

BACKGROUND NOTE ON ACTION PLANS

Action Plans are developed by IFAC members and associates and address policy matters as identified through responses to Compliance Self-Assessment Questionnaires. They form part of a continuous process under the IFAC Member Body Compliance Program to support ongoing development and improvement of the accountancy profession.

Action Plans are drafted by IFAC members and associates for their own use. They reflect national frameworks, priorities, processes and challenges specific to each jurisdiction and will be subject to periodic updates. Action Plans will vary in objectives, content and level of detail due to different national environments and stages of development.

Refer to the responses to Part 1 Assessment of the Regulatory and Standard-Setting Framework Questionnaire and Part 2 SMO Self-Assessment Questionnaire for background information on each member and associate their environment and existing processes. The responses may be viewed at: http://www.ifac.org/ComplianceAssessment/published_surveys.php

Use of Information

Please refer to the Disclaimer published on the Compliance Program website.

ACTION PLAN

IFAC Member:	The Chamber of Hungarian Auditors (MKVK)
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GLOSSARY:

CPD	Continuous Professional Development
EU	European Union
HSST	Hungarian Standards Setting Board
IAASB	International Auditing and Assurance Standards Board
IAESB	International Accounting Education Standards Board
IASB	International Accounting Standards Board
IES	International Education Standards
IESBA	International Ethics Standards Board for Accountants
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standards
IPSAS	International Public Sector Accounting Standards
IPSASB	International Public Sector Accounting Standards Board
ISA	International Standards on Auditing
ISQC1	International Standard on Quality Control 1
MKVK	The Chamber of Hungarian Auditors
PIE	Public Interest Entity
QA	Quality Assurance
SMO	Statement of Membership Obligations

Action Plan Subject: SMO 1 - Quality Assurance
Action Plan Objective: Completing the Quality Assurance System

#	Start date	Actions	Completion Date	Responsibility	Resource
<p><i>Background:</i></p> <p>The Chamber of Hungarian Auditors (MKVK) was established by Act LV of 1997 as a self-regulatory body. The Act gives the Chamber the responsibilities and rights with respect to Quality Assurance (QA) of all its members who perform audits of financial statements. Membership of MKVK is mandatory for all auditors in Hungary.</p> <p>Only a small percentage of Hungarian firms fall into the Listed or PIE categories covered by the EU 8th Directive. Quality Control standards for audit firms were issued in 2007.</p> <p>The MKVK QA system was introduced in 2003 and is now well developed. In due course a Public Oversight Board will take over conducting reviews for Listed Companies and at a later stage for PIEs.</p> <p>MKVK adopted all clarified ISAs including ISQC 1 in January, 2011. In an effort to move in line with international requirements, the QA system has been reviewed to assess alignment with SMO1 and relevant standards, and its methodology and materials have been clarified and updated.</p>					
<p><i>Completing the Quality Assurance System</i></p>					
1.	2/2/08	Prepare the first draft version of the Quality Assurance methodology (the methodology) reference book (includes questionnaires, procedural rules, and uniform user guide).	30/6/08 Completed	President of the Quality Control Committee	MKVK staff
2.	13/6/08	Present the draft methodology to the MKVK Presidency for further comments and approvals.	13/6/08 Completed	President of the Quality Control Committee	MKVK staff

Action Plan Developed by
The Chamber of Hungarian Auditors (MKVK)

#	Start date	Actions	Completion Date	Responsibility	Resource
3.	20/6/08	Publish the draft methodology on MKVK's website.	30/6/08 Completed	President of the Quality Control Committee	MKVK staff
4.	28/6/08	Prepare the 2008 yearly quality assurance plan on a random sample basis; present the plan for approval.	20/7/08 Completed	President of the Quality Control Committee	MKVK staff
5.	20/6/08	Discuss the methodology on the basis of the feedback from the President and provide recommendations to finalize the methodology. Present the revised methodology for approval to the presidency.	3/9/08 Completed	President of the Quality Control Committee	MKVK staff
6.	3/9/08	Publish the revised methodology on MKVK's website.	8/9/08 Completed	MKVK Staff	MKVK staff
7.	20/6/08	Prepare training material based on the revised methodology, which highlights the most significant elements to be taken into account.	9/9/08 Completed	President of the Quality Control Committee	MKVK staff
8.	11/9/08	Train the quality reviewers (auditors, who will perform quality assurance review) in accordance with the revised methodology.	13/9/08 Completed	President of the Quality Control Committee	MKVK staff
9.	15/9/08	Carry out Quality Assurance reviews according to the new approved methodology.	Ongoing	President of the Quality Control Committee	MKVK staff

#	Start date	Actions	Completion Date	Responsibility	Resource
<i>Implementation of ISQC 1</i>					
10.	21/11/08	Present questionnaires, which are prepared to ensure that the audit firms meet requirements set in ISQC 1, to the MKVK Presidency for approval.	21/11/08 Completed	President of the Quality Control Committee	MKVK staff
11.	1/1/09	Carry out quality assurance review including the new approved questionnaire.	Completed	President of the Quality Control Committee	MKVK staff
12.	Ongoing	Summarize the information obtained in carrying out the reviews and discuss the comments of the firms.	Ongoing	President of the Quality Control Committee	MKVK staff
13.	June 2011	Investigate the possibility of developing training on ISQC1 for audit firms.	December 2011	President of the Quality Control Committee	MKVK staff
<i>Maintaining Ongoing Processes</i>					
14.	1/2/09	Write an annual report on the Quality Assurance reviews. Continue to ensure that the Quality Assurance methodology reference book provides effective guidance, and covers all the related issues and that the Quality Assurance review system continues to be in line with the SMO 1 requirements.	Ongoing	President of the Quality Control Committee	MKVK staff

#	Start date	Actions	Completion Date	Responsibility	Resource
<i>Review of MKVK's Compliance Information</i>					
15.	Ongoing	Perform periodic review of MKVK's response for IFAC Compliance Self-Assessment questionnaires and update sections relevant to SMO1 as necessary. Once updated inform IFAC Compliance Staff to republish the updated information.	Ongoing	President of the Quality Control Committee	MKVK staff

Action Plan Subject: SMO 2 - International Education Standards and other IAESB guidance
Action Plan Objective: Continue to Use Best Endeavors to Ensure that all IES requirements are incorporated into MKVK's Educational Requirements

#	Start date	Actions	Completion Date	Responsibility	Resource
<p><i>Background:</i></p> <p>Applicants for the membership of MKVK must have acquired appropriate higher education, obtained initial practical experience (three years), passed the examinations (three years part-time study) and obtained further professional experience (three years) as an audit assistant under the supervision of an active MKVK member.</p> <p>The Committee for the Qualification of Chartered Certified Statutory Auditors (OKKT) and the Education Committee define the requirements and provide the textbooks and tuition for the examinations. MKVK has also established a training company nevertheless, based on a tendering procedure, and several other education centers also have the right to provide the education. Only two of them, however, have been providing such education for years now. MKVK evaluates the professional experience obtained by applicants after passing the examinations.</p> <p>CPD is prescribed by MKVK and is provided either by the Chamber or by an approved service provider. Members are required to complete 32 hours of CPD each year and must submit a declaration plus evidence to MKVK.</p>					
<i>Maintaining Ongoing Processes</i>					
16.	Ongoing	Maintain the ongoing process to monitor new and revised international education standards.	Ongoing	President of the Education Committee	MKVK staff
17.	Ongoing	Continue to use best endeavors to continue to incorporate all the IES requirements into MKVK education and examination requirements.	Ongoing	President of the Education Committee	MKVK staff

#	Start date	Actions	Completion Date	Responsibility	Resource
		This includes review of the existing requirements and preparation of the Action Plan for the future activities where necessary.			
18.	June 2011	Begin investigating the possibility of altering current CPD requirements to set 120 hours of CPD over a three-year rolling-period, which is a current IES requirement.	December 2011	President of the Education Committee	MKVK staff
<i>Review of MKVK's Compliance Information</i>					
19.	Ongoing	Perform periodic review of MKVK's response to the IFAC Compliance Self-Assessment questionnaires and update sections relevant to SMO 2 as necessary. Once updated inform IFAC Compliance staff about the updates in order for the Compliance staff to republish updated information.	Ongoing	President of the Education Committee	MKVK staff

Action Plan Subject: SMO 3 - IAASB Pronouncements

Action Plan Objective: Monitoring Ongoing Compliance with IAASB pronouncements through the QA Review System

#	Start date	Actions	Completion Date	Responsibility	Resource
<i>Background:</i>					
<p>The use of ISAs is required in Hungary by law, which contains the full text of each IAASB pronouncement. MKVK is required to promulgate and implement the ISAs. An external panel of experts is responsible for the translation of the standards, which it completed for the first time in 2006. MKVK adopted the full ISAs with effect from 1 January, 2011 and promotes these on an ongoing basis.</p>					
<i>Maintaining Ongoing Processes</i>					
20.	Ongoing	Continue to inform members on a regular basis about the IAASB pronouncements and exposure drafts through our website.	Ongoing	President of the Experts' Committee	MKVK staff
21.	Ongoing	Continue to translate the revised or amended standards on a regular basis, make them available for the public via the MKVK website, and publish them in the MKVK newspaper.	Completed	President of the Experts' Committee	Professional translators
22.	Ongoing	Continue to incorporate courses on the revised or amended standards in the continuous professional development (CPD) program before their implementation. Continue to revise and update the related educational syllabus, publications, and presentation and supporting documents.	Ongoing	President of the Education Committee	MKVK staff

#	Start date	Actions	Completion Date	Responsibility	Resource
23.	Ongoing	Monitor the consistent use of standards through the QA Review System.	Ongoing	President of the Experts' Committee and Quality Control Committee	MKVK staff
<i>Review of MKVK's Compliance Information</i>					
24.	Ongoing	Perform periodic review of MKVK's response to the IFAC Compliance Self-Assessment questionnaires and update sections relevant to SMO 3 as necessary. Once updated inform IFAC Compliance staff about the updates in order for the Compliance staff to republish updated information.	Ongoing	President of the Experts' Committee	MKVK staff

Action Plan Subject: SMO 4 - IESBA Code of Ethics

Action Plan Objective: Ongoing Adoption and Implementation of the IESBA' Code of Ethics

#	Start date	Actions	Completion Date	Responsibility	Resource
<i>Background:</i>					
<p>The Hungarian Code of Ethics has been developed by MKVK with government support and is based on the translated IESBA Code of Ethics. The Code of MKVK includes some specific clarification and processes that complement the IESBA Code of Ethics. These explanations and process regulations deal with independence, conflicts of interest, cooperation between auditors, and rules of ethical proceedings. The IESBA Code, as revised in 2009, has been translated and final reviews are ongoing. It is due for approval by the MKVK Presidency in 2011 and will later be published on the MKVK website.</p>					
<i>Support of implementation of the IFAC Code of Ethics</i>					
25.	28/3/08	According to the resolution of the Presidency, the IFAC Code of Ethics shall be included in the CPD program.	28/3/08 Completed	President of the Education Committee	MKVK staff
26.	28/4/08	Preparation of the CPD ethical educational curriculum.	30/6/08 Completed	President of the Disciplinary Committee	MKVK staff
27.	20/07/08	Present the educational curriculum to the Education Committee for approval.	30/7/08 Completed	President of the Education Committee	MKVK staff
28.	27/8/08	Train the trainers. The trainers can provide comments on the educational material during the training and for one week-long period following the training.	27/08/08 Completed	President of the Education Committee and President of the Disciplinary Committee	MKVK staff

#	Start date	Actions	Completion Date	Responsibility	Resource
29.	28/8/08	Finalization of the CPD ethical educational curriculum.	22/9/08 Completed	President of the Education Committee and President of the Disciplinary Committee	MKVK staff
30.	22/9/08	Publish the revised educational material.	1/10/08 Completed	President of the Education Committee	MKVK staff
31.	6/10/08	Start of the CPD courses on the Code of Ethics.	19/2/08 Completed	President of the Education Committee	MKVK staff
<i>Maintaining Ongoing Processes</i>					
32.	Ongoing	Review the implementation of the CPD program on Ethics and continue to ensure that it gives effective guidance, and highlights all the important issues related.	Ongoing	President of the Education Committee	MKVK staff
33.	Ongoing	Continue to monitor the amendments to the IESBA Code of Ethics as published by the IESBA.	Ongoing	President of the Disciplinary Committee	MKVK staff
34.	Ongoing	Translate the amendments to the Code of Ethics.	31/03/11	President of the Disciplinary Committee Translator group	MKVK staff

#	Start date	Actions	Completion Date	Responsibility	Resource
35.	Ongoing	After the translated amendments are reviewed and approved, amend the Hungarian version of the Code of Ethics and communicate it to the members through MKVK's website, newsletter and newspaper.	31/03/11	President of the Disciplinary Committee	MKVK staff
36.	Ongoing	Submit the amended Hungarian version of the Code of Ethics comprising the respective changes to the Educational Committee in order to update the education and CPD programs and also to amend accordingly MKVK's Ethics requirement.	31/03/11	President of the Disciplinary Committee President of the Education Committee	MKVK staff
37.	Ongoing	Continue to Prepare the CPD ethical educational curriculum according to the latest amendments to the IESBA Code of Ethics.	Ongoing	President of the Disciplinary Committee	MKVK staff
<i>Review of MKVK's Compliance Information</i>					
38.	Ongoing	Perform periodic review of MKVK's response to the IFAC Compliance Self-Assessment questionnaires and update sections relevant to SMO 4 as necessary. Once updated inform IFAC Compliance staff about the updates in order for the Compliance staff to republish updated information.	Ongoing	President of the Education Committee	MKVK staff

Action Plan Subject: SMO 5 - International Public Sector Financial Reporting Standards IPSAS
Action Plan Objective: Promoting the Use of IPSASs

#	Start date	Actions	Completion Date	Responsibility	Resource
<i>Background:</i>					
The government of Hungary does not currently plan to implement the IPSAS. Hungary's public sector currently relies on cash-based accounting and MKVK is utilizing best endeavors to encourage a change to an accruals-based system. MKVK is working with the National Development Ministry (previously the Ministry of Finance) to promote the benefits of IPSAS.					
<i>Promoting the use of IPSASs</i>					
39.	Ongoing	Inform the Ministry about the work of the International Public Sector Accounting Standards Board and the IPSAS, and offer support with any move to implement these standards.	Ongoing	President of the Experts' Committee	MKVK staff
<i>Maintaining Ongoing Processes</i>					
40.	Ongoing	Continue to inform the relevant ministry about the IPSAS work.	Ongoing	President of the Experts' Committee	MKVK staff
<i>Review of MKVK's Compliance Information</i>					
41.	Ongoing	Perform periodic review of MKVK's response to the IFAC Compliance Self-Assessment questionnaires and update sections relevant to SMO 5 as necessary. Once updated inform IFAC Compliance staff about the updates in order for the Compliance staff to republish updated information.	Ongoing	President of the Experts' Committee	MKVK staff

Action Plan Subject: SMO 6 - Investigation and Discipline
Action Plan Objective: Strengthening the Investigation and Discipline regime

#	Start date	Actions	Completion Date	Responsibility	Resource
<p><i>Background:</i></p> <p>Auditors may be reported to the MKVK Ethics Committee for violations of their obligations as auditors, breaches of ethical regulations, negligence, and for professional deficiencies. The committee considers around 200 cases a year. There have been 107, 211, and 255 cases in 2008, 2009 and 2010 respectively. The Committee has the authority to impose disciplinary sanctions on an auditor or audit firm ranging from a reprimand, a penalty of up to five times the member's annual dues to MKVK, or permanent suspension. The auditor may appeal any disciplinary sanction of the Committee before the president of the Chamber within 22 working days. If the appeal is not successful, the auditor may challenge the Chamber presidency's ruling before ordinary courts within 30 days.</p>					
<p><i>Maintaining Ongoing Processes</i></p>					
42.	Ongoing	The Disciplinary Commissioner and the Disciplinary Committee inform the Presidency and the Meeting of Delegates about its work in writing. This written report is also published in our newspaper.	Ongoing	President of the Disciplinary Committee	MKVK staff
43.	Ongoing	The Committee continues to publish its observations and conclusions on a yearly basis.	Ongoing	President of the Disciplinary Committee	MKVK staff
44.	Ongoing	The Disciplinary Commissioner follows the work of the Disciplinary Committee and participates in the Committees meetings to ensure Investigation & Disciplinary rules are appropriately implemented and observed.	Ongoing	Disciplinary Commissioner	MKVK staff

#	Start date	Actions	Completion Date	Responsibility	Resource
45.	Ongoing	Continue to publish additional statistic and articles on investigation and discipline and disseminate them more broadly as this could straighten public confidence in the regulation.	Ongoing	President of the Disciplinary Committee	MKVK staff
<i>Review of MKVK's Compliance Information</i>					
46.	Ongoing	Perform periodic review of MKVK's response to the IFAC Compliance Self-Assessment questionnaires and update sections relevant to SMO 6 as necessary. Once updated inform IFAC Compliance staff about the updates in order for the Compliance staff to republish updated information.	Ongoing	President of the Disciplinary Committee	MKVK staff

Action Plan Subject: SMO 7 - IFRS

Action Plan Objective: Continuing Use of Best Endeavours to Assist in Ongoing Adoption and Implementation of IFRS

#	Start date	Actions	Completion Date	Responsibility	Resource
<p><i>Background:</i></p> <p>As per EU Regulation 1606/2002, and complemented by the Accounting Act:</p> <ul style="list-style-type: none"> • The consolidated financial statements of listed entities and banks (regardless of whether they are listed or not) have to be prepared according to IFRS/IAS; • Single financial statements of listed entities can be prepared in line with the accounting policy as chosen by the entity which prepares the financial statements according to IFRS/IAS or national accounting standards; • For non-listed entities the single financial statements can be prepared according to IAS/IFRS only if the financial statements of the parent entity are prepared in accordance with IAS/IFRS; and • There is also an option to choose IAS/IFRS for consolidated accounts for entities in the process of intending to file for admission to trade on regulated markets. <p>In Hungary, only listed entities have to prepare their consolidated financial statements according to IFRS. For banks it is not compulsory. Other entities can prepare consolidated financial statement in accordance with IFRS; however single financial statements must be prepared using the Hungarian standards.</p> <p>For non-listed entities, the Act on Accounting (Act C on Accounting of 2000) - National Standards is based on EU 4th and 7th Directives, which are developed by the Ministry of Finance with the Hungarian Standard Setting Board (HSST). MKVK staff is involved with the work of the HSST, both in the dissemination of the law, and in the process of creating the standards.</p> <p>MKVK's efforts going forward will focus on continuing to encourage use of IFRSs by PIEs and assisting in their implementation.</p>					
<p><i>Continuing Use of Best Endeavours</i></p>					
47.	Ongoing	MKVK assists the Hungarian Standards	Ongoing	President of the	Ministry of Finance

#	Start date	Actions	Completion Date	Responsibility	Resource
		Setting Board (HSST) in its tasks and actively participates in the standard setting process through its representatives in all working parties of HSST.		Experts' Committee	
48.	Ongoing	Continue to provide information on the latest developments in IFRS through MKVK's website particularly the implementation of standards for the use of European Union (EU).	Ongoing	President of the Experts' Committee	MKVK staff
49.	Ongoing	Perform translation of the new updated standards in a regular basis and in accordance with the IFAC Translation Policy.	Ongoing	President of the Experts' Committee	MKVK staff
50.	Ongoing	After the translated standards are reviewed and approved by the Experts Committee submit them to the Educational Committee for their incorporation into the educational material and CPD program before implementation.	Ongoing	President of the Experts' Committee Translator group President of the Education Committee	MKVK staff
51.	Ongoing	Continue to revise and update the related educational syllabus, publications and supporting documents, and republish them in MKVK's website.	Ongoing	President of the Education Committee	
52.	Ongoing	Provide training on IFRS developments.	Ongoing	President of the Experts' Committee	MKVK staff

#	Start date	Actions	Completion Date	Responsibility	Resource
53.	Ongoing	Continue to draw members' attention on the amended standards and exposure draft and supporting documents published by the International Accounting Standards Board (IASB) by publishing it on the MKVK's website, newsletter and newspaper.	Ongoing	President of the Experts' Committee	MKVK staff
<i>Review of MKVK's Compliance Information</i>					
54.	Ongoing	Perform periodic review of MKVK's response to the IFAC Compliance Self-Assessment questionnaires and update sections relevant to SMO 7 as necessary. Once updated inform IFAC Compliance staff about the updates in order for the Compliance staff to republish updated information.	Ongoing	President of the Experts' Committee	MKVK staff