



Internal Audit Role in Promoting Good Corporate Governance Practices Within Listed Companies in Saudi Exchange Market

Soumia TARI

Laboratory of Studies in Islamic Finance and Sustainable Development, University Center of Tipaza, Algeria

tari.soumia@cu-tipaza.dz

Taghrid EL-AGHA

Entrepreneurship and Tourism Development Laboratory, University Center of Tipaza, Algeria

elagha.taghrid@cu-tipaza.dz

Assia KHELIFA

Entrepreneurship and Tourism Development Laboratory, University Center of Tipaza, Algeria

khelifaassiaabrakni@gmail.com

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Abstract :

This paper aims to assess Internal Audit role in upholding corporate governance compliance upon listed companies in the Saudi Exchange Market.

The findings revealed a correlation between reinforcing internal audit role & listed companies adherence to corporate governance regulations, reflected by the decrease in financial statements violations from 194 in 2021 to 184 in 2024, along with the increase of audit opinions & reports on these statement from 62 in 2021 to 72 in 2024, hence, the Capital Market Authority efforts in monitoring listed companies compliance to its governance regulations that emphasize the role of internal audit & audit committee .

Results demonstrate a positive trend in implementing corporate governance in Saudi listed companies, in particular, Saudi' governance effectiveness in the Worldwide Governance Indicators where it reached 78,7% in 2023. Hence, governance adherence has built investors trust, considering the rise in Market capitalization from 1858,95 bn RAS in 2018 to 10200,24 bn RAS in 2024.

Key Words: Corporate Governance; Internal Audit; governance regulations; Market performance.

JEL Classification : G34, M42, K22.

* Corresponding author: Soumia TARI (*tari.soumia@cu-tipaza.dz*)

Introduction :

The implementation of sound corporate governance practices has become a critical focus to ensure transparency, accountability, and sustainable growth within listed companies. Whereby, the Saudi Exchange market as regulatory body evolve its governance regulations to meet international standards such as the OECD' corporate governance principles and guidelines.

Creating effective corporate governance practices are essential for protecting investor interests and enhancing market confidence. And that calls for reinforcing internal audit role in this process by providing independent assurance, monitoring compliance, and promoting ethical conduct. Through its oversight functions, internal audit strengthens governance structures; supports risk management, and enhance the implementation of Saudi corporate governance code within listed companies.



The importance of corporate governance in Saudi Arabia lies in its potential to enhance market stability, and improve company's performance in response to the increasing complexity of the business environment. However, the efforts to enhance corporate governance framework is under the monitoring role of the Capital Market Authority since its regulations aim to promote transparency, protect investors, and foster a culture of accountability among listed companies.

This initiative intends to comprehend the role of internal audit in enhancing corporate governance adherence within Saudi listed companies. Which lead us to ask:

What is internal audit role in upholding Corporate Governance regulations within Saudi listed companies?

In order to address the main question, we must also examine the following sub-questions:

- What are internal audit practices that enhance corporate governance implementation in Saudi listed companies?
- Does reinforcing the role of audit committee help strengthen good corporate governance practices?
- What are the measures done by the Saudi Capital Market Authority to uphold CG regulations in Tadawul?
- How implementing sound governance mechanisms effect Saudi Exchange market performance?

In this paper, we employed an analytical method to gain a deeper understanding of how could reinforcing internal audit role prompt the implementation of corporate governance regulations in Saudi listed companies in the Exchange market (Tadawul) during the period from 2006 to 2025.

The purpose of this paper is to underscore internal audit role in activating good corporate governance practices upon listed companies in Saudi Arabia and how it would resolve into enhancing market performance.

The structure of this paper is divided into these main points:

- *Literature Review*
- *Analysis of Saudi corporate governance adherence and Internal audit practices*
- *Examination of Saudi' listed companies' compliance to Corporate Governance regulations.*



I. Literature Review

In order to follow Regulatory reforms and Markets developments in corporate governance outlook, researchers took interest in finding the relation between internal audit function and good corporate governance practices to promote listed companies' performance and the overall Saudi market efficiency.

Corporate Governance mechanisms have a significant role in enhancing the quality of financial reporting, by setting out board structure as in the composition and independence of the board of directors, however ensuring governance principles mainly transparency and Disclosure elevate the quality of financial statements and reporting, this can be achieved by upholding the role of Audit Committees and activating communication with internal controls to conduct reliable financial analysts, thus enhancing investors' confidence of companies implementing good corporate governance practices in Saudi Arabia according to (Al-Khonain & Al-Adeem, 2020) case study on 56 financial analyst in Saudi.

The results of (Alsurayyi & Alsughayer, 2021) paper conclude that effective corporate governance have a positive effect on listed companies' performance in Saudi, and effective internal audit activities along with a successful Enterprise Resource Planning implementation enhance corporate governance, thus leading to better performance.

On the other hand, the study of (Fatma & Ichraf, 2024) focused on specific aspects of corporate governance that positively impact on 62 Saudi companies' performance in the period from 2012 to 2020, in the light of Saudi Corporate Governance code. They found that the independence of the Board of directors and Audit Committee, as well as Ownership concentration play a significant role in enhancing companies performance, particularly in terms of Return on Assets (ROA) and Return on Equity (ROE). Nonetheless, Board and Audit committee size and meeting frequency doesn't significantly impact companies' performance in Saudi Market.

However, the previous studies didn't address specifically internal audit role in activating sound corporate governance practices in listed companies in Saudi Arabia, and how Saudi integrated international audit standards throughout its corporate governance code updates; thereby evaluating the extent to which adherence to good corporate governance practices are applied to the performance of listed companies and the effectiveness of Saudi Exchange market.



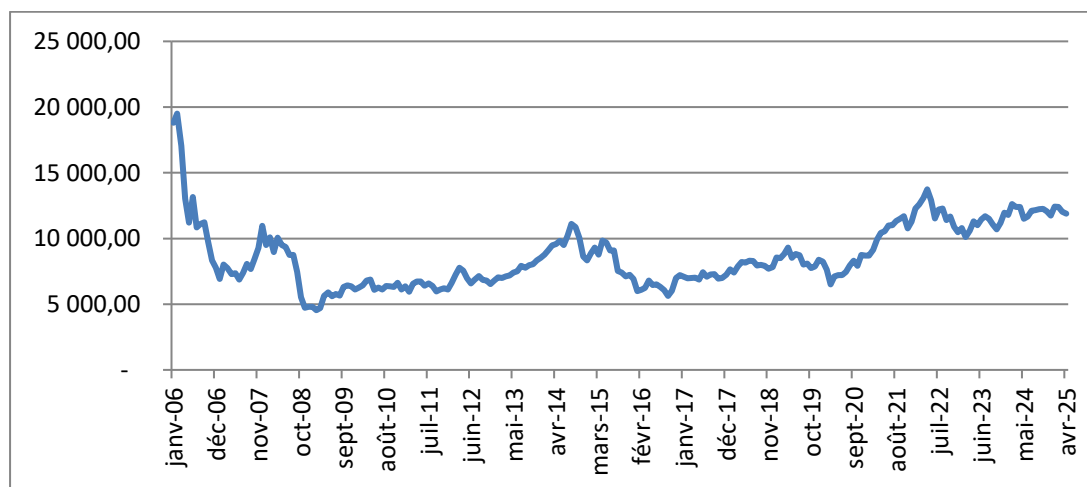
II. Analysis of Saudi corporate governance adherence and Internal audit practices

In this section we analyze the implementation of corporate governance regulations within listed companies in the Saudi Exchange market, highlighting the main guidelines and practices specific to Saudi Arabia throughout time and how this all impact the market performance.

1. The evolving of Corporate Governance implementation in Saudi and its effect on exchange market performance

It is important to comprehend the different phases of implementing corporate governance (CG) rules for listed companies in Saudi Stock Exchange (Tadawul). As it all started with Saudi stock market crash in 2006 from 18807,59 in January to 7783,438 December. Whereby, Tadawul All-share Index (TASI) in figure (01) shows, hence, the Saudi Capital Market Authority (CMA) aimed to redress the situation and improve compliance, accountability and corporate behavior by outlining governance principles, thus it initiated a corporate governance project with issuance of CG code in 2006 (Al-Faryan, 2020). Initially, the code included regulations pertaining to shareholder rights, transparency, disclosure practices, and the roles of key CG actors, for instance the board of directors and committees.

Fig.1: Tadawul All-share Index (TASI) from 2006 to 2025



Source: Compiled by author based on data from Saudi Exchange- Tadawul Group and TradingView, 2025.

The TASI index reflects the performance of listed companies in Tadawul. The chart above shows a sharp decline by the end of **2006** in companies' performance comparing to the beginning of the same year, which necessitated regulatory authority of the Saudi exchange market to adopt corporate governance principles. Furthermore, in 2007, listed companies performance stayed strained. Although, soon after the CMA issued regulations, the index start to rise in 2008, till it reach 10066,160 in April, but soon after it went down to 4802,990 by the end of that year.



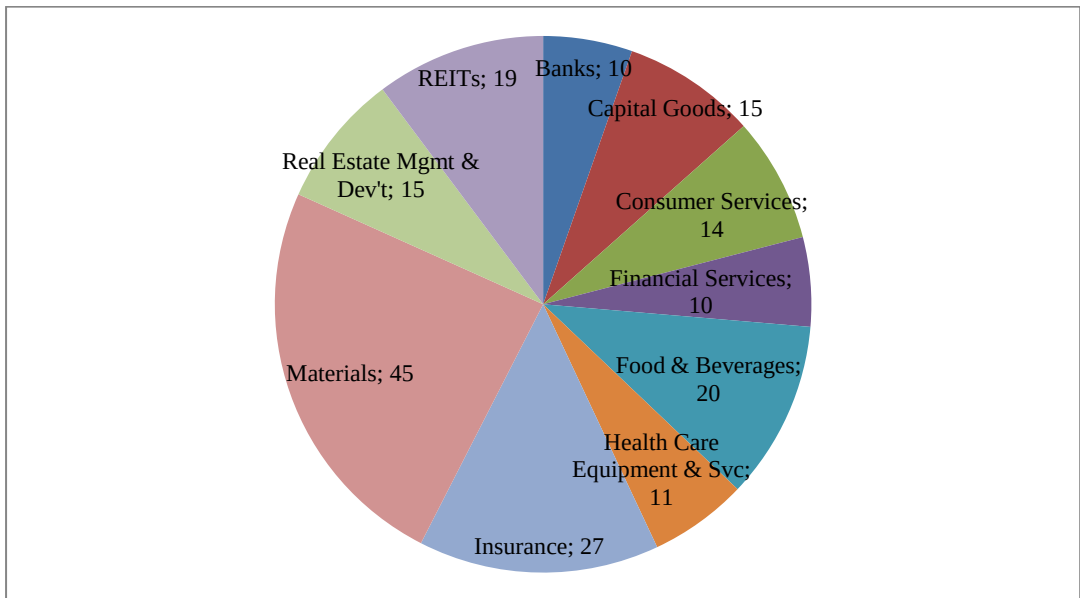
However, in **2010**, there was a shift to mandatory compliance of Saudi CG code for all listed companies and disclosure adherence to governance regulations in their annual reports. The CMA started monitoring compliance rigorously, which helped improve the quality of governance within companies, afterword, the index started to rise steadily, from 6120,520 by the end of the same year, to 6735,980 in May 2011, than 8535,599 in December 2012.

Nonetheless, in **2017**, Saudi Arabia approved new corporate governance regulations to prompt compliance and transparency, also in **2018**, The CMA provided regulations for the governance of publicly listed companies, focusing on board composition and responsibilities, this has reflected positively on the performance of listed companies as the chart above shows an upward rise in both years of 7425,720 and 8294,830 in a row.

The Saudi's exchange market- Tadawul has seen in the years from **2020 till 2023** an upward improvement found in listed companies performance reflected by the **TASI index level** as it lifted from 6505,35 in 2020, than over 10418,98 in mid-year of 2021.

Although, after the changes made in the new companies Law **2023**, it encouraged good practices of corporate governance (Ministry of Commerce, 2023) this soon pushed the levels of TASI index as the chart above shows to 11967,39 and kept rising steadily in **2024** over 11503,49. Saudi listed company's performance was high as the index show in the first few months of **2025** above **12000**. Hence, corporate governance enhancements throughout the years in the Saudi exchange market had a **positive reflection** as the TASI index shows.

This highlights the need to acknowledge what top 10 industry groups traded by volume were affected by the development of CG regulations and good practices within the Saudi exchange market, the following figure shows the number of key constituents who have a larger share in trading stock, till April 2025.

**Fig.2: Top 10 industry groups traded by volume in Tadawul, 2025**

Source: Compiled by author based on Saudi Tadawul Group data, 2025

The Saudi Exchange mainly carries out listing and trading in securities, the overall value of all listed companies traded by April **2025** reached **9.51 trillion RAS**; the volume of traded shares of 253 listed companies 6.5 billion RAS with an average daily Value traded of 6.3 billion RAS, Moreover, total size of listed Skuk and Bonds on Tadwul as of April 2025 is 645,7 billion RAS. Hence, the overall performance of Tadwul all share index (TASI) by April 2025 reached 11672. (Saudi Tadawul Group, 2025)

Reflecting on biggest industry groups trading the Saudi market from Figure (02), first on the list and most active is Materials by 45 listed companies with **16.55** million trades that represent **17.60%** of the total trades in 2023 (Saudi Exchange, 2023) and considered as most active industry with 19,58 million trades in 2024; 2nd comes Insurance with 27 company; 3rd is Food & Beverages by 20 listed company; 4th is REITs with 19 company by the end of 2023.

However, worth mentioning is the sector of Banks and Financial services industries with 10 listed companies each among Saudi's listed companies and a total of trades reached 10.34 million that represent 8.04% and the Insurance industry with 9.87 million trades that represent 7.67% of the total trades throughout 2024. (Tadawul, 2024)

Thereby, these industries have a **privilege** of easing Corporate Governance implementation, since the **Saudi Central Bank** issued many Guidelines and regulations to comply regarding Corporate Governance rules along with audit standards, especially in the year of **2017** with comprehensive corporate governance



rules; also, in **2018-2019** with consolidation and reinforcement of governance standards.

Hence, the period from **2020 to 2022** has seen further refinement and enforcement of governance practices within financial companies. The regulations are updated according to international standards; here are the **key regulations and applicable law requirements**:

- Mandates Finance companies to comply with CG rules set by the Saudi Arabian Monetary Agency (SAMA), these companies should also develop Internal corporate Governance rules as the Board is required to form committees, specifically, Audit committee, risk management and credit committee;
- Must establish internal audit department with a comprehensive audit plan, which manages and assesses internal control system and report its findings regularly to the Audit committee (Saudi Central Bank, 2025).

2. Monitoring Saudi Internal Audit Practices to promote corporate governance implementation

This section highlights the correlation between Internal audit function and corporate governance implementation within listed companies in Saudi exchange market, also monitor how Saudi work on good governance practices by reflecting on its governance ranking internationally, especially the regulatory quality and its role in empowering corporate governance compliance.

2.1. Obligations and practices of internal audit in Saudi' listed companies

The Capital Market Authority (CMA) as the main regulator in Saudi Exchange market-Tadawul, have a vital role in supervising, regulating, and developing the Saudi market and monitoring all its operations. Emphasizes the importance of adopting Audit standards and practices reflected through its structure, hence it has an **Audit Committee** in direct relation with advisory committee to communicate to the upper latter as in the Board of Directors-Chairman/CEO of the Authority. Moreover, internal audit division comes under the audit committee, hence there are 9 Auditors of Entities Subject to CMA's Supervision. (CMA, 2024)

Hence, Audit Committee responsibilities are vital for implementing International Standards on Auditing (ISAs) within these companies, and for that reason, in **2023** the market Audit committee held 8 meetings and discussed 49 topics included in its agenda. Especially Finance Department reports relative to performance, also, following-up on quarterly reports of the Professional Ethics and Internal Compliance Department, therefore, reviewing the CMA financial statements and final accounts.

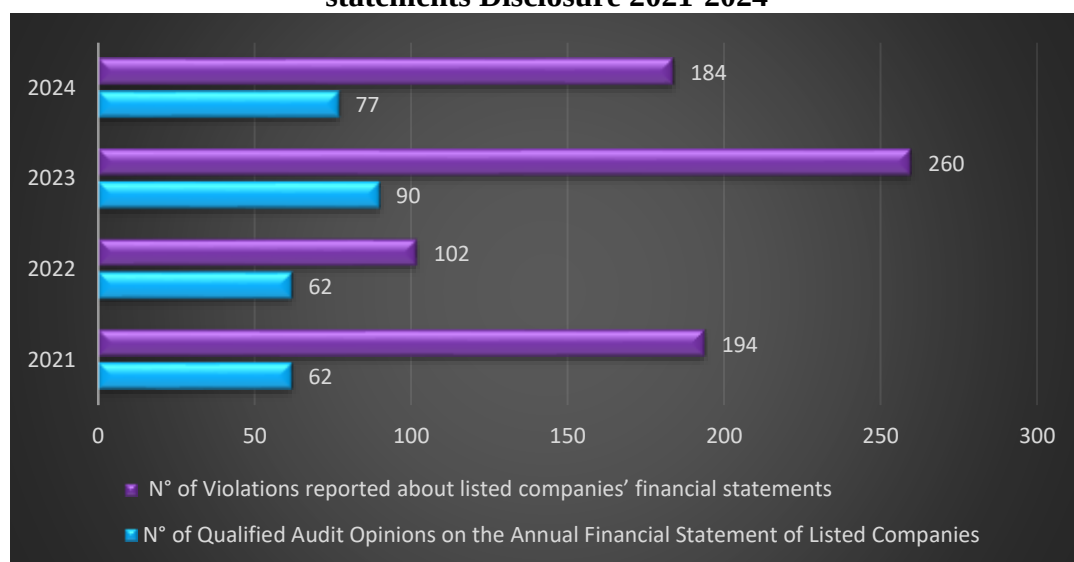
As a result, the committee issued 30 decisions regarding the examination of internal audit reports to assure effective internal control system, and did 9 recommendations regarding its suggestions to improve this system.



One important directive issued by the Saudi Council of Ministers in 2023 along with relevant authorities, that the General Court of Audit may create a **program** to train **Internal audit departments** in governmental Agencies on transformation with audit work along with Accounting principles, this program should be done besides departments tasks, however, the Ministry of Finance will supervise this work and the General Court of Audit should represent an annual report include program progress so it will be applicable for Saudi's corporate later on.

In 2023, CMA took part of the Governance and Ethics Board of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), that provides many relative standards, it's also a member of the Investor and Other Stakeholders Working Group (IOSWG) of the International Forum of Independent Audit Regulators (IFIAR), that aims to encourage investor protection and enhance audit quality regarding investors and other stakeholders interested in audit-related obstacles. (CMA, 2023)

Fig.3: Saudi' listed companies' Compliance and violations of financial statements Disclosure 2021-2024



Source: Compiled by author based on CMA Annual Reports.

Reflecting on Saudi efforts to adopt international internal audit standards by prompting sound audit practices within listed companies in Saudi' market, **9 reports** have been made related to disclosure of financial statements in both years 2020 and 2021 ensuring the effectiveness of companies control system.

The Saudi Index of Financial statements for the year 2021, showed by its components a number of 188 independent auditor reports; 190 statement of Financial position, and 191 statement of Financial performance, also 193 statements of cash flows, and the number of notes relative to financial statements are 194. (CMA, 2021)



Hence, the figure above shows a significant number of violations reported regarding listed companies' financial statements, especially in the year 2023 of 260 violations, along with 77 of Qualified Audit Opinions on these Annual Financial Statement. However, in the year of 2024, the number of violations decreased to 184, with 90 Qualified Audit Opinion. This shows the correlation between Saudi efforts to implement effective audit standards by working on enhancing and monitoring Saudi listed company's disclosure.

2.2. Reinforcing Audit Committees role to enhance governance within listed companies

The Saudi stock exchange established several Board Committees regarding compliance with CG requirements included in both the Securities Exchanges and Depository Centers Regulations.

The table below, summaries each committee responsibility and how it ensures the adoption of Internal Audit and governance standards within Saudi listed companies.

Table 1: Enabling Corporate Governance through Committees role in monitoring governance implementation in Tadawul

Committee	Responsibilities
Audit	Oversee performance; supervise the reliability of financial reports & statements and govern internal control systems.
Compliance	Ensuring integrity, hence watching over all sorts of operations and activities done in Tadawul, and binding listed companies to governance regulations enacted by Saudi regulatory and legislative bodies.
Information Technology	In charge of carrying through the group information technology strategy, policies linked to the company and empower digitalization and governance tech. Among its responsibilities monitoring relative plans, programs, Key Risk Indicators (KRIs) reports and stay updated about any inconvenient incidents, and give necessary recommendations.
Regulatory Policy & Oversight	Oversee if all regulatory implementations within exchange are in line, including Authorization Division related to the company to review, control and supervise activities, also play an intermediate between Capital Market Authority and exchange in regulations matters.
Risk Management	Ensuring adherence to essential policies of risk management and security confirmed by the Saudi Tadawul Group Holding Company, also look into KRI's reports of the company, and verify any potential risk linked incidents per the Board request.

Source: Tadawul Group, the Saudi Exchange's Governance framework, 2025.

To promote good practices of corporate governance principles within Saudi companies, whilst ensuring companies adherence to governance regulations, the Saudi Ministry of Commerce established the **General Department of Corporate Governance and Compliance (GDCGC)** to monitor and develop corporate governance in Saudi Arabia.

This General department plays an important role in helping regulatory institutions in Saudi to follow up governance compliance and promote effectiveness through its main responsibilities as the following chart explains.

**Fig.3: Upholding Corporate Governance compliance within Saudi companies**

Source: The Saudi Ministry of Commerce, General Department of Corporate Governance and Compliance, 2025.

The table n°(01) and figure n°(03), show the Saudi efforts towards keeping up with corporate governance good practices and international principles by the Organization for Economic Co-operation and Development (OECD), as it issued its own corporate governance code and developed regulations and monitor governance adherence by Saudi' corporate, which collectively influence listed companies performance and governance quality, therefore built investors trust and eventually, have a positive effect on Saudi Exchange market performance.

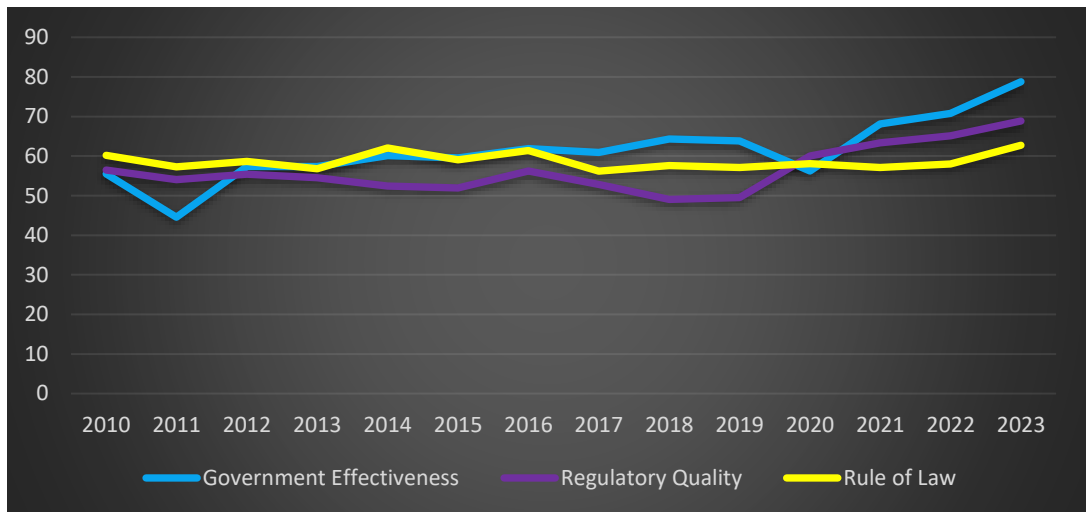
However, the Saudi market has a Strategic Plan Governance; each Strategic pillar entails a set of objectives that should be met to ensure accountability and transparency within listed companies. Worth noting that among the results of the strategic plan activities for the year **2024**, are convicting a number of violators of the Capital Market Law and its implementing regulations and obligating them to pay illicit gains and fines in amounts exceeding 300 million RAS. Also, compensating 921 investors by final decisions issued by the committee for Resolution of Securities Disputes, with an amount exceeding 389 million RAS. (CMA, 2024)

Monitoring governance practices, and assuring adherence to regulations within the Saudi exchange, enhance investor's confidence in market and protect their rights, it also improves liquidity and market volume.



This collectively leads us to highlight how Saudi' initiatives and work upon developing good governance practices has positively impact Saudi Governance rank internationally, shown in the World Bank's Worldwide Governance Indicators (WGI).

Fig.4: The Worldwide Governance Indicators (WGI)-Saudi Arabia from 2010-2023



Source: Compiled by author based on World Bank data, and Worldwide Governance Indicators, 2025.

From the figure above, we can tell how the Saudi performance was internationally regarding Governance implementation depending on the **World Bank Governance indicators**. Taking into consideration important indicators such as **Government effectiveness**, which captures the quality of public services, degree of independency and the quality of policy formulation and implementation, Saudi performance in this index has seen a continuous rise since 2010 with 55,5% to 61,9% in 2016, till it reached its highest levels by the year 2023 of 78,7% which is close to the highest rank of 100.

However, the **Regulatory Quality** index consider criteria's regarding the Saudi government ability to draw and implement sound policies and regulations that promote important sectors development, ranking close to a 100 is the highest rank, hence, Saudi rank begin with 56, 4% in 2010 and kept a steady yet upward trend above 50, with the exception of 2018 and 2019, which rank dropped to 49%, then rose again to **68,8%** by the year 2023.

Hence, the **Rule of Law** index reflect on to what extent agents have trust in and abide by the rules of society, and in particular the quality of contract enforcement, and property rights. Saudi ranks were average by 58,7% most years of this study period, with the exception of **2019** by ranking **57,1%**, and its highest level was in **2023** with **62,7%**.



III. Examination of Saudi' listed companies' compliance to Corporate Governance regulations

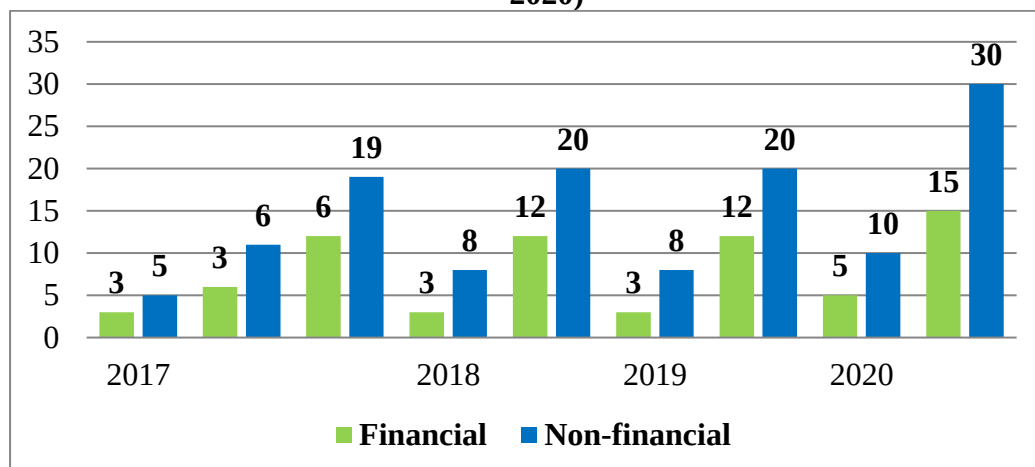
To comprehend what's the impact of implementing corporate governance regulations and guidelines within listed companies in Saudi exchange stock- Tadwul throughout times, focusing on millstones of Saudi Regulations in this matter, especially issuing the Saudi Corporate Governance Regulations (CGR) in 2017 and the Code of Corporate Governance in 2019, as a set of guidelines to uphold CG practices in Saudi. Firstly, we will demonstrate listed companies ranking in Saudi corporate governance Index (SCGI). Secondly, analyzing listed companies' adherence to governance code, and how CMA monitor and control governance practices. Hence, assessing how these elements boost investor's confidence and the overall Saudi Exchange market performance?

1.Evaluating listed companies Governance implementation as per Saudi Corporate Governance Index 2017- 2020

The Saudi Corporate Governance Index (SCGI) is managed by the Corporate Governance Centre (CGC) to rank listed companies in Saudi stock exchange market, based on their implementation of Saudi corporate governance regulations and sound governance practices. This index divided listed companies into 2 categories, Financial and Non-financial companies. Data for the index is available from 2017 till 2020.

Based on Figure (02) above, we concluded how financial listed companies have a privilege in terms of implementing corporate governance code. This is due to the Saudi Central Bank Regulations and governance Guide to ensure governance compliance. Especially, since financial listed companies have a large share in trading stock through the years. This is clearly reflected on their ranking in Saudi Corporate Governance Index (SCGI) as the following figure explains.

Fig.5: Saudi listed companies ranking of Corporate Governance Index (2017-2020)



Source: Compiled by author based on GCC Board Directors Institute reports, 2025.



The SCGI includes usually around 4 ranges throughout the years; they are rankings of top3 listed companies, a range of top 5 to 10 rankings and from 10 to 20 rankings, and lastly top 20 to 30 rankings. In **2017**, the SCGI ranked a total of 42 companies from 179 companies listed in Tadawul based on their CG implementation and upholding to Saudi CG code and guidelines. It is divided mainly into 2 industries: Financial companies and Non-financial companies.

From the figure above, 3 listed financial companies ranking top3; whilst 5 Non-financial companies ranked top 5. However, other 3 financial companies ranked in a range of (4-6), and in a range from (6-11), 6 non-financial companies. Hence, 6 financial companies ranked by CGI in a range from (7-12), but 19 non-financial companies ranked in a range of (11-30).

In both following years, **2018 and 2019**, the index took top 43 listed companies from a total of 190 in 2018 and 199 listed company in 2019; the classification is based on companies' performance in CG adherence. Moreover, **3 financial listed companies ranked top 3** for both years, same goes to non-financial listed companies as 8 of them ranked top 8, However, Top 12 ranking was for financial companies, and top 20 ranking in terms of CG implementation was for non-financial companies.

Thereby, **in 2020**, the Saudi Corporate Governance Index took 60 companies from a total of 203 listed companies. Hence, **5 financial companies** stayed on top ranking among others, in the range of top 5 and top 15 companies. However, non-financial companies took top 10 and top 30 according to SCGI.

In conclusion, listed financial companies in Saudi Exchange Market ranked in top 3 by SCGI often, which explains their adoption of CMA regulations and commitment to Saudi central Bank Guidelines in term of Governance and internal audit regulations. However, worth mentioning, non-financial listed companies also took high rankings, which explain the role of CMA in monitoring listed companies towards adopting international sound Governance practices and its effect on market efficiency, as we will explain further in the coming point.

2. Assessing the implementation of sound governance mechanisms and its effect on Saudi Exchange market efficiency

After CMA and other regulators issued the Saudi corporate governance code and rules by which listed companies can implement sound governance practices, also enhancing internal audit function within companies whilst adopting international standards, towards building a foundation of trust for investors through time. However, it is important to highlight its effect on Saudi Exchange market efficiency, by analyzing both governance mechanisms implemented and monitored and how Saudi's Stocks traded, total value performance along with Market capitalization in the following chart.



2.1. Adopting sound corporate governance mechanisms: Analysis of Saudi listed companies

Corporate Governance mechanisms are structures, processes and practices put in place to ensure that companies are directed and controlled in a way that aligns with stakeholder's interests. And here is a breakdown of these mechanisms based on Saudi' Corporate governance code:

According to the **Article 16** of the Saudi Corporate Governance Regulations stipulates the conditions for **the formation of Boards of Directors**, including the following:

- The number of the boards of directors members should align with the size and nature of listed companies activities;
- Majority of the board should be non-executive members;
- Also the number of independent members must not be less than 2 members or 1/3 of the board, whichever is greater. (CMA, 2023)

In **2021**, the Saudi stock exchange market has 210 listed companies, of which the number of independent members from the total seats on the Boards of Directors of these companies is 714 members, and 784 for non-executive members.

However, in **2022** the number of listed companies rose to 223 company by which non-executive and independent members collectively accounted for **90.4%** of the total seats on the Boards of Directors of Saudi' listed companies (842 and 848 members in a row).

Therefore, the number of listed companies in Saudi Exchange market kept rising till 231 companies by the end of the year **2023**, hence, non-executive and independent members collectively accounted for 90% of the total seats on the Boards of Directors.

To explain how CMA, monitor and play its main role as regulatory authority, regarding listed companies' commitment to the requirements of the laws and regulations of corporate governance, as the following numbers demonstrate its tasks:

- In **2022**, the number of reports from investors and participants in the Saudi Capital Market related to corporate governance reached **473 reports**. However, the number of reports **decreased to half in 2023**, by which reached **232 reports**.
- Number of cases received related to violations of the Saudi Corporate Governance code by which the Authority is responsible for implementing are **22 in 2023** (21 cases where the procedures have been completed); and **25** case of governance code violation in **2024** (19 cases where the procedures have been completed). (CMA, 2024)

In conclusion, CMA has a tight grip around Corporate governance regulations adherence within Saudi listed companies in Tadawul, it is reflected on its regular inspections in this matter, by which 14,6% of its subjects of periodic inspection notes were about governance compliance in 2023, and 7,6% in 2024. Therefore, it is for

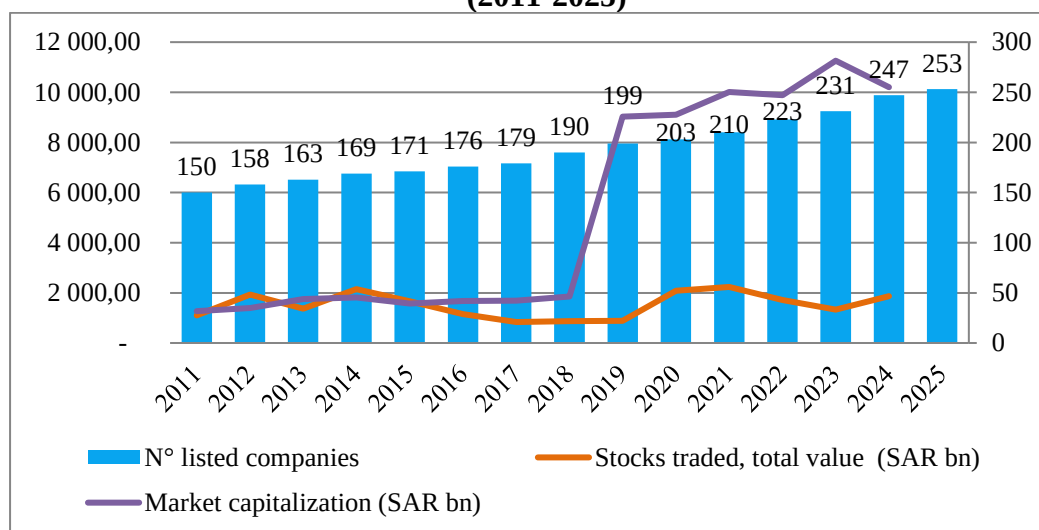


the purpose of its governance strategic plan, and reaching its goal of enhancing investors trust in the Saudi exchange market, especially the authority works upon keeping up with corporate governance international standards through its cooperation with international organizations such as the OECD.

2.2. Upholding sound governance practices within Saudi Exchange market (2011-2025)

To reflect on how Saudi Exchange market, uphold governance regulations and rules throughout the years and its effect on its stocks traded and its market capitalization, the following figure demonstrate the growth in the number of listed companies and what comes with corporate governance implementation.

Fig.6: Saudi Tadwul's Stocks traded, total value vs Market capitalization (2011-2025)



Source: Compiled by author based on Saudi Stock Exchange annual statistical reports.

We can divide our analysis based on the main corporate governance changes in Saudi Exchange market, starting with the issuance of corporate governance regulations in 2006, then in 2010 where implementing CG code become mandatory for listed companies, the later year, as of **2011** from the figure above shows a number of listed companies of 150 company with a total value of stocks traded 1098,84 bn RAS, and Market Capitalization of 1270,84 bn RAS.

Even though, the number of listed companies kept a steady grow from 158 in 2012 to 176 in 2016, However, the stock traded and Market Capitalization has seen ups and downs (highest was 2146,51 bn RAS and 1812,89 bn RAS in a row, both in the year 2014), and lowest amount in market Capitalization was in 2012 with 1400,34 bn RAS. On the other hand, stock traded was recorded in 2016 at 1156,99 bn RAS in these years.

Later on, in 2017, new corporate governance regulations to enhance compliance and transparency has been approved, also in 2018, CMA introduced regulations for the



governance of publicly listed companies, focusing on board composition and responsibilities as we explained in the previous section. As a result of this enforcement to governance rules, number of listed companies jumped from 190 in 2018 to 199 in 2019, and with it comes a significant increase in Market Capitalization from 1689,60 bn RAS in 2017 to 9025,44 bn RAS in 2019. However, the total value of Stocks traded in both years decreased to a little above 800 bn RAS. Worth mentioning that companies might face trading suspension due to non-compliance with financial disclosure regulations, or face penalties if it didn't commit to the Saudi Corporate governance code, as it could lose investors trust which is built upon transparency and accountability as the main principles of CG.

By the Year 2024, and after several updates in governance regulations with amendments, also the Saudi Central Bank regulations regarding prompting good governance practices within Financial listed companies in the years 2020 till 2022 that aligns with the Saudi Vision 2030 goals, focusing on economic diversification and sustainability, following international standards such as Environmental, Social, and Governance (ESG) standards regarding OECD 2024 update on Corporate governance principles to include sustainability. The number of listed companies has seen an increase to 247 companies, with market capitalization of 10200,24 bn RAS and Stock traded of 1862,33 bn RAS. As the Figure 4 shows, both indexes kept a steady yet increasing pace for most years since 2020, even number of listed companies reached 253 by the beginning of 2025.

We conclude, that implementing corporate governance regulations within Saudi listed companies build investors trust based on transparency, accountability and protecting stakeholder's rights, especially with the enforcement of internal audit function to support CG adherence. And that could lead to higher performance in Saudi exchange. Thereby, there is a positive correlation between internal audit role and implementing sound corporate governance practices and that will uphold market efficiency.

Conclusion

In summary, Corporate governance implementation within Saudi listed companies in the Stock Exchange market went through heavy revisions and amendments throughout time, from issuing CG regulations back in 2006 in response to the market crash according to the **TASI** index, to mandate compliance to the Saudi corporate governance code in 2010 whereby companies must adhere to **disclosure of financial statements** and governance rules in their annual reports, also enforcing shareholders rights with new regulations in **2017 and 2018** by focusing on Boards compositions to maintain **accountability** and **transparent practices**.

This underscores the importance given to **Internal Audit** role in prompting sound governance practices within listed companies. Therefore, in **2023** the Saudi Council of Ministers issued a directive by which the General Court of Audit can create a **program** to train **internal audit departments** in governmental Agencies on



transformation with audit work along with accounting principles; this has shown in Saudi to rank in **governance effectiveness** by **The Worldwide Governance Indicators** in 2023 which reached its highest levels of **78,7%** as the closest to the highest rank of 100% worldwide.

It is evident by the SCGI, which rank top listed companies on implementing CG regulations in the period from **2017 until 2020**, financial listed companies ranked **Top 3** in all years, this is due to the Saudi Central Bank' Governance regulations guide and laws required from financial companies along with following international audit standards, however, non-financial companies ranking around Top 5 to 10 upon best listed companies practicing sound governance rules that is linked to CMA role in monitoring and inspecting the application of its mandatory governance regulations, giving them legally enforceable status, reflected in its annual reports and implementing fines and penalties, and might lead to delisting those companies in severe violations.

Therefore, Tadawul established several Board Committees, focusing on Audit Committee, which is responsible for monitoring listed companies' performance, financial reports reliability and govern internal control systems. However, in **2024**, CMA convicted a number of violators of the Capital Market Law and its implementing regulations as they pay fines over **300 million RAS**; Also, Compensating **921 investors** by the committee for Resolution of Securities Disputes, with over **389 million RAS**. As a result, CMA received 22 violations of the Saudi Corporate Governance code in **2023**, and 21 cases have been completed same year; also 19 out of **25** case of governance code violation in **2024** have been completed as well.

Ultimately, this build investors trust and enhance governance practices, especially transparency, accountability and protecting stakeholders rights within listed companies, which is reflected positively by the increase in the number of listed companies to **247** companies in **2024**, with market capitalization of **10200,24 billion RAS** and Stock traded of **1862,33 billion RAS**, therefore, enhancing Saudi listed companies performance and ultimately exchange market efficiency as **TASI** levels took an upward trend in the years following the issuance of Corporate governance regulations from **6505,35 in 2020** till over **11503,49 in 2024**.

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