

## **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 Program 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](http://www.ifac.org/ComplianceAssessment/published_surveys.php)

### **Use of Information**

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

## **ACTION PLAN**

<b>IFAC Member:</b>	<b>Lithuanian Chamber of Auditors (LCA)</b>
<b>Approved by Governing Body:</b>	LCA Presidium
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## **GLOSSARY**

<b>AAA</b>	Authority of Audit and Accounting
<b>AI</b>	Accounting Institute of the Republic of Lithuania
<b>AQCC</b>	Audit Quality Control Committee of the LCA
<b>BAS</b>	Business Accounting Standards
<b>CPD</b>	Continuous Professional Development
<b>IAASB</b>	International Auditing and Assurance Standards Board
<b>IAESB</b>	International Accounting Education Standards Board
<b>IASB</b>	International Accounting Standards Board
<b>IES</b>	International Education Standards
<b>IESBA</b>	International Ethics Standards Board for Accountants
<b>IFAC</b>	International Federation of Accountants
<b>IFRS</b>	International Financial Reporting Standards
<b>IPSAS</b>	International Public Sector Accounting Standards
<b>IPSASB</b>	International Public Sector Accounting Standards Board
<b>ISA</b>	International Standards on Auditing
<b>ISQC 1</b>	International Standard on Quality Control 1
<b>LCA</b>	Lithuanian Chamber of Auditors
<b>LRLA</b>	Law of the Republic of Lithuania on Audit effective September 2008 (harmonized with the EU legal acts: 78/660/EEC, 83/349/EEC, 2002 /590/EC, 2003 /51/EC, 2006 /43/EC)
<b>QA</b>	Quality Assurance
<b>SMOs</b>	Statement of Membership Obligations

**Action Plan Subject:**           **Statement of Membership Obligation (SMO) 1 – Quality Assurance (QA)**

**Action Plan Objective:**       Further Improvement of Quality Assurance System in Line with the SMO 1 Requirements.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<p><i>Background:</i></p> <p>Until the new Law on Audit became effective (2005-September 1. 2008), the Lithuanian Chamber of Auditors (LCA) was legally obligated to supervise the activities of the audit profession and to establish a quality assurance (QA) review system for all audits of financial statements. LCA administered the Audit Quality Control Committee (AQCC), which used a QA review system based on peer reviews. AQCC was an external body and was composed of members of LCA, Ministry of Finance and other organizations.</p> <p>According to the new Law on Audit, active from 1<sup>st</sup> of September 2008, a responsibility to exercise QA was delegated to the Public Oversight Body, the Authority of Audit and Accounting (AAA) jointly with LCA. AAA was previously called the Accounting Institute of the Republic of Lithuania (AI). AAA has ultimate responsibility for tasks such as registration and quality control of auditors. In addition, AAA retains its accounting standard setting role.</p> <p>LCA has updated its quality assurance system in accordance with the International Standards of Quality Control (ISQC) 1 requirements in January 2009. All audit firms and their partners are subject to a quality assurance review program. Quality assurance reviews are performed by auditor controllers, who are proposed by LCA and approved by AAA. These controllers have to be practicing auditors, have additional practicing course in order to maintain knowledge for reviews. The updated QA procedures require all auditors and auditing listed companies to be subject to inspection at least once every three years while the rest undergo QA every six years. Follow up audit quality assurance review is performed after one year if during a standard review significant inadequacies were found. The entire QA process is supervised and final decisions are taken only under consultations with the AAA. Only the AAA is required to impose a penalty on auditors or audit firms.</p> <p>In assisting LCA members to understand requirements of ISQC 1, LCA organized the training for Lithuanian auditors. ISQC 1 was translated into Lithuanian language and published on its website.</p>					
<p><i>Improving Quality Control System</i></p>					
1.	September 2009	Extend the requirement for all audit firms to implement quality control system for other than audit professional services provided by the audit firms.	December 2010 Completed	LCA Audit Quality Control Committee	LCA staff

*Action Plan Developed by  
Lithuanian Chamber of Auditors (LCA)*

#	Start Date	Actions	Completion Date	Responsibility	Resource
2.	July 2009	Organize Continuous Professional Development (CPD) training for full implementation of ISQC 1 (clarity) for all types of audit firms.	Ongoing	LCA Education Committee	LCA staff
3.	October 2010	Prepare new quality assurance review questionnaires for auditors and controllers in accordance with Clarity International Standards on Auditing (ISA)s.	December 2011	LCA Quality Control Committee	LCA staff
4.	September 2008	Organize training for auditors and controllers on the most significant and the most frequent issues identified during reviews of audit firms.	Ongoing	LCA Quality Control Committee and Education Committee	LCA staff
<i>Maintaining Ongoing Processes</i>					
5.	November 2008	Ensure that the LCA review program is operating effectively and continues to be in line with SMO 1 requirements. This includes periodic review of operation of Audit QA system and updating the Action Plan for future activities where necessary.	Ongoing	LCA Quality Control Committee	LCA staff
<i>Review of LCA's Compliance Information</i>					
6.	November 2009	Perform periodic review of LCA response to 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 Compliance staff to republish update information.	Ongoing	LCA Director	LCA staff

**Action Plan Subject:** SMO 2 – International Education Standards (IESs) for Professional Accountants & IAESB Guidance

**Action Plan Objective:** Further Improvement of LCA’s Education System in Line with the SMO 2 Requirements

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Background:</i>					
<p>The International Education Standards (IES) requirements are respected both by LCA members and through examination of candidates seeking LCA membership.</p> <p>Candidates for LCA membership have to obtain a University Degree, complete a three-year practical experience requirement with the audit firm’s requirement and pass a final assessment to become members of the LCA. All candidates are required to take examinations in the following subjects: audit, accounting, taxation and company law. Candidates are also required to have sufficient knowledge in mathematics, statistics, information technologies, finance, financial analysis and other general subjects. Examination programs are renewed according to clarity ISAs. The LCA’s Auditors Examination Commission has 7 members, 4 of them appointed by LCA, 3 – by Ministry of Finance, all nominated by AAA.</p> <p>All auditors are subject to mandatory CPD program, entailing 120 hours of CPD within a 3 year period. The CPD program is developed by LCA. From September 2008 onwards the program for CPD includes compulsory part, as well as additional general education topics. LCA implemented a monitoring system for the actual education undertaken. The program for CPD is renewed every year Since 2010 the CPD program includes topics from clarity ISAs as well.</p>					
<i>Improving the Education System</i>					
7.	November 2009	Renew CPD and examination programs with new topics from clarity ISAs. Ensure inclusion of all new and updated ISA.	January 2010 Completed	Education committee	LCA staff
8.	November 2009	Finalize translation procedures and publish IESs.	September 2011	Education committee	LCA staff
<i>Maintaining Ongoing Processes</i>					

<b>#</b>	<b>Start Date</b>	<b>Actions</b>	<b>Completion Date</b>	<b>Responsibility</b>	<b>Resource</b>
9.	September 2008	Maintain an ongoing process to monitor new and revised IESs and incorporate them into education and examination requirements.	Ongoing	Education Committee	LCA staff
<i>Review of LCA Compliance Information</i>					
10.	December 2009	Perform periodic review of LCA response to 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 Compliance staff to republish update information.	Ongoing	LCA director	LCA staff

**Action Plan Subject:** **SMO 3 – International Standards, Related Practice Statements and Other Papers Issued by the International Auditing and Assurance Standards Board (IAASB)**

**Action Plan Objective:** Continue to Use Best Endeavors to Further Ongoing Convergence with ISA

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Background:</i>					
<p>The LCA initially translated ISAs in 2006. In 2008, LCA initiated the process for ongoing translation of the IAASB pronouncements in order to comply with its convergence objective. The 2008 Handbook was translated and published on the LCA website. From January 2009 National Standards on Audit have not been effective where all statutory audits, other engagements and related services have to be performed according to the IAASB Standards. In addition, the LCA supports the implementation of IAASB’s standards by providing CPD courses and uses its QA review system to monitor compliance with the IAASB pronouncements.</p> <p>During 2009 and 2010 clarity ISAs were translated and published on the official LCA website. The main work was done by LCA staff organizing translations, editing and expert reviews. In order to review translations, a commission of auditors, delegates from the Ministry of Finance, Securities Commission, Insurance Commission, Central Bank, and AAA was organized. All experts were working for approximately one year to reach compliance with the terms. Clarity ISAs are mandatory for all auditors and audit firms in Lithuania.</p>					
<i>Promoting an Ongoing Convergence Process and Implementation with IAASB</i>					
11.	September 2008	Finalize Clarity ISAs translation and publish on LCA website.	2010-2011 Completed	LCA director	LCA staff and Translation review committee
12.	September 2008	Review the IAASB Policy Position on modifications to IAASB Standards and make sure LCA complies with it.	Ongoing	LCA Audit Committee	LCA staff
13.	September 2008	Notify LCA members about IAASB exposure drafts, and proposed IAASB’s pronouncements and encourage members to comment.	Ongoing	LCA Audit Committee	LCA staff

<b>#</b>	<b>Start Date</b>	<b>Actions</b>	<b>Completion Date</b>	<b>Responsibility</b>	<b>Resource</b>
14.	October 2010	Translate and publish on LCA website (to LCA members) Guide to Quality Control for Small- and Medium-Sized Practices, Second Edition.	December 2011	LCA Audit Committee	LCA staff
15.	September 2008	Develop CPD training to support effective implementation of IAASB Pronouncements.	Ongoing	LCA Audit Committee, LCA Education Committee	LCA staff
<i>Maintaining Ongoing Processes</i>					
16.	September 2008	Support ongoing convergence with IAASB pronouncements. This includes review of the implementation of the Action Plan to date and updating to Action Plan for future activities as necessary.	Ongoing	LCA Audit Committee	LCA staff
<i>Review of LCA Compliance Information</i>					
17.	September 2008	Perform periodic review of LCA response to 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 Compliance staff to republish update information.	Ongoing	LCA director	LCA staff

**Action Plan Subject:** SMO 4 – International Ethics Standards Board for Accountants (IESBA) Code of Ethics

**Action Plan Objective:** Continue to Ensure that LCA Uses its Best Endeavors to Comply with the Requirements of the IESBA Code of Ethics

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Background:</i>					
According to the requirements of Law on Audit, all LCA members have to follow Code of Ethics for Professional Accountants. LCA translated and published the currently effective IESBA Code of Ethics for Professional Accountants					
In order to ensure the fulfillment of Code of Ethics, LCA has the Court of Honor. It is combined from 2 auditors and delegates from Ministry of Finance, Ministry of Economy and Ministry of Justice. The Court of Honor deals with questions regarding compliance of Code of Ethics and has right to impose penalties for auditors.					
<i>Supporting Adoption and Implementation of the Code of Ethics</i>					
18.	November 2009	Translate and publish Clarified Code of Ethics for Professional Accountants.	2010 Completed	LCA Committee on Ethics	LCA staff
19.	April 2010	Translate and publish changes of Code of Ethics for Professional Accountants.	December 2011	LCA Committee on Ethics	LCA staff
20.	November 2009	Prepare recommendations and implementation timeline for full implementation of Code of Ethics for Professional Accountants.	Ongoing	LCA Committee on Ethics	LCA staff
21.	October 2008	Organize training for LCA members on the updated 2011 Code of Ethics for Professional Accountants.	Ongoing	LCA Committee on Ethics	LCA staff
22.	January 2010	Notify LCA members about other pronouncements (those in addition to the Code of Ethics) developed by IESBA.	Ongoing	LCA Committee on Ethics	LCA staff

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Maintaining Ongoing Processes</i>					
23.	September 2008	Support ongoing adoption and implementation of the Code of Ethics for Professional Accountants. This includes review of the implementation of Action plan to date and updating the Action plan for future activities as necessary.	Ongoing	LCA director	LCA staff
<i>Review of LCA Compliance Information</i>					
24.	September 2008	Perform periodic review of LCA response to 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 Compliance staff to republish update information.	Ongoing	LCA director	LCA staff

**Action Plan Subject:** SMO 5 – International Public Sector Accounting Standards (IPSAS)

**Action Plan Objective:** Promoting the Use of International Public Sector Accounting Standards

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Background:</i>					
The Ministry of Finance is responsible for establishing Public Sector Accounting and Reporting Standards in Lithuania. Since 1 January 2010, all public sector entities have the duty to implement the Public Sector Accounting and Reporting Standards in Lithuania.					
Public Sector Accounting and Reporting Standards in Lithuania are prepared on the basis of International Public Sector Accounting Standards (IPSASs) and LCA sees the positive influence for accounting of public sector entities.					
<i>Promotion of IPSAS</i>					
25.	September 2008	Cooperate with the Ministry of Finance, responsible for the Public Sector Accounting and Reporting Standards.	Ongoing	LCA Accountancy and Tax Committee	LCA staff
26.	September 2008	Provide comments on the Public Sector Accounting and Reporting Standards prepared by the Ministry of Finance.	Ongoing	LCA Accountancy and Tax Committee	LCA staff
<i>Maintaining Ongoing Processes</i>					
27.	September 2008	Continue to use best endeavors by identifying opportunities to further assist in implementation of IPSASs. This includes review of the existing activities and updating the Action Plan for the future activities where necessary.	Ongoing	LCA director	LCA staff
<i>Review of LCA Compliance Information</i>					

<b>#</b>	<b>Start Date</b>	<b>Actions</b>	<b>Completion Date</b>	<b>Responsibility</b>	<b>Resource</b>
28.	September 2008	Perform periodic review of LCA response to 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 Compliance staff to republish update information.	Ongoing	LCA director	LCA staff

**Action Plan Subject:** SMO 6 – Investigation and Discipline

**Action Plan Objective:** Continuous Improvement and Development of System of Investigation and Discipline

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Background:</i>					
<p>The new Law on Audit improved the system of investigating and disciplining LCA members, and yet complications and challenges in the system still remain. Therefore LCA continues discussions with the Authority of Audit and Accounting (AAA) and other interested stakeholders to further develop the I&amp;D system. According to the Law on Audit, both LCA and AAA have rights to initiate sanctions, but in cases regarding audit quality only the AAA has right to approve sanctions given by LCA or make sanctions by itself.</p> <p>LCA established the Auditors' Court of Honor, which is powered to give sanctions regarding questions of ethics. The Auditors' Court of Honor is entitled to bring disciplinary action against the auditor regarding questions of ethics impose penalties for non-compliance with the Code of Ethics of Professional Accountants.</p> <p>The investigation of the Lithuanian auditors is performed by AAA. The investigation can be started if the complaint is provided, in the matter of inappropriate inspection or other basis. The investigation always has to be started if during inspection were determined sufficient violations of ISAs, ISQC 1.</p> <p>In case of audit firms of the European Union (EU) member states registered in the list of audit firms, the inspections and investigations of these audits may be performed only according to the procedure established by legal acts of the Republic of Lithuania. These actions would be performed by AAA.</p>					
<i>Improvement of System of Investigation and Discipline</i>					
29.	September 2008	Continue discussions with Ministry of Finance and AAA to improve legislative requirements for investigations and discipline to bring it in line with the SMO 6 requirements.	Ongoing	LCA Quality Control Committee	LCA staff
30.	September 2008	Continue to raise awareness with the Ministry of Finance and AAA regarding the components and key aspects of SMO 6.	Ongoing	LCA Quality Control Committee	LCA staff
<i>Maintaining Ongoing Processes</i>					

<b>#</b>	<b>Start Date</b>	<b>Actions</b>	<b>Completion Date</b>	<b>Responsibility</b>	<b>Resource</b>
31.	September 2008	Update the Action Plan for future activities where necessary.	Ongoing	LCA director	LCA staff
<i>Review of LCA Compliance Information</i>					
32.	September 2008	Perform periodic review of LCA response to 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 Compliance staff to republish update information.	Ongoing	LCA director	LCA staff

**Action Plan Subject:** SMO 7 – International Financial Reporting Standards (IFRSs)  
**Action Plan Objective:** Use Best Endeavors to Continue to Support Convergence with International Accounting Standards Board (IASB) and Support their Implementation

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Background:</i>					
Some categories of Lithuanian entities have the duty to implement IFRSs. Since 2008, all entities have the opportunity to choose to either implement IFRSs or Business Accounting Standards (BAS). All state entities, are obligated to implement IFRSs (Exemptions only exist if there is a good reason to not implement IFRSs).					
As AI was reorganized to AAA the responsibility for developing BAS was given to AAA. LCA will continue providing input to the BAS-setting process as well as promoting activities related to the implementation of IFRSs.					
<i>Promotion of IFRSs</i>					
33.	October 2008	Support the preparation and implementation of BAS participating in Accounting Standard Setting Committee of AAA.	Ongoing	LCA Accountancy and Tax Committee	LCA staff
34.	October 2008	Support the AAA Commission for IFRS translation to Lithuanian language review.	Ongoing	LCA Accountancy and Tax Committee	LCA staff
35.	2010	Promote implementation of IFRS and IFRS for SME's.	Ongoing	LCA Accountancy and Tax Committee	LCA staff
<i>Maintaining Ongoing Processes</i>					

<b>#</b>	<b>Start Date</b>	<b>Actions</b>	<b>Completion Date</b>	<b>Responsibility</b>	<b>Resource</b>
36.	October 2008	Continue to use best endeavors by identifying opportunities to further assist in implementation of IFRS. This includes review of the existing activities and updating the Action Plan for the future activities where necessary.	Ongoing	LCA director	LCA staff
<i>Review of LCA Compliance Information</i>					
37.	October 2008	Perform periodic review of LCA response to 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 Compliance staff to republish update information.	Ongoing	LCA director	LCA staff