date of issuance, if it was issued in his presence, or from the date of notification through a letter with acknowledgement of receipt, if it is issued in his absence.

The complaint shall be submitted to the Minister of Commerce and Industry in a letter with an acknowledgment of receipt.

If the appeal is filed on time, the decision shall be suspended until it is finally arbitrated from the Appeal Disciplinary Committee.

1) Decree Law No. (5) of 1981 Concerning the Practice of Auditing Profession and its Explanatory Note.

Article (28)

The Appeal Disciplinary Committee shall be formed by a decree from the Minister of Commerce and Industry for one year, as follows:

1. A Counselor from the Supreme Court of Appeal appointed by the Minister of Justice as President.
2. Two members chosen by the Minister of Commerce and Industry, provided that they are not members in the Disciplinary Committee that issued the decision on which the complaint was filed.

Article (29)

The Appeal Disciplinary Committee may support, reduce or cancel the sentence.

Article (30)

The final decision of the Disciplinary Committee shall be published in the Official Gazette.

Article (31)

The auditor may not be punished for any offense after the lapse of 5 years.

Article (32)

Without prejudice to any severer penalty stipulated by another law, a penalty of not less than one-year imprisonment and/or a fine not exceeding one thousand dinars shall be imposed on the following:

- a) Any person, who has been engaged in auditing without his name being registered in the registry of auditors.
- b) Any person, who exercised auditing after suspension from practicing the profession or writing off his name from the registry.
- c) Any person, who is not listed in the registry or whose name is written off and uses bulletins that may allude the public that he has the right to practice the profession of auditing.

1) Decree Law No. (5) of 1981 Concerning the Practice of Auditing Profession and its Explanatory Note.

- d) Any person, who obtains a registration in the registry of auditors by giving incorrect data or by submitting certificates that are not in conformity with reality.

In all cases, the court shall order the deletion of the name from the registry and closure of the firm. It shall order the publication of the sentence three times in the Official Gazette at the expense of the sentenced person.

The penalty shall be doubled if the felony is repeated within five years from the date of the previous sentence.

Article (33)

Every person who has been required to testify before the Disciplinary Committee and has declined without an acceptable excuse shall be sentenced to a fine not exceeding one hundred Dinars.

Article (34)

The Undersecretary of Commerce and Industry is entitled to issue a decree to temporarily suspend the auditor from practicing the profession, once a criminal action has been instituted upon him in relation to auditing or the conditions of practicing it, until the action is finally adjudicated.

1) Decree Law No. (5) of 1981 Concerning the Practice of Auditing Profession and its Explanatory Note.

Chapter Four

Final Provisions

Article (35)

A fee of one hundred Kuwaiti Dinars shall be paid upon submission of the application for registration in the register. This fee is not refundable in any case.

Article (36)

The provisions of this law shall not apply to auditors working in the government and public institutions and authorities.

Article (37)

The Minister of Commerce and Industry shall issue the necessary resolutions to implement this Law.

Article (38)

Law No. (6) of 1962 concerning the practice of Auditing profession shall be repealed.

Article (39)

This law shall be implemented by the Ministers each in the area of his concern and shall be effective on the date of publication in the official gazette.

**Amir of the State of Kuwait
Jaber Al-Ahmad**

**Prime Minister
Saad Al-Abdullah Al-Sabah**

**Minister of Trade and Industry
Abdul Wahab Yousef Al-Nafisi**

Issued at the Seif Palace on: 11th Rabi' al-awwal, 1401 H
Corresponding to: 17th January, 1981

1) Decree Law No. (5) of 1981 Concerning the Practice of Auditing Profession and its Explanatory Note.

Explanatory Note

Concerning Practicing the Profession of Auditing

On April 9, 1962, Law No. 6 of 19/1962 (amended by Law No. 3 of 1965) was decreed to regulate the profession of auditing, which is considered to be a relevant and influential profession in the development of economic institutions, be it proprietorship or corporation, commercial or financial. Auditing is considered to be one of the most pertinent and effective professions for the activity of these institutions, as it contributes to managing their financial position and to organizing it and reflecting it in a truly-representative manner, which is in the best interest of owners, shareholders, and even those dealing with these entities. It was necessary, therefore, to review the mentioned law to ensure that profession is provided with all due guarantees befitting this development on the one hand and the significance and importance of auditing on the other. This need was made particularly apparent by cases, while this law was in effect, where auditing bureaus were engaging in businesses that are in nature beyond the scope of the profession, such as administrative consulting and promotion of companies' establishment, and so on. It is imperative, therefore, to reconsider the provisions of the law, both in terms of the conditions for practicing the profession and the professional and moral qualifications of its practitioners and in terms of regulating the rights and duties of auditors and the specifics of holding them disciplinarily and criminally accountable. This would ensure that any failure or negligence is met with the appropriate penalty.

Therefore, the draft of the associated law has been prepared in four sections: Section I - concerning the organization of the registry of auditors in addition to the conditions and procedures for listing. The first article of the draft stipulates that the practice of auditing shall be restricted only to those currently listed in the registry of auditors which requires - as stipulated in article 2 – the following conditions:

1. The applicant must be a natural person in order to determine the responsibility of the auditor for his work.
2. The applicant must have a bachelor's degree in accounting from Kuwait University, or from one of the accredited universities or higher education institutes.
3. The applicant must be a member in an association of accountants as decreed by the Minister of Commerce and Industry.

1) Decree Law No. (5) of 1981 Concerning the Practice of Auditing Profession and its Explanatory Note.

4. The applicant must have a field experience of seven years after obtaining the academic degree if he is to audit accounts of banks, insurance companies, and financial companies, whereas experience required for other applicants is five years. This period must be spent in audit work at a Certified Public Accountants bureau, or in accounting work and book keeping at ministries, companies, and both public and private authorities and institutions.
5. The applicant must be a Kuwaiti citizen with full civil capacity and 25 years of age at least. Once the law comes into effect, registration of a non-Kuwaiti auditor shall be considered as a temporary registration for a period of five years, subject to renewal (Article 5).
6. The applicant must be reputable, not sentenced to a criminal penalty, or any penalty for an offense against honor, or given disciplinary sentence for an offense against integrity, unless he has been rehabilitated, or if three years have elapsed from the date of his final sentencing in the disciplinary offense.
7. The applicant must pass the Auditorship exam.

Listing of these conditions reveals that in order to enhance performance level of those in the profession, the draft increased the experience required to practice auditing from three years (as stipulated in Law No. 6 of 1962) to five years as a general requirement. Seven years' experience is meanwhile stipulated as requirement for those who are to audit accounts of banks, insurance companies, and financial companies. Furthermore, the draft introduced a condition not stipulated before in the said law requiring would-be-auditors to pass the auditorship exam which is conducted by the Ministry of Commerce & Industry, provisions of which are specified in a Ministerial Order.

In addition, contrary to the existing law that allows the Minister of Commerce and Industry to temporarily register non-Kuwaiti auditors for a renewable period of five years (Item 3, Article 3, as amended by Law No. 3 of 1965), the draft stipulates that registered auditors must be Kuwaiti. Accordingly, it is no longer legally permissible once this law enters effect to list non-Kuwaitis in said registry, with the exception of those listed prior to the date of the law entering effect, within the framework of what is stipulated in Article 5.

1) Decree Law No. (5) of 1981 Concerning the Practice of Auditing Profession and its Explanatory Note.

The conditions referred to - within the limits set forth above - apply not only to those registered after the new law has entered effect, but also to the auditors registered prior to that. Therefore, Article 3 of the draft stipulates that the mentioned persons shall submit the documents indicating the fulfilment of registration requirements within six months from the date of enforcing the law to the Ministry of Commerce & Industry to consider the authorization of their registration. Those individuals are also exempt from the conditions related to the Kuwaiti nationality, the auditorship exam and the experience period.

In accordance with this arrangement, the auditor who is registered before the enactment of the new law shall continue to practice if he submits the application referred to during the above mentioned period until he is notified of the authorization of his former entry by the registration committee. If the committee rejects his entry request, he shall be regarded as an auditor whose request for registration is denied, and he is to refrain from practicing the profession.

In addition to this and in order to achieve the validity of the fatwa regarding the possibility of the participation of several accountants in one institution to monitor the accounts of the companies that appointed them for this purpose, provided that a known supervisor is appointed among them, and that he is engaged in this control and puts his signature on the relevant papers in a personal capacity, Article 4 of the draft permits an Audit Bureau to be composed of more than one registered auditor, provided one of them is Kuwaiti, and that each of them signs his work individually. It should be noted that this article does not mean that a non-Kuwaiti auditor may be registered after the enforcement of this law, as this remains prohibited as stated above, and it remains non-permissible to participate with a Kuwait auditor in one office unless the non-Kuwaiti auditor's registration precedes the law coming into effect, and that his registration is approved in accordance with the relevant provisions. All without prejudice to the temporary nature of his registration, as provided for in Article (5) of the draft.

Articles (6) to (10) of the draft regulate the procedures of registration in the registry of auditors. They begin by submitting a request to the Ministry of Commerce & Industry, in which a committee is formed to lay out its decision under the chairmanship of the Undersecretary of the Ministry of Commerce & Industry or who is in his stead, and with two accounting specialist members appointed by a decree from the Minister of Commerce and Industry for a renewable period of two years (Article 6). The request for registration shall be adjudicated within three months from the date of submission or completion

1) Decree Law No. (5) of 1981 Concerning the Practice of Auditing Profession and its Explanatory Note.

of its data (Article 7). In all cases, the applicant shall be notified of the decision to grant or deny registration within fifteen days from the date of issue (Article 8). If the request is accepted, the applicant shall be listed in the registry of auditors of companies and insurance, in accordance with the precedence of the issued decision referred to in Article (10), after taking the oath as mentioned in Article (9).

Thus, for registration procedures, the draft introduces two things:

First: It makes it the responsibility of a tripartite committee to adjudicate in registration applications, aiming to guarantee the opportunity to examine the applications, as well as to discuss and exchange opinion regarding them. This is contrary to the former approach stated in Law No. 6 of 1962 in this regard, where the Undersecretary of the Ministry of Commerce & Industry was responsible for adjudicating in these requests.

Second: It increases the period of adjudication from one month to three months. It also states upon notifying the applicant of the decision regarding his application, whether by refusal or acceptance, within fifteen days from the date of issue.

The second part of the draft deals with articles (11) to (20), which regulate the rights and duties of the auditor. It stipulates the auditor's right to obtain a certificate of registration in the registry of auditors (Article 11) and his right to audit the accounts of individuals, companies and institutions (Article 12) and thus associate and couple his name with his registration number in all correspondences, reports and budgets he signs (Article 13). The auditor also has the right to notify the Ministry of Commerce & Industry of the place of his work and all/any change in it (Article 14). Auditors appointed in such capacity in a company may not be partners in the company, conduct any administrative work for it, or be partners or employees of any of the company's partners or employees, or relatives to the fourth degree of those who supervise the management or accounts of the company (Article 19).

Although the draft is generally considered as a reiteration of articles 4, 5, 12, 13, 14 and 15 of Law No. 6 of 1962, it goes beyond that to introduce significant additions to the rights and duties provisions, which can be summarized as follows:

1) Decree Law No. (5) of 1981 Concerning the Practice of Auditing Profession and its Explanatory Note.

First: Article (12) crossed out the preparation of the final accounts and budgets from works allowed for auditors to engage in, to ensure thorough review of these documents due to their importance and impact on the economic position.

Second: The draft introduces a number of obligations that are not mentioned in Law No. 6 of 1962 among the duties of the auditor. The additions require him to notify the Ministry of Commerce & Industry if he is appointed at a company as an auditor (Article 15), to assign a special file for each company he monitors (Article 16), and to submit any data the Ministry of Commerce & Industry requests concerning the joint stock company being monitored (Article 17).

Third: The draft addresses the professions and businesses that the auditor is prohibited from practicing in more detail. The text not only restates that an auditor is prohibited from engaging in any profession that conflicts with his job, as stipulated in Article 4 of Law No. 6 of 1962, it also specifies in detail work the auditor may not carry out in accordance with the provisions of Articles 18 and 20 of the draft as follows:

1. Consultation work and non-accounting expertise.
2. Promoting the establishment of a company.
3. Book-keeping and preparing final accounts and budgets.
4. Publicizing his bureau, or seeking assignments in a manner that may violate the dignity of the profession.
5. Presiding the board of directors of a joint stock company, or serving as its managing director, member in its board of directors, or its employee.

The third section of the draft addresses the organization of the auditor's accountability, whether disciplinary or criminal. Article (21) authorizes the Undersecretary of the Ministry of Commerce & Industry to refer the auditor to the Disciplinary Committee in case he is charged with violation of the provisions of the law or the profession, gross negligence, or an act that breaches honor, or if he no longer satisfies one of the conditions for practicing the profession. If the Undersecretary of the Ministry of Commerce & Industry deems the auditor's act a criminal offense, he shall refer the relevant documents to the Public Prosecution.

1) Decree Law No. (5) of 1981 Concerning the Practice of Auditing Profession and its Explanatory Note.

The same registration committee mentioned in Article (6) of the draft – presided by the Assistant Undersecretary - shall adjudicate in the disciplinary action. The draft provides a number of guarantees for the disciplinary trial to ensure the integrity of the results. It states that the auditor must be notified to attend the session 15 days at least before the date on which the committee convenes, through a letter with acknowledgment of receipt. The accused auditor is allowed to present his oral or written defense himself or assign a lawyer. Moreover, the Disciplinary Committee is authorized to call witnesses to hear their statements, whether on its own initiative or at the request of the accused (Article 22). If a witness refrains from attending without a permissible excuse, he shall be held criminally accountable and sentenced to a fine not exceeding one hundred dinars (Article 33). The disciplinary penalties that may be imposed upon the auditor are a warning or suspension from work for a period not exceeding three years, or writing off his name from the auditors registry. The text thus increases the maximum duration of suspension from two to three years. The draft also introduces some procedures that are not stated in the above-mentioned law. For instance, the head of the Disciplinary Committee is required to notify the companies in which the auditor works of his suspension (Article 24), and to notify the relevant department at the Ministry of Commerce & Industry of every disciplinary decision issued against him. The mentioned department shall log these resolutions in a special register (Article 25).

Article (26) stipulates that if an auditor is delisted from the registry, he may not request re-listing before the lapse of five years from the date of the delisting.

Article (27) grants the auditor the right to contest the Committee's decision before the Minister of Commerce and Industry within a month from the date of issuing the decision, whether it is the date of his presence or the date of sending him a notification due to his absence. The submission of the appeal on time shall result in the suspension of the decision until the appeal is finally settled by the Disciplinary Committee of Appeal, which is headed by a Counselor of the Court of Appeals, and includes two members appointed through a decree by the Minister of Commerce and Industry, none of whom had served in the Disciplinary Committee that issued the decision being contested (Article 28). The last provision aims to provide sufficient guarantee that the members of the Disciplinary Committee of Appeal are objective and independent in their views and not influenced by the circumstances of issuing the contested decision. This committee has the power to uphold, repeal or reduce the sentence (Article 29).

1) Decree Law No. (5) of 1981 Concerning the Practice of Auditing Profession and its Explanatory Note.

To guarantee that the public knows of the disciplinary decisions issued against an auditor, in recognition of the importance and seriousness of the auditor's work, Article (30) requires the publication of final disciplinary decisions in the state's official gazette.

Finally, with regard to the disciplinary procedures, it was considered that the lapse of five years since committing the disciplinary offense sufficient to drop the disciplinary charge against the auditor. Article (31) stipulates that an auditor may not be held accountable for any violation that has occurred five years prior.

Criminal accountability was meanwhile addressed by the provisions of Article (32), which stated upon a sentence of imprisonment for a term not exceeding one year and a fine not exceeding one thousand dinars, or one of these penalties for crimes indicated therein, which is a heavier penalty than that stipulated in Law No. 6 of 1962. In addition, the above-mentioned Article states the penalty is doubled in case of repeat of the same violation.

Article (34) allows the Undersecretary of the Ministry of Commerce & Industry, upon the request of the Public Prosecutor, to issue a decision to suspend the auditor until the criminal action is completed, and the status of the auditor is determined in relation to the charges raised against him.

Lastly, Section Four includes some final provisions. Article (35) specified the exact amount of the auditor registration fee.

Article (36) exempts auditors in government bodies and public authorities and institutions from the provisions of this draft by virtue of their being subject to a different set of rules and regulations specified in the laws and bylaws currently in effect.

Article (37) authorizes the Minister of Commerce and Industry to issue the necessary decisions towards implementation of the law.

Article (38) repeals Law No. 6 of 1962, previously mentioned.

1) Decree Law No. (5) of 1981 Concerning the Practice of Auditing Profession and its Explanatory Note.

The Governor

*5 Rajab 1409 H
11 February 1989*

The General Manager,

We would like to inform you that instructions have been issued to the auditors of banks, investment companies, and exchange companies to include in their annual report on the final accounts and balance sheets of these institutions reference to The Central Bank of Kuwait Law and the Organization of the Banking Business, and any further instructions that The Central Bank of Kuwait may issue relevant to them.

Therefore, upon your receipt of any instructions from the The Central Bank of Kuwait which are relevant to said final accounts or which may have a direct or indirect impact on them, so that they may be addressed in your auditors' reports on these accounts should they have access to them, kindly provide your auditors with a copy of such instructions.

Best wishes,

**The Governor
Salem Abdulaziz Al-Sabah**

2) Instructions concerning the requirement to provide the company's external auditor with any The Central Bank of Kuwait instructions.

The Director

*6 Rabi' al-Thani 1414 H
22 September 1993*

The General Manager,

Article (7) of the Ministerial Decision subjects exchange companies to The Central Bank of Kuwait supervision, and specifies the data that should be recorded in the The Central Bank of Kuwait registry for exchange companies.

Clause (11) of the mentioned Article allows The Central Bank of Kuwait to add any further data it deems necessary for listing in the registry, along with the data mentioned in Article (7).

Article (61) of Law No. 32 of 1962 concerning Currency and the Central Bank of Kuwait, which was the basis for aforementioned ministerial decision on data of the exchange companies registry, stipulates that the Governor of the The Central Bank of Kuwait should approve the amendment on the entries related to the data recorded in the registry.

Therefore, your company is requested to notify The Central Bank of Kuwait with the name of your auditor, before submitting his name to the General Assembly of Partners (GAP) for selection, so that should the The Central Bank of Kuwait approve the name, the notation of his name in the exchange companies' registry is guaranteed, sparing your company any objection by the The Central Bank of Kuwait in this regard. This is all in recognition of the gravity of the role of an auditor in assessing the company's assets and liabilities and in auditing its accounts.

Yours sincerely,

**Acting Director of the Supervision Department
Hameed Ahmed Al-Rasheed**

3) The requirement to inform The Central Bank of Kuwait with the name of the company's external auditor before presenting it to the partners' general assembly.

The Director

*21 Dhul Hijjah 1414 H
9 May 1996*

Circulation to all Exchange Companies

We would like to report that The Central Bank of Kuwait has revealed - through the inspection of some exchange companies - some discrepancies between the audited financial statements of some of these companies and the data according to their financial records, in addition to the existence of fundamental violations, as well as crucial observations concerning other companies without disclosure or reservations, indicating obvious inadequate performance by some auditors. Therefore, the The Central Bank of Kuwait has decided that if, in the future, it felt certain - through on-site and off-site supervision – of the existence of such inadequacies, the following measures shall be taken:

- Addressing a letter to the concerned company stating the need to change its external auditor.
- Discarding the nomination of an auditor committed of violating the profession disciplines of any unit under the banking and financial system.
- Notifying the Ministry of Commerce & Industry of the said auditor's name to take the necessary measures in light of provisions of Decree Law No. (5) of 1981 concerning the practice of auditing.

The following will be considered as a default/deficiency in the performance of exchange companies' auditors of their duties:

1. If the auditor's report includes the following matters, which the results of inspection prove to be false:
 - The published financial statements are consistent with what is stated in the accounting records, and include all data/material the provisions of the Commercial Companies Law and the Company's Articles of Association state must be included.

4) Actions to be taken by The Central Bank of Kuwait in case of discrepancies between the company's audited financial statements and the data as per its financial records, or existence of violations without disclosure or reservation.

- A statement that the company did not violate the provisions of Law No. (32) for the year 1968 regarding Currency, the Central Bank of Kuwait, and the Organization of the Banking Business, as well as the regulations, ministerial decisions, and relevant The Central Bank of Kuwait instructions.
 - A statement that the Company has maintained regular book-keeping, and that the inventory was carried out in accordance with the established rules, where regular book-keeping means that its accounts clearly discloses its operations, activity, and its true financial position, and that it maintains the ledgers, records and documents necessary in view of the nature of its activity.
2. If it was ascertained that the auditor has concealed necessary information or has not provided a true representation of any of the exchange company's accounts.
 3. If the auditor signs any data or information provided to the The Central Bank of Kuwait, particularly in relation to the accounting system of the exchange company or its internal controls system, and the The Central Bank of Kuwait finds it to be incorrect.

The above-mentioned measures shall be implemented as of date, and you are required to officially notify your auditors of them and provide The Central Bank of Kuwait with proof of their awareness of these instructions.

Yours sincerely,

Director of Supervision Department
Hamad Abdul Mohsen Al Marzouq

4) Actions to be taken by The Central Bank of Kuwait in case of discrepancies between the company's audited financial statements and the data as per its financial records, or existence of violations without disclosure or reservation.