

**MEMBER BODY COMPLIANCE PROGRAM**  
**ACTION PLAN DEVELOPMENT, MONITORING AND ENFORCEMENT**  
**PROCESS**

**Introduction**

Action Plans are developed by IFAC members and associates to illustrate how organizations are addressing requirements set out in the seven Statements of Membership Obligations (SMOs). IFAC members, including the most developed bodies, often note that the Action Plan process adds value to their continuous efforts to strengthen and improve the quality of the profession. The process is very useful as it allows consolidating in one place all that is being done to fulfill IFAC obligations. It also assists organizations in demonstrating to their stakeholders their strong commitment to quality and continuous improvement of the accountancy profession. In other words, the Action Plan is a useful tool for managing organization's commitment to SMOs and how it performs as a member body of IFAC.

The following document outlines agreed principles for review, approval and monitoring of Action Plan progress, as well as relevant enforcement actions for the IFAC Member Body Compliance Program, Action Plan phase.

**Action Plan Review and Finalization Process (as approved by the CAP in October 2008 with subsequent revisions agreed by the CAP)**

1. Initial Action Plans are prepared by organizations either (a) based on Policy Recommendations as developed by the Compliance staff, or (b) in the cases of developed professional accountancy bodies the Action Plans are prepared to demonstrate how the organizations address SMO requirements on an ongoing basis.
2. To ensure uniform presentation of published Action Plans, all members and associates are provided with the Action Plan template developed by staff and referred to the IFAC website for examples of published Action Plans.
3. All seven SMO areas need to be addressed by all members and associates.
  - a. For those SMO areas where organizations currently use their best endeavors they are asked to indicate what ongoing processes are already in place.
  - b. Where organizations do not have responsibilities for some SMO areas (e.g. they do not represent auditors and therefore SMO 1 and SMO 3 may not

be as relevant), they should at a minimum provide a short explanation in the background note and provide one or two action steps that may be relevant to the particular area.

4. Organizations are asked to present each SMO area in a separate section with:
  - a. A clear subject and objective line for each section.
  - b. Background information for each section that should indicate key contextual information including:
    - i. The organization responsible for the SMO area
    - ii. The role of the member or associate if it is not the responsible organization
    - iii. The status of incorporation of relevant international standards
    - iv. The ongoing process to review and incorporate international standards
  - c. Action steps covering:
    - v. Improvements – if necessary to fully comply with the SMOs
    - vi. New developments
    - vii. Ongoing processes in place
  - d. To emphasize the continuous nature of an Action Plan, at the end of each section an indication is included about the Action Plan and the compliance information being subject to regular review and updates to address new developments in international standards, environmental changes, etc. (for example adoption of Clarity ISAs, revised Code of Ethics, changes in the law, etc.)
5. Staff compares the draft Action Plan with confirmed Policy Recommendations to ensure that all Policy Matters are addressed, taking into consideration recent developments in the country.
6. Organizations are asked to clearly identify responsibility and resource information. Clear guidance is provided in the template to advise about the purpose of relevant columns:
  - a. the “responsibility” column should indicate the person or position responsible for carrying through specific action (for example president, CEO or committee chair)
  - b. the “resource” column should indicate those specific resources (human and financial) that are required to carry out the action

7. Organizations should indicate steps to seek additional resources where they are needed
8. Timetables should be realistic. Organizations are asked to ensure enough time is allocated for all steps in a realistic manner as well as indicate and explain priority SMO actions
9. Clear subheadings should be used in each SMO section to group actions related to the same process
10. The complete name of a relevant committee, board, or organization should listed and followed by its acronym the first time it appears in the Action Plan. Thereafter an acronym may be used. A glossary of acronyms should be included at the beginning of the document
11. IFAC members and associates have ownership of their Action Plans, and therefore draft plans are discussed and agreed by the leadership of the respective member or associate (typically that is the organization's Board, Council, or Chief Executive).
12. All agreed Action Plans are reviewed by the Senior Technical Manager or Director prior to final publication.

13. Upon publication, the staff:

- a. Indicates the time for soft update and annual update to the members or associate
- b. Notifies the CAP members and relevant Regional Organizations and Accountancy Groupings

*CAP Involvement*

14. The CAP continues to review a small representative sample of draft Action Plans, and reviews only those final proposed Action Plans that may be particularly complex or sensitive
15. Any specific issues raised by the CAP in relation to a draft Action Plan are discussed with the member or associate
16. The staff regularly provides detailed Action Plan status updates to the CAP during the Panel meetings.

**Action Plan Progress Monitoring (as approved by the CAP in January 2009 with subsequent revisions agreed by the CAP)**

Action Plans are meant to be evergreen documents updated and revised as necessary to address new developments and challenges. To ensure that meaningful progress of planned action steps is being made, the CAP and Compliance staff agreed on the process for an annual update on Action Plans (resulting in republication on the IFAC website) with less formal staff monitoring of progress after six months (soft updates).

*Soft Update*

Soft updates are designed to assist in maintaining relationship between members/associates and their assigned IFAC staff. Typically soft updates are conducted as conference calls. Discussions focus on:

1. Progress of key steps outlined in Action Plans:
  - a. Staff seeks to learn whether any major developments have occurred and if concerns exist with planned activities and/or related timetables
  - b. Where concerns exist, staff works with the organization to address them within a reasonable timeframe
  - c. While the discussions focus on main priorities, a quick line by line review of the Action Plan is also performed
2. Reinforcement of the message that Part 3 is an ongoing process focused on development and continuous improvement. Therefore, staff communicates to the member or associate:
  - a. Need for Action Plans to be updated to reflect actions completed and new actions to be addressed
  - b. Timetable for annual update
  - c. Progress is monitored by the CAP and staff, and progress report notes are prepared by staff and shared with the CAP
3. The staff also uses the call to clarify the progress made regarding developments in international standards (i.e. Clarity ISAs and revisions to the Code of Ethics, IFRS for SMEs).

*Annual Update*

12 months after the initial publication of Action Plans, members and associates are requested to provide an updated Action Plan that will be republished on the IFAC website. The process for annual update is as follows:

1. Upon receipt of the updated Action Plan the staff reviews it and works with IFAC member or associate to finalize the document and publish it on the IFAC website.
2. The Action Plan is updated for:
  - a. Completed actions
  - b. Revised timelines (if necessary); and
  - c. New developments.
3. Based on the review of the updated plan and discussions with the member or associate, the compliance staff updates the Part 3, Action Plan Progress Note
4. After the updated Action Plan is finalized, it is republished on the IFAC website.

*Reporting to the CAP*

File notes summarizing annual as well as soft updates are provided to the CAP.

**Enforcement Actions (as agreed by the CAP in January 2008 with subsequent revisions agreed by the CAP)**

With regards to organizations who fail to meaningfully participate in the IFAC Member Body Compliance program, the CAP and staff agreed on a set of guiding principles that were agreed with the IFAC Board.

*Action Plan Development Timelines*

1. Each stage of the initial development of the Action Plan is assigned a specific timeline:
  - a. 3 months to agree Policy Recommendations
  - b. 6 months to submit draft Action Plan (after the Policy recommendations are agreed)
2. For each stage the CAP and staff will consider the need for suspension two months after the allocated timeframe has passed
3. As the primary objective of the Compliance Program is that of encouragement and improvement reasonable extensions may be granted if:
  - a. Organizations maintain regular and open communication with the IFAC Staff;
  - b. Valid reasons are communicated to the staff for not meeting the agreed timeframes; and/or evidence of some progress is submitted
4. Staff continuously monitors submission deadlines and proactively reaches out to members and associates to:
  - a. Remind them of an approaching deadline
  - b. If the deadline has passed contacts them by email, phone, or fax to understand the reasons for the delay
  - c. The staff seeks assistance of the relevant Regional Organization and/or Accountancy Grouping to reach out to the non-respondent

*Suspension Considerations*

5. If no meaningful response is received within two months of the deadline, staff communicates the possibility of consideration for suspension from IFAC membership to the member or associate
6. CAP is advised of possible suspension
7. No earlier than two months after the deadline, if no meaningful communication is received, an official suspension warning letter is sent by the Director, Quality and

Member Relations (QMR) – via email and in hard copy via courier – to advise non-respondent that:

- a. They failed to meet the allocated timeframe and have not provided any reasonable explanation for not meeting the deadline
  - b. Suspension recommendation will be made to the next IFAC Board meeting
  - c. The member or associate can avoid suspension by contacting the Compliance staff and providing a meaningful explanation of delay and/or evidence of progress made prior to the Board meeting that will consider the suspension recommendation
8. If no meaningful response is received, the Board considers suspension recommendation
9. If suspension is approved by the Board, the Director, QMR in an official letter advises the relevant member or associate about:
- a. The fact of suspension for failure to participate in the Member Body Compliance Program
  - b. Steps that the suspended body needs to take to remove the suspension.

*Expulsion consideration*

10. Members and associates are generally given at least 9 months to cure the suspension. During the suspension period:
- a. The staff proactively reaches out the non-respondent including seeking assistance from relevant RO or AG and other contacts that can assist in reaching out to the member or associate in question
  - b. The CAP and staff considers whether expulsion recommendations should be made to the IFAC Board when the suspended body remains unresponsive
  - c. The non-respondent is officially advised about the possibility of expulsion
  - d. Expulsion recommendation is considered by the Board
  - e. If approved, the Board makes expulsion recommendation to the IFAC Council
  - f. The non-respondent is officially advised about expulsion recommendation being forwarded to the IFAC Council
  - g. If no meaningful response is received, the Council considers the expulsion recommendation.

11. If the Council approves expulsion recommendation, relevant IFAC Constitution and By-Laws provisions apply.
12. Organization is advised about the expulsion from IFAC membership in an official letter and is encouraged to contact the Developing Nations Committee who can provide guidance and facilitate assistance in required developments.