

BACKGROUND NOTE ON ACTION PLANS

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

Action Plans are prepared by members and associates for their own use based on the national frameworks, priorities, processes and challenges specific to each jurisdiction. As such, they will vary in their objectives, content and level of detail, consistent with their differing national environments and stages of development, and will be subject to periodic review and update.

Refer to responses to the 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. These 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 Programme website.

Draft ACTION PLAN

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| IFAC Member/Associate: | <i>Iranian Association of Certified Public Accountants (IACPA)</i> |
| Approved by Governing Body: | <i>June 2009</i> |
| Date Approved: | <i>August 2009</i> |
| Date Published: | <i>September 2009</i> |

Glossary

| | |
|-------------------|---------------------------------|
| BoD | Board of Directors |
| CE | Code of Ethics |
| DB | Disciplinary Boards |
| EC | Ethics Committee |
| E & RB | Education & Research Board |
| E & RC | Education & Research Committee |
| QAR | Quality Assurance Review |
| QCC | Quality Control Committee |
| QCD | Quality Control Directorate |
| T & SC | Technical & Standards Committee |

Action Plan Subject: SMO 1 and Quality Assurance

Action Plan Objective: Continue to ensure an effective quality review programme is in place for all members offering accounting services to the public and in particular offering assurance services.

| # | Start Date | Actions | Completion Date | Responsibility | Resource |
|--|------------|---|-----------------|----------------|----------|
| Background: | | | | | |
| <p>IACPA established its QA review program in 2003, with the first reviews taking place later in the same year. Quality assurance is one of the Association's key functions. The Association and the Certified Public Accountant (CPA) brand represent quality, integrity and the adoption and application of professional standards. The Association has an obligation to the public to ensure that members practice in a manner consistent with these values. The Association also has an obligation to its members to ensure that the CPA brand continues to have relevance and maintains its value to members and the marketplace.</p> <p>The quality assurance review programme is one quality assurance process that the Association uses to ensure its members continue to be competent, act with integrity and comply with professional and technical standards. It is both educational and compliance focused. Audit Organization, the official Standard Setter in Iran, has recently translated ISQC1 (with very minor alteration to conform with local laws, regulations and environment) as the basis for Iranian standards and published it as an ED; when finalized would be effective as of 20 March, 2010.</p> <p>IACPA is planning to prepare and publish necessary guidelines, with a follow up on training of the auditors and incorporation of requirements of new standard in IACPA's QA review system.</p> | | | | | |
| 1. | 2003 | <p>Formed a Quality Control Committee (QCC) as per IACPA Bye-Laws to perform the following functions:</p> <ul style="list-style-type: none"> ▪ Develop a framework and establish policies and procedures for the quality assurance programme ▪ Carry out review of working papers relating to audits ▪ Monitor the quality assurance programme to ensure its effective | Ongoing | IACPA Council | ISA 220 |

| # | Start Date | Actions | Completion Date | Responsibility | Resource |
|---|------------|---|---------------------------|----------------|----------------------------------|
| | | implementation <ul style="list-style-type: none"> ▪ Perform a periodic review of the quality assurance program. | | | |
| 2. | 2003 | Develop the monitoring program with detailed checklist to review audit quality which will cover both engagement and firm reviews. This includes: <ul style="list-style-type: none"> ▪ Establish working group to prepare review programme/ checklist ▪ Disseminate revised review programme/ checklist. | Ongoing | QCC | IACPA Council |
| 3. | 2003 | Preparation of QAR checklist | 2003.Reviewed 2006. | QCC | QCD/ IFAC releases |
| 4. | 2003 | Forming QAR teams | 2003. Annual review | QCC | QCD/ BoD |
| 5. | 2003 | Arrange workshop for QAR teams. | 2003. As necessary | QCC | QCD/ Council |
| 6. | 2003 | Develop work program for QAR. | 2003. Review as necessary | QCC | QCD |
| 7. | 2003 | Perform QAR(yearly as to admin and constitutional and every third year as to audit performance). | Ongoing | QCC | QCD |
| <i>To adopt ISQC 1.</i> | | | | | |
| <i>Background: The decision to adopt the ISQC1 has been taken by Audit Organization and an ED has been issued. It should become effective as of March- April 2010.</i> | | | | | |
| 8. | June 2009 | Review the ED | Aug. 2009 | QCC | QCD/ BoD |
| 9. | Dec. 2009 | Revise existing QAR checklist to conform with new standard. | June 2010 | QCC | New Standard/ QCD/ IACPA Council |

| # | Start Date | Actions | Completion Date | Responsibility | Resource |
|---|-------------------|--|------------------------|---|------------------------|
| 10. | Feb. 2010 | Prepare and publish a practical guide for firms on implementation of ISQC 1. | Aug. 2010 | QCC/ Secretary General/ Publications | QCD/ BoD |
| 11. | May 2010 | Arrange workshop for training QAR teams. | May 2010 | QCC | Secretary General |
| 12. | May 2010 | Prepare articles about the main issues identified requiring guidance. | Dec. 2010 | QCC/ Publications | QCD/ Secretary General |
| 13. | Oct. 2010 | Arrange workshop (Seminar) for audit firms | Oct. 2010 | QCC/ Secretary General | QCD/ E & RC |
| <i>Maintaining Ongoing Processes</i> | | | | | |
| 14. | Nov. 2010 | Continue to ensure that IACPA's Audit Quality review is operating effectively and continues to be in line with SMO 1 requirements. This includes periodic review of the operation of the quality review system and updating the Action Plan for future activities where necessary. | Continuous | QCC/ Secretary General | QCD/ Council |
| 15. | Nov. 2010 | Review how the system operated to date and revise it accordingly. Implement revised review program/ checklist. | Continuous | QCC/ Secretary General | IACPA Council |
| <i>Review of IACPA's Compliance Information</i> | | | | | |
| 16. | Oct. 2009 | Perform periodic review of IACPA's response to the IFAC Compliance Self-Assessment questionnaires and update sections relevant to SMO 1 as necessary. Once updated inform IFAC Compliance staff about the updates in order for the Compliance staff republish updated information. | Continuous | Secretary General | QCD |

Action Plan Subject: SMO 2 and International Education Standards
Action Plan Objective: Continue to use the best endeavors to ensure that all IES requirements are incorporated into the ICAB professional accountancy education system.

| # | Start Date | Actions | Completion Date | Responsibility | Resource |
|--|------------|--|-----------------|----------------|--------------------------------|
| <i>Background</i> | | | | | |
| Ministry of Higher Education has recently established "Accounting Council" in an effort to promote accountancy education. Many of 10 members of this Council are IACPA members. IACPA stated that it will use its best endeavors to incorporate IESs' requirements into university curricula as soon as the said Council gets on its way. IACPA plans to set up a task force for translation of IESs by December 2009, with the aim to translate, adopt and implement all effective IESs by December 2010. | | | | | |
| 17. | 2003 | Formed an Education & Research Committee (E& RC) as per IACPA by-Laws to perform the following functions: <ul style="list-style-type: none"> ▪ Develop a framework and establish policies and procedures for education and training ▪ Monitor educational, seminar and conference programme as to their content and quality ▪ Approve in-house education programme of audit firms | Ongoing | IACPA Council | IFAC releases/ E&RB |
| 18. | 2004 | Develop education programme ensuring basic educational needs of CPAs are covered. | 2004 | E & RC | IASs and ISAs/ E & RB/ Council |
| 19. | 2005 | Approval of criteria for external education institutions to handle professional courses. | 2005 | E & RC | E & RB/ Council |
| 20. | 2006 | Approval of CPD programme requiring 120 Learning Units over every rolling three years. | Ongoing | E & RC | E & RB/ Council |
| 21. | 2006 | Approval of criteria for in-house CPD of audit firms. | 2006 | E & RC | E & RB/ Council |
| 22. | 2007 | Approval of professional courses to be offered by | 2007 | E & RC | E & RB/ Council |

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| # | Start Date | Actions | Completion Date | Responsibility | Resource |
|---|------------|---|-----------------|----------------|---------------------------|
| | | IACPA. | | | |
| 23. | 2006 | Monitor members compliance with CPD requirements/ | Ongoing | E & RC | E & RB/ Council |
| 24. | July 2009 | Set up a task force for translation of IESs. | Dec. 2009 | E & RC | E & RB/ Secretary General |
| 25. | Nov. 2009 | Gradual adoption and implementation of IESs' requirements. | Dec. 2010 | E & RC | E & RB/ Council |
| 26. | Ongoing | Review CPD program to ensure CPAs receive adequate knowledge and training. | Ongoing | E & RC | E & RB/ Council |
| <i>Maintaining Ongoing Processes</i> | | | | | |
| 27. | | Continue to ensure that IACPA education requirements incorporate all IES requirements. This includes review of the existing requirements and preparation of the Action Plan for the future activities where necessary. | Ongoing | E & RC | E & RB/ Council |
| <i>Review of IACPA's Compliance Information</i> | | | | | |
| 28. | | Perform periodic review of IACPA'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 | E & RC | E & RB/ Council |

Action Plan Subject: SMO 3 and International Auditing and Assurance Standards

Action Plan Objective: Convergence with IAASB Pronouncements

| # | Start Date | Actions | Completion Date | Responsibility | Resource |
|---|------------|--|-----------------|---------------------------|--|
| Background: | | | | | |
| Standard (accounting, auditing and ethics) setting is legally vested with Audit Organization (a governmental audit firm). Audit Organization sets Iranian standards mainly based on International Standards, with minor modification due to local laws, regulations and other local considerations. IACPA participates actively in standard setting process by appointing two representatives on each of Audit Organization's Standard Setting Committees, informing its members of every EDs issued, informing the standard setters of its member's recommendations and making its best endeavours in due process of each standard. Audit Organization has adopted a convergence plan and accordingly has revised quite a number of issued Iranian Standards, especially Auditing Standards. IACPA will use its best endeavors to make their members aware of those IAASB pronouncements that Audit Organization decides not to use. IFAC's translations permission policies will be adhered to. IACPA has consistently included new standards in its education program for its members. | | | | | |
| 29. | 2003 | Participate actively in the standard setting process | Ongoing | T & SC/ Secretary General | T & SC/ Council |
| 30. | July 2009 | Develop auditing and accounting industry guides, practice aids and risk alerts. | Continuous | T & SC | T & SC/ Council |
| 31. | 2004 | Develop new and update of existing continuing education courses to assist with implementation of new/ revised standards. | Ongoing | E & RC | E & RB/ Council |
| 32. | 2004 | Review of IAASB agenda materials and exposure drafts including submission of comment letters | Ongoing | T & SC | T & SC/ Council |
| 33. | 2004 | Notify IACPA members of IAASB exposure drafts through IACPA website, weekly IACPA news Bulletin and quarterly the Certified Accountants. | Ongoing | T & SC | T & SC/ Secretary General |
| 34. | 2004 | Continue in the provision of training focused on the application of ISAs. | Ongoing | E & RC/ T & SC | E & RB/ Secretary General |
| 35. | Ongoing | Continue to provide information on the latest developments in ISAs through the IACPA | Ongoing | T & SC | International/ external resources/ Editorial |

| # | Start Date | Actions | Completion Date | Responsibility | Resource |
|---|------------|---|-----------------|----------------|---------------------------|
| | | website, magazine and CPD. | | | Board |
| 36. | Ongoing | Continue reviews performed by the IACPA focused on the compliance with ISAs. | Ongoing | T & SC | T & SC/ Secretary General |
| 37. | Ongoing | Continue to ensure that any changes made to adopted ISAs are in line with the IAASB Policy on Modifications to IAASB Standards. | Ongoing | T & SC | T & SC |
| 38. | Ongoing | Continue to support ongoing adoption and implementation of IAASB pronouncements. This includes review of the implementation of the Action Plan to date and updating the Action Plan for future activities as necessary. | Ongoing | T & SC | T & SC/ Secretary General |
| 39. | Sep. 2009 | Review ISA Guide and develop necessary guides for Small and Medium Practices. | Oct. 2010 | T & SC | T & SC/ Council |
| <i>Maintaining Ongoing Processes</i> | | | | | |
| 40. | Ongoing | Continue to support ongoing adoption and implementation of IAASB pronouncements. This includes review of the implementation of the Action Plan to date and updating the Action Plan for future activities as necessary. | Ongoing | T & SC | T & SC/ Council |
| <i>Review of IACPA's Compliance Information</i> | | | | | |
| 41. | Ongoing | Perform periodic review of IACPA'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 | T & SC | T & SC/ Secretary General |

Action Plan Subject: SMO 4 and IFAC Code of Ethics
Action Plan Objective: Ensure alignment of IACPA Code of Ethics with IFAC Code

| # | Start Date | Actions | Completion Date | Responsibility | Resource |
|---|------------|---|-----------------|----------------|-----------------------|
| Background: | | | | | |
| The Standard Setter (Audit Organization) has currently a project going on revising Professional Code of Ethics. Its new Code of Ethics based on revised IFAC Code of Ethics with due consideration to Iranian laws and regulations; it is due for publication within next few months. IACPA has previously adopted IFAC Code of Ethics, issued in 2004 and is going to adopt the new Code of Ethics issued by the Audit Organization for its members. Also it intends to issue guidance for its members and incorporate it into CPD and training courses. | | | | | |
| 42. | Ongoing | Form an EC as per IACPA Bye-Laws to perform the following functions: <ul style="list-style-type: none"> ▪ Review, modify and adopt Code of Ethics issued by Iranian Standard Setter ▪ Provide policies and procedures for informing IACPA members of Ethical issues. ▪ Review questions and complaints raised concerning Ethical issues and non-compliance of CE. ▪ Report non-compliance of CE to the Secretary General. | Ongoing | EC | CE/ Council |
| 43. | Ongoing | Review the revised CE when issued | 6 months | EC | CE/ Secretary General |
| 44. | 2003 | Monitor issues reported by members against the coverage of the Code | Ongoing | EC/ QCD | EC/ QCC/ QCD |
| 45. | Ongoing | Include more specific coverage of Ethics matters into the IACPA's CPD programs | Ongoing | EC | EC/ E & RB |
| 46. | Ongoing | Monitor developments and amendments to the IFAC Code to incorporate into IACPA's Code | Ongoing | EC | EC/ Council |
| 47. | 2004 | Communicate by means of website, newsletters and similar media developments affecting | Ongoing | EC | EC/ Secretary General |

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| # | Start Date | Actions | Completion Date | Responsibility | Resource |
|---|-------------------|--|------------------------|-----------------------|-----------------------|
| | | IACPA members. | | | |
| 48. | Dec. 2008 | Review and better the IACPA Disciplinary Rules. | July 2009 | EC | EC/ Council |
| <i>Maintaining Ongoing Processes</i> | | | | | |
| 49. | Ongoing | Continue to support ongoing adoption and implementation of the IFAC Code of Ethics. This includes review of the implementation of the Action Plan to date and updating the Action Plan for future activities as necessary. | Ongoing | EC | EC/ Council |
| <i>Review of IACPA's Compliance Information</i> | | | | | |
| 50. | Ongoing | Review of IACPA response to the IFAC Compliance Self Assessment questionnaires periodically 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 | EC | EC/ Secretary General |

Action Plan Subject: SMO 5 International Public Sector Accounting Standards
Action Plan Objective: Ongoing Convergence with requirements of SMO 5. Further improve and maintain process for ongoing compliance with IPSASs.

| # | Start Date | Actions | Completion Date | Responsibility | Resource |
|--|------------|---|-----------------|----------------|---------------------------|
| Background: | | | | | |
| IACPA though has no responsibility with regards to the public sector standards but uses its best endeavors to inform Audit Organization of all notable IPSAS and IPSASB activities. Most of public Sector in Iran use cash basis of accounting. However, a number of public sector organizations are turning to accrual basis of accounting and they use IFRSs as their standards. | | | | | |
| 51. | Ongoing | IACPA will continue to use its best endeavors to encourage Audit Organization to adopt IPSAS | Ongoing | T & SC | T & SC/ Secretary General |
| 52. | Ongoing | Review the requirements of IPSAS | Ongoing | T & SC | T & SC |
| <i>Maintaining Ongoing Processes</i> | | | | | |
| 53. | Ongoing | Continue to identify opportunities to further assist in implementation of IPSASs. This includes review of the implementation of the Action Plan to date and updating the Action Plan for future activities as necessary. | Ongoing | T & SC | T & SC |
| <i>Review of IACPA's Compliance Information</i> | | | | | |
| 54. | Ongoing | Perform periodic review of IACPA'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 | T & SC | T & SC/ Secretary General |

Action Plan Subject: SMO 6 and Investigation and Discipline
Action Plan Objective: Improve and ensure ongoing maintenance of IACPA Investigation and Discipline System

| # | Start Date | Actions | Completion Date | Responsibility | Resource |
|--|------------|--|-----------------|-----------------------|----------|
| <i>Background</i> | | | | | |
| IACPA uses its best endeavors to design and operate its I&D program with consideration to SMO 6 requirements. IACPA, by its constitution, has an Ethics Committee to deal with members' ethical issues and a number of Disciplinary Tribunals and a Board of Appeal for investigation and judgment. The Ethics Committee is composed of seven knowledgeable and experienced practicing and non-practicing CPAs. Disciplinary Tribunal is composed of three professional practicing and non-practicing CPAs. The Board of Appeal consists of one non-practicing CPA representing IACPA High Council, one non-practicing CPA representing Ministry of Economic Affairs and Finance and one judge representing Ministry of Justice. | | | | | |
| 55. | 2003 | Monitor complaints' work load. | Ongoing | Secretary General | DB |
| 56. | 2003 | Conduct annual review of DB membership to ensure terms of office adhered to and appropriate levels and range of skills maintained. | Ongoing | DB/ Secretary General | DB |
| 57. | 2005 | Continue to ensure IACPA's investigation and disciplinary mechanism continues to address all SMO 6 requirements. This includes review of existing mechanism and updating the Action Plan for future activities where necessary. | Ongoing | Secretary General | DB/ EC |
| <i>Maintaining Ongoing Processes</i> | | | | | |
| 58. | Ongoing | Continue to use best endeavors to ensure IACPA's investigation and disciplinary mechanism addresses all SMO 6 requirements. This includes review of the implementation of the Action Plan to date and updating the Action Plan for future activities as necessary. | Ongoing | DB/ Secretary General | DB |

| # | Start Date | Actions | Completion Date | Responsibility | Resource |
|---|------------|---|-----------------|-------------------|----------|
| <i>Review of IACPA's Compliance Information</i> | | | | | |
| 59. | Ongoing | Perform periodic review of IACPA'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 republish updated information. | Ongoing | Secretary General | DB |

Action Plan Subject: SMO 7 and International Financial Reporting Standards

Action Plan Objective: Continue to use best endeavors to maintain and continuously improve an ongoing programme for adoption and implementation of IFRS

| # | Start Date | Actions | Completion Date | Responsibility | Resource |
|---|------------|---|-----------------|------------------------------|---|
| <i>Background</i> | | | | | |
| As was stated in SMO 3, standard-setting in Iran in the accounting, ethics, and auditing and related services areas is vested with the Audit Organization. IACPA uses its best endeavors to incorporate standards issued by IASB in Iranian Standards through its official representatives on said Committees and assists with the implementation of Standards through its CPD program and Quality Assurance Reviews. | | | | | |
| 60. | 2003 | Maintain position and use best endeavors to co-operate with standards setter. | Ongoing | T & SC/ Secretary General | T & SC |
| 61. | 2004 | Use best endeavors to incorporate International Standards in Iranian standards. | Ongoing | T & SC | T & SC/ Secretary General/ Representatives |
| 62. | 2004 | Hold discussions with Iranian Standard setters. | Ongoing | T & SC/ Secretary General | T & SC/ Secretary General/ Representatives |
| 63. | Ongoing | Continue to use best endeavors by identifying opportunities to further assist in implementation of IFRS. This includes review of existing activities and updating the Action Plan for future activities where necessary. | Ongoing | T & SC | T & SC/ Secretary General |
| <i>Maintaining Ongoing Processes</i> | | | | | |
| 64. | Ongoing | Continue to use best endeavors by identifying opportunities to further assist in implementation of IFRS's. This includes review of the implementation of the Action Plan to date and updating the Action Plan for future activities as necessary. | Ongoing | T & SC | T & SC/ Secretary General |
| <i>Review of IACPA's Compliance Information</i> | | | | | |

| # | Start Date | Actions | Completion Date | Responsibility | Resource |
|-----|------------|---|-----------------|----------------|---------------------------|
| 65. | Ongoing | Perform periodic review of IACPA'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 republish updated information. | Ongoing | T & SC | T & SC/ Secretary General |