

## **BACKGROUND NOTE ON ACTION PLANS**

SMO Action Plans are developed by IFAC Members and Associates to demonstrate fulfillment of IFAC Statements of Membership Obligations (SMOs). SMOs require IFAC Members and Associates to support the adoption<sup>1</sup> and implementation<sup>2</sup> of international standards and other pronouncements issued by independent standard-setting boards under the auspices of IFAC as well as by the International Accounting Standards Board (IASB); and to establish a Quality Assurance (QA) review and Investigation and Disciplinary (I&D) systems.

IFAC Members and Associates conduct a self-assessment against the requirements of SMOs and identify areas where improvements are needed. Based on the results of the assessment, Members and Associates develop an SMO Action Plan to (a) demonstrate how they fulfill the requirements of the SMOs and (b) where some requirements are not yet addressed, to present plans towards their fulfillment.

SMO Action Plans are designed to be ever-green documents that provide a comprehensive description of the accountancy profession and its legislative and regulatory environment in the jurisdiction as well as the actions undertaken by IFAC Members or Associates to support adoption and implementation of international standards and best practices.

Regular updates of the SMO Action Plans are required as part of the IFAC Member Compliance Program.

### **Use of Information**

Please refer to the [Disclaimer](#) published on the Compliance Program website.

## **ACTION PLAN**

<b>IFAC Member:</b>	Institute of Chartered Accountants of Nepal (ICAN)
<b>Approved by Governing Body:</b>	ICAN Council/Accounting Standards Board (ASB) & Auditing Standards Board (AuSB)
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<sup>1</sup> *Adoption* is concerned with the decision that international standards are appropriate for use in specific national financial reporting environments and with the actions necessary to effect those decisions, including incorporation into national requirements or requiring the use of international standards through law. Adoption may include a process to review draft international standards, translation, public exposure of proposed standards, approval, incorporation into national requirements as necessary, and promulgation of final standards, and, where applicable, a convergence process to eliminate or minimize differences between international and national standards.

<sup>2</sup> *Implementation* may include a process to build awareness of the adopted standards, provide relevant education and training, develop or disseminate implementation guidance and any other activities that promote proper understanding and use of the standards in practice.

## GLOSSARY

<b>ASB</b>	Accounting Standards Board, Nepal	<b>IFRS</b>	International Financial Reporting Standards
<b>AuSB</b>	Auditing Standards Board, Nepal	<b>IPSAS</b>	International Public Sector Accounting Standards
<b>BOS</b>	Board of Studies	<b>IPSASB</b>	International Public Sector Accounting Standards Board
<b>CA</b>	Chartered Accountant	<b>ISA</b>	International Auditing Standards
<b>CAP</b>	Chartered Accountancy Professional	<b>ISQC</b>	International Standards on Quality Control
<b>CPD</b>	Continuous Professional Development	<b>MoF</b>	Ministry of Finance
<b>CPE</b>	Continuing Professional Education	<b>NPSAS</b>	Nepal Public Sector Accounting Standards
<b>DC</b>	Disciplinary Committee/ICAN	<b>NSA</b>	Nepal Standards on Auditing
<b>EC</b>	Education Committee/ICAN	<b>NSQC</b>	Nepal Standards on Quality Control-1
<b>ED</b>	Executive Director/ICAN	<b>OAG</b>	Office of the Auditor General
<b>EthC</b>	Ethics Committee/ICAN	<b>PDC</b>	Professional Development Committee
<b>FCA</b>	Fellow Chartered Accountant	<b>PEFA</b>	Public Expenditure & Financial Accountability
<b>FCGO</b>	Financial Controller General Office	<b>PR</b>	Peer Review (Quality Assurance Programme)
<b>GMCS</b>	General Management and Communication Skills	<b>PRB</b>	Peer Review Board/ICAN
<b>GON</b>	Government of Nepal	<b>QAB</b>	Quality Assurance Board
<b>I&amp;D</b>	Investigation and Discipline	<b>QA</b>	Quality Assurance
<b>IAASB</b>	International Auditing and Assurance Standards Board	<b>QMU</b>	Quality Monitoring Unit
<b>IAESB</b>	International Accounting Education Standards Board	<b>RA</b>	Registered Auditor
<b>ICAN</b>	Institute of Chartered Accountants of Nepal	<b>SME</b>	Small and Medium Enterprises
<b>IES</b>	International Education Standards		
<b>IESBA</b>	International Ethics Standards Board for Accountants		

**Action Plan Subject:** SMO 1–Quality Assurance  
**Action Plan Objective:** Ensure a Mandatory Quality Review Program is in Place for Those Members Performing Audits of Financial Statements of, as Minimum, Listed Companies

**Background:**

Audit Service Quality Assurance Review is one of the key functions of Institute of Chartered Accountants of Nepal (ICAN). It is the responsibility of the Institute to ensure that the members engaged in public practice comply with the standards made mandatory and, to have in place a proper system for maintaining quality of attestation service.

The ICAN/Auditing Standards Board (AuSB) developed and issued Nepal Standards on Quality Control-1 (NSQC-1) in line with International Standards on Quality Control (ISQC-1) and Nepal Standards on Auditing 220 on Quality Control for an Audits of Financial Statements. The AuSB has also developed and published Guidance Note to implement NSQC-1 in July 2010.

To oversee the quality assurance review as well as to enhance quality of attestation services, Government of Nepal, amended the Nepal Chartered Accountants Regulations (5th Amendment) 2004 in October 2015 by inserting the Regulation 103 to form the Quality Assurance Board (QAB). The QAB is chaired by the Past President of ICAN who is not in practice or a retired special class officer of the Government of Nepal (GON). The formation of the QAB will be in the first year of the every new Council and the tenure of the board will be normally three years. The first QAB has been formed in 2015.

The Existing Peer Review Board (PRB) has been replaced by the Quality Assurance Board. The Council has already approved statement on Peer Review in May 2007. The Peer Review Board has developed a Peer Review Manual and a training manual to carry out the training program effectively and help understand the scope of quality assurance review program. The Quality Assurance Board is independent from the Council and Committees of the ICAN formed under the Council. After the establishment of the QAB, the supervision and monitoring of quality assurance program has now been expanded to a review of practice units performing audit of other entities.

The Quality Review Board reviews on random selection of audits from the practice units performing audits of financial statements of listed companies. Subsequently this will be expanded to a review of practice units performing audit of other entities. The details of the responsibilities/ work of the Board in terms of attestation services has been determined. Normally the Board has taken over the work initiated by the Peer Review Board in the following manner.

- Stage–I: For Practice Unit engaged in attestation services of companies listed in securities exchange.
- Stage–II: For Practice Unit engaged in attestation services of companies listed in securities exchange, Bank, Insurance Companies and Public Sector Undertakings.
- Stage–III: In this stage, review will be made voluntary for all Practice Units. A practice unit not selected in any of the above may apply to the Board for the conduct of its peer review, and the Board shall take due cognizance of such request.

SN	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Development of the Quality Assurance System</i>					
1.	August 2006	Constitute an independent Peer Review Board (PRB) with approved Mandate for carrying out quality assurance review program.	May 2007 (Completed)	ICAN Council	ICAN Council, Staff and Peer Review Board
<i>Adoption of ISQC-1 as NSQC-1</i>					
2.	August 2006	Issue NSQC-1 in line with ISQC-1 for mandatory application with effect from July 2008. (Auditing Standards Board has developed NSQC-1 in line with International Auditing Standards (ISA). Accordingly, NSQC-1 developed and issued for mandatory compliance).	January 2008 (Completed)	ICAN Council/ AuSB	ICAN Council and PRB
3.	Jan 2010	Publish Guidance Notes to implement NSQC-1 in July 2010.	July 2010 (Completed)	ICAN Council/ AuSB	ICAN Council and PRB
<i>Guidance and Implementation Support</i>					
4.	July 2007	Conduct orientation workshop of practitioners to ensure that the practitioners are ready for the reviews that begin in July 2007.	July 2009 (Completed)	PRB	ICAN Council and PRB
<i>Implementation Schedule</i>					
5.	June 2008	<u>Prepare roster of peer reviewers.</u> Organize Substantive Practical Training program to train the members who are qualified to be peer reviewer as per the criteria set out in statement of peer review.	(Completed)	PRB	ICAN Council and PRB
6.	July 2011	Set up a Quality Monitoring Unit (QMU) within ICAN to ensure proper functioning of the peer review system and prepare an action plan to address issues identified. The organization of the QMU will be decided by the PRB once the initial Peer Reviews have been carried out on firms carrying out audit of listed companies.	(Completed)	ICAN Council	ICAN Council, Members of QMU
7.	January 2012	Peer Review to begin on the basis of random selection from the practice units included in three different stages defined above.	(Completed)	PRB	ICAN Council and PRB Members
<i>Maintaining Ongoing Processes</i>					
8.	June 2012	Perform a review of the operations of the quality review system.	(Completed)	PRB	PRB with the assistance from ED

<b>SN</b>	<b>Start Date</b>	<b>Actions</b>	<b>Completion Date</b>	<b>Responsibility</b>	<b>Resource</b>
9.	June 2012	Continue to ensure that ICAN'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.	Ongoing	PRB/QAB	PRB/QAB with the assistance from ED
<i>Formation of Quality Assurance Board</i>					
10.	Dec 2015	Constitute an independent Quality Assurance Board (QAB) for carrying out quality assurance review program for the practice units.	Jan 2016	ICAN Council	Council, QAB and Supporting Staffs
11.	January 2016	Carry out a quality review of the operations of the quality of the services performed by the practice units as defined in the background.	Ongoing	QAB	QAB, Council and Supporting staffs
<i>Review of ICAN's Compliance Information</i>					
12.	Ongoing	Perform periodic review of ICAN's SMO Action Plan and update sections relevant to SMO-1 as necessary. Once updated inform IFAC Compliance staff about the updates to re-publish the updated information.	Ongoing	Council, ED and Compliance Staffs	Council and QAB

**Main Requirements of SMO 1**

Requirements	Y	N	Partially	Comments
<b>Scope of the System</b>				
1. At a minimum, mandatory QA reviews are required for all audits of financial statements.				
<b>Quality Control Standards and Other Quality Control Guidance</b>				
2. Firms are required to implement a system of quality control in accordance with the quality control standards.				
3. Most up to date versions of ISQC 1 and other relevant ISAs are adopted as the quality control standards.				
4. Member Body assists firms in understanding the objectives of quality control and in implementing and maintaining appropriate systems of quality control.				
<b>Review Cycle</b>				
5. A cycle-based, risk-based, or a mixed approach for selecting firms for QA review is used.				
6. For cycle-based approach, quality control reviews are required to take place at least every six years (and every three years for audits of public interest entities).				
<b>QA Review Team</b>				
7. Independence of the QA Team is assessed and documented.				

Requirements	Y	N	Partially	Comments
8. QA Team possesses appropriate levels of expertise.				
<b>Reporting</b>				
9. Documentation of evidence supporting the quality control review report is required.				
10. A written report is issued upon conclusion of the QA review and provided to the firm/partner reviewed.				
<b>Corrective and Disciplinary Actions</b>				
11. Reviewed firms/partners are required to make timely adjustments to meet recommendations from the review report.				
12. QA review system is linked to the Investigation and Discipline system.				
<b>Consideration of Public Oversight</b>				
13. The body responsible for QA reviews cooperates with its oversight body and shares information on the functioning of the QA review system, as needed.				
<b>Regular Review of Implementation and Effectiveness</b>				
14. Regular reviews of implementation and effectiveness of the system are performed.				

**Action Plan Subject:** SMO 2–International Education Standards for Professional Accountants and Other Pronouncements issued by the IAESB  
**Action Plan Objective:** Ensure that all IES Requirements are incorporated into the ICAN Professional Accountancy Education System – Focus on Promoting ICAN’s Own Qualification

**Background:**

The professional titles used by ICAN members are Chartered Accountants (CA) and Registered Auditors (RA). The Chartered Accountancy course is 4.25 years of full time study. The CA members who have completed 5 years of professional practice in accounting and auditing are designated as Fellow Chartered Accountant (FCA) and those who have less than 5 years professional practice are designated as Chartered Accountant (CA). Students who have completed their school education (10 years basic plus 2 years) may apply for admission into the Chartered Accountancy Professional (CAP)-I Level. The duration of the CAP-I Level is 6 months. Students who have completed graduate/post graduate degree with specified minimum score or the CAP-I Level may apply for admission in CAP-II Level. The duration of CAP-II Level is 9 Months. Similarly, students who have completed CAP-II Course are eligible for admission into the CAP-III/Final Level. Three years of practical experience training under a practicing Chartered Accountant is required during the CAP-III. The duration of the CAP-III together with practical training is 3 years.

With respect to the exams, the students have to first qualify the qualifying tests so as to make themselves eligible for the final examinations in each level. Further students have to go through 100 hours of Information Technology Training as well as 15 days full time General Management and Communication Skills (GMCS) Training during their study period of CAP-II & CAP-III level.

The final examination of CAP I consists of 3 papers carrying 300 weight to be attempted in a single attempt and shall declare successful with a minimum of 40% marks in each paper and an aggregate 50% of all the papers. Whereas CAP-II and CAP-III level consists of 7 and 8 papers respectively which are divided into two groups carrying 100 weight in each paper. A candidate shall be declared to have passed in each level if s/he passes both the groups (CAP-II & CAP-III) with a minimum of 40% marks in each paper of each group and an aggregate 50% of all the papers of the group.

To oversee the quality of professional education, Government of Nepal, recently amended the Nepal Chartered Accountants Regulations (5th Amendment) 2004 in October 2015 by inserting the Regulation 76 (A) to form the Board of Studies (BOS). The BOS will be chaired by the President, Vice President or Councilor of ICAN. The formation of the BOS will be in the first year of the every new Council and the tenure of the board will be normally three years. The Existing Education Committee (EC) will be replaced by the Board of Studies and BOS will be formed within December 2015.

Further, ICAN conducted the Information System Audit (ISA) certification course to the members of ICAN each year. In addition of the ISA certification course, ICAN has started the Diploma in IFRS course and International Taxation Course.

Members who are in public practice have to complete at least 15 hours of Continuous Professional Education (CPE) training each year and 60 credit hours in a rolling period of three years. This is a mandatory requirement with a view to enabling ICAN members to maintain high standards in the professional service. Initiation has been taken for online CPE structure from the fiscal year 2015-16 to the members apart from the structured learning activities of CPE. However, the CPE committee is working to increase the credit hours in compliance of minimum requirements of SMO.

Further, ICAN Council has made a decision that members in Industries shall also complete certain hours of either structured learning or structured learning each year with effect from July 16, 2016. However, the modalities of the learning guidelines yet to be ready to use.

SN	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Further Develop and Promote ICAN's Qualification</i>					
13.	August 2009	Carry out research on how other member bodies have structured and implemented their final assessment.	Ongoing	ED/ EC	ICAN Council and EC
14.	July 2009	Establish Education Committee to manage issues related to CA Education, revision of curriculum and ensuring compliance with IESs requirements.	(Completed)	ICAN Council	ICAN Council
15.	July 2012	Revise CA Curriculum in line with the IESs.	2014 (Completed)	EC/ Council	ICAN Council
<i>Strengthening IESs and New Developments</i>					
16.	July 2009	Introduce General Management and Communication Skills (GMCS) training with effect from 1 December 2011 to those who are qualified from ICAN before granting Membership as per IES-6 requirements of IFAC.	March 2012 (Completed)	ED / EC	ICAN Council and EC
17.	October 2008	Assessment and implementation of a more output-based approach system for CPE, including an improvement of requirement categorization, monitoring and sanctioning.	December 2016	ED / CPE Committee	ICAN Council and CPE Committee
18.	October 2013	Introduction of online CPE program including the categorization and result oriented program.	December 2016	ED/ CPE Committee	Council and CPE Committee
<i>Maintaining Ongoing Processes</i>					
19.	Ongoing	Continue disseminating theoretical knowledge and education on changes/amendments in Education Standards and technical standards through CPE.	Ongoing	ED/CPE Committee	Council and CPE Committee
20.	Ongoing	Monitor new and revised standards and incorporate them into education and examination requirements.	Ongoing	ED, EC	Council, EC and CPE Committee
<i>Formation of Board of Studies</i>					
21.	December 2015	Constitute Board of Studies (BOS) for carrying out quality professional education programme at par with other professional accounting organizations.	January 2016	ICAN Council	Council and BOS

SN	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Review of ICAN's Compliance Information</i>					
22.	Ongoing	Perform periodic review of ICAN's SMO Action Plan and update sections relevant to SMO-2 as necessary. Once updated inform IFAC Compliance staff about the updates to re-publish the updated information.	Ongoing	Council, ED and Compliance Staffs	Council and BOS

**Action Plan Subject:** SMO 3–International Standards and other Pronouncements Issued by the IAASB  
**Action Plan Objective:** Best endeavor to adopt and implement the Nepal Standards on Auditing (NSAs) developed by AuSB in line with International Auditing and Assurance Standards Board (IAASB) and Pronouncements

<b>Background:</b>					
<p>Formulation of Nepal Standards on Auditing (NSAs), is carried out by the Auditing Standards Board (AuSB) established under Section 15 (d) of Nepal Chartered Accountants Act 1997 by the Government of Nepal in 2003 and supported by ICAN. Although the Board is responsible for the standard development process, ICAN has the responsibility for pronouncement of the standards and regulating compliance with the standards. AuSB has developed Nepal Auditing Standards (NSAs) based on the IAASB’s Handbook of International Standards on Auditing-2012, Quality Control and other Assurance and Related Services.</p> <p>The Council of ICAN in its 197 Meeting held on 15 June 2015 has pronounced these standards to be applied voluntarily with effect from 17 July 2015 and mandatorily with effect from 16 July 2016. For the proper application of the auditing standards, building awareness about the adopted standards, providing relevant education and training, developing or disseminating implementation guidance and any other activities that promote proper understanding and use of the standards in practice has been initiated from the joint initiation of ICAN &amp; AuSB.</p>					
SN	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Convergence with ISAs</i>					
23.	2009	Develop two new NSAs in line with ISAs 265 and ISAs 402.	2012 (Completed)	AuSB	AuSB
24.	2009	Revise already developed NSAs in line with. 2012 version of ISAs.	2014 (Completed)	AuSB	AuSB
<i>Implementation Guidance</i>					
25.	November 2008	Develop 2 Guidance Notes and 2 Practice Statements to ease the implementation of NSAs.	2012 (Completed)	AuSB	AuSB
<i>Continuing Professional Development</i>					
26.	Ongoing	Conduct trainings, workshops, symposium on revised and new NSAs to educate members and stakeholders.	Ongoing	AuSB/CPE Committee	AuSB, ICAN Council, CPE Committee
<i>Maintaining Ongoing Processes</i>					
27.	Ongoing	Continue to support ongoing adoption and implementation of IAASB pronouncements. This includes review of implementation of Action Plan and updating Action Plan for future activities as necessary.	Ongoing	AuSB	AuSB & ICAN Council

<b>SN</b>	<b>Start Date</b>	<b>Actions</b>	<b>Completion Date</b>	<b>Responsibility</b>	<b>Resource</b>
<i>Maintain Ongoing Translation Process</i>					
28.	December 2015	Perform a translation of NSAs into native language for ease in understanding and application. Make translated standards publicly available through ICAN and Board's websites. Print translated NSAs into a booklet and make available for the members.	December 2016	AuSB	AuSB/ICAN
29.	Ongoing	Develop Implementation Guidance on NSAs assessing the requirements from member for proper implementation of NSAs.	Ongoing	AuSB	AuSB/ICAN
<i>Review of ICAN's Compliance Information</i>					
30.	Ongoing	Perform periodic review of ICAN SMO Action Plan and update sections relevant to SMO-3 as necessary. Once updated inform IFAC Compliance staff about the updates to republish the updated information.	Ongoing	AuSB /Council and Compliance Staffs	AuSB, Council and ED

**Action Plan Subject:** SMO 4–IESBA Code of Ethics for Professional Accountants  
**Action Plan Objective:** Ensure Alignment of ICAN Code of Ethics with IESBA Code of Ethics

**Background:**

The Council of ICAN took a decision in its 198th meeting held on 15 July 2015 to adopt the IESBA Code of Ethics 2014 version for its members and to enforce the same with effect from 1 January 2016. A handbook based on the 2014 Code has developed and published for the use of the members. The copy of handbook will shortly translated in the local language for the easy understanding by the members. Following IESBA's pronouncement regarding the Code of Ethics 2014, ICAN is planning to enforce the provisions of handbook through the monitoring committee. Some of the provisions of the Handbook are converged in compliance with the local laws regulations, and practices. However, these provisions are more stringent than the provisions enshrined in the IFAC Code of Ethics 2014.

Conversion process may include a process to review the international standards to eliminate or minimize differences between international and national standards. Application of the Ethics standards may include a process to build awareness of the adopted standards, providing education and training, developing/disseminating implementation guidance and other activities like through CPE that promote proper understanding and use of the ethical standards in practice.

SN	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Application of the Code of Ethics Standards</i>					
31.	2011	Conduct various programs to create awareness about the provisions stipulated in IESBA Code of ethics 2010 to the members.	Completed	Ethics Committee	ICAN council and Ethics Committee
32.	2011	Publish Handbook on Code of Ethics based on IESBA Code of Ethics 2010 incorporating various directives issued by Council to be complied with by members.	Completed	Ethics Committee	ICAN council and Ethics Committee
33.	2013	Translate Handbook on Code of Ethics (2010), into Nepali language and made available to the members.	Completed	Ethics Committee	ICAN council and Ethics Committee
34.	January 2014	Revision and Update ICAN adopted code of ethics in line with IESBA Code 2014, so as to make it practical and applicable in the local context.	July 2015 (Completed)	Ethics Committee	ICAN council and Ethics Committee
35.	June 2015	Publish the Handbook on Code of Ethics 2014 available to the members.	December 2015 (Completed)	Council/Ethics Committee	ICAN Council and Ethics Committee

<b>SN</b>	<b>Start Date</b>	<b>Actions</b>	<b>Completion Date</b>	<b>Responsibility</b>	<b>Resource</b>
36.	January 2016	Translation of Handbook in local Nepali language for the easy reference by the members.	December 2016	Council/Ethics Committee	Council/Ethics Committee
<i>Member Notification, Education and Promotion Activities</i>					
37.	January 2016	Produce case studies and provide ICAN's view as Frequently Asked Questions on Ethics Observance.	Ongoing	Ethics Committee	ICAN Council & ED
38.	January 2016	Include a topic on Ethics as a part of compulsory CPE to its members.	Ongoing	ED and Ethics Committee	ICAN Council and Ethics Committee
<i>Code of Ethics Interpretation / Advice / Counseling</i>					
39.	January 2016	Prepare directives on various issues related to ethics observance and publish for members' notification frequently.	Ongoing	ED and Ethics Committee	ICAN Council and Ethics Committee
<i>Proposed Code of Ethics Revisions</i>					
40.	January 2016	Monitor the changes made to the IESBA Code of Ethics and adopt the changes following the existing due process. In particular, monitor closely the IESBA work program and proposed revisions to the IESBA Code of Ethics so they can be incorporated into ICAN's framework on a timely basis.	Ongoing	Ethics Committee	ICAN Council and Ethics Committee
<i>Review of ICAN's Compliance Information</i>					
41.	Ongoing	Periodic review of ICAN 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 to re-publish the updated information.	Ongoing	ED/Ethics Committee and Compliance Staffs	ICAN Council and Ethics Committee

**Action Plan Subject:** SMO 5–International Public Sector Accounting Standards and Other Pronouncements Issued by the IPSASB  
**Action Plan Objective:** Best Endeavors in Adoption and Implementation of Nepal Public Sector Accounting Standards (NPSAS)

<b>Background:</b>					
<p>The Government of Nepal entrusts the Accounting Standards Board, Nepal (ASB) with the responsibility to develop accounting standards for public sector too apart from the private sector. The ASB has developed Nepal Public Sector Accounting Standards (NPSAS) for financial reporting under cash basis of accounting based on the International Public Sector Accounting Standards (IPSAS). The Government of Nepal has approved to adopt NPSAS in public sector on 16 September 2009. Necessary policy and guidelines for adoption of the NPSAS are in process. The Government of Nepal has piloted the application of NPSAS in two line ministries namely Ministry of Physical Infrastructure and Transportation and Ministry of Women, Children and Social Welfare. The accounts of those two ministries have been prepared on cash basis /NPSAS. However the assessment and the opinion on the financial statements from the Office of the Auditor General (OAG) yet to be given. The Government is planning to implement NPSAS in other 16 Ministries including the Constitutional Organizations for the fiscal year 2014/15 by the end of 2015.</p> <p>ICANS has a good working relationship with Government bodies for the application of NPSAS and disseminate awareness about the application of NPSAS and migration process to NPSAS based accounting system from the erstwhile accounting system.</p>					
SN	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Preparation of Nepal Public Sector Accounting Standards (Cash Basis and Adoption by the Government)</i>					
42.	2007	Preparation of Nepal Public Sector Accounting Standards (NPSAS) in line with Cash Basis IPSAS and Submission to Nepal Government for approval and adoption.	2009 (Completed)	ASB	PEFA Steering Committee
43.	2009	Policy Decision by Government of Nepal for adoption of Cash Basis NPSAS. Final approval of Cash Basis Nepal Public Sector Accounting Standards with accounting policies, reporting formats, and implementation guides by Ministry of Finance for adoption.	2009 (Completed)	FCGO/MoF	PEFA Steering Committee
44.	2013	Implement NPSAS in two line ministry as pilot project The NPSAS based financial statements has been prepared for the financial year 2010-11, 2011-12 and 2012-13.	2014- (Completed)	FCGO	PEFA Steering Committee
45.	January 2015	Implement NPSAS in 16 ministries including government organizations as pilot project. The NPSAS based financial statements will be prepared for the financial year 2014-15.	December 2015	FCGO	PEFA Steering Committee
46.	2009	Regularly approach with the Government authorities to accelerate implementation of NPSAS.	Ongoing	FCGO/MoF	PEFA Steering Committee

<b>SN</b>	<b>Start Date</b>	<b>Actions</b>	<b>Completion Date</b>	<b>Responsibility</b>	<b>Resource</b>
<i>Maintaining Ongoing Processes</i>					
47.	2009	Organize workshops for disseminating NPSAS and implementation guide/instructions at required levels.	Ongoing	FCGO/MoF	OAG, FCGO and ASB
48.	2009	Organize trainings for implementation of NPSAS with a focus on reporting requirements as the basic accounting treatment remains similar to the existing cash basis accounting.	Ongoing	FCGO/MoF	OAG, FCGO and ASB
<i>Review of ICAN's Compliance Information</i>					
49.	Ongoing	Periodic review of Government'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 to re-publish the updated information.	Ongoing	ASB, ICAN Council and Compliance Staff	OAG, FCGO and ASB, Council

**Action Plan Subject:** SMO 6–Investigation and Discipline  
**Action Plan Objective:** Ensure Ongoing Maintenance of ICAN Investigation and Discipline System in line with SMO-6

<b>Background:</b>					
<p>A Disciplinary Committee (standing) chaired by one of the senior Council Members has been formed with 7 members as per Section 13 of the Nepal Chartered Accountants Act 1997 to investigate and recommend action to be taken on complaints lodged or information received against member's misconduct and /or violation of acts, rules, regulation and the code of ethics of ICAN. Further, a Monitoring Committee (non-standing) has been set up within ICAN to monitor the possible violations of the regulations, circulations and breach of code of ethics by the members. A member shall use professional judgment in applying the conceptual framework when resolving ethical issues at audit clients and the objectivity and independence of the auditor should never be compromised, in fact or appearance. Therefore, a member of the profession must obey with applicable laws, regulations, code of conduct and avoid any action that disgraces the professionalism.</p> <p>Regular reviews of the proper implementation and effectiveness of the investigation and disciplinary system has been performed to ensure that it functions as intended and in accordance with the requirements of SMO-6. Annual report has been prepared and made available to the public summarizing the results of disciplinary proceedings. Copies of the report shall also be made available, upon request, to the public authorities.</p>					
<b>SN</b>	<b>Start Date</b>	<b>Actions</b>	<b>Completion Date</b>	<b>Responsibility</b>	<b>Resource</b>
<i>Maintaining Ongoing Processes</i>					
50.	Ongoing	Liaison with other regulators (such as Nepal Rastra Bank – the Central Bank, the Securities Board of Nepal, the Inland Revenue Department, the Office of Company Registrar, Department of Cooperatives, Office of the Company Registrar, Insurance Board etc.) where ICAN members provide services and are subject to their actions for misconduct to establish a system of one window policy to take action against a member for misconduct by ICAN.	Ongoing	President/ ED Chairman DC	ICAN Council / ED and DC
51.	July 2009	Closely monitor violations of the Act and Rules and possible misconduct of ethics by members and accounting firms.	Ongoing	Monitoring Committee	ICAN Council and DC
52.	Ongoing	Update and educate members about the importance of disciplinary issues in the profession and the mechanism and working modality of the Investigation and Disciplinary system.	Ongoing	Member Section and PDD	ICAN Council and DC
53.	Ongoing	Review Annual Report from Disciplinary Committee and publish status of cases on disciplinary action taken in the annual report of the ICAN and upload the report on the website.	Ongoing	ICAN Council	ICAN Council and DC

<b>SN</b>	<b>Start Date</b>	<b>Actions</b>	<b>Completion Date</b>	<b>Responsibility</b>	<b>Resource</b>
54.	Ongoing	Monitor on a periodic basis the timeline of disciplinary cases both in investigation and where formal complaints have been laid down.	Ongoing	Disciplinary Committee (DC)	Professional Development Department, DC and ICAN Council
<i>Review of ICAN's Compliance Information</i>					
55.	Ongoing	Perform periodic review of ICAN's response to SMO Action Plan and <u>update sections</u> relevant to SMO 6 as necessary. Once updated <u>inform</u> IFAC Compliance staff about the updates to re-publish the updated information.	Ongoing	DC/ED and Compliance Staffs	DC & ED and Compliance Staffs

**Main Requirements of SMO 6**

Requirements	Y	N	Partially	Comments
<p><b>Scope of the system</b></p> <p>1. A system of investigation, discipline and appeals exists for the accountancy profession. The system is operational.</p>	Yes			Disciplinary Committee (standing) chaired by one of the senior Council Members is in existence to investigate and recommend action to be taken on complaints lodged or information received against member's misconduct and /or violation of acts, rules, regulation and the code of ethics of ICAN.
<p>2. Information about the types of misconduct which may bring about investigative actions is publicly available.</p>	Yes			
<p><b>Initiation of Proceedings</b></p> <p>3. Both a "complaints-based" and an "information-based" approach are adopted.</p>	Yes			
<p>4. Link with the results of QA reviews has been established.</p>	Yes			
<p><b>Investigative process</b></p> <p>5. A committee or similar body exists for performing investigations.</p>			Yes	Monitoring Committee and QAB.
<p>6. Members of a committee are independent of the subject of the investigation and other related parties.</p>	Yes			
<p><b>Disciplinary process</b></p> <p>7. A separate disciplinary committee/entity exists to make disciplinary decisions on referrals from the investigation committee.</p>	No			
<p>8. Members of the committee/entity include professional accountants as well as non-accountants.</p>	Yes			

Requirements	Y	N	Partially	Comments
9. The tribunal exhibits independence of the subject of the investigation and other related parties.				
<b>Sanctions</b> 10. The disciplinary system allows imposing an extensive range of penalties. It is particularly important to include (a) loss of professional designation; (b) restriction and removal of practicing rights; and (c) exclusion from membership.	Yes			
<b>Rights of representation and appeal</b> 11. A third appeals body exists which is separate from both the disciplinary committee and investigative committee.	Yes			
<b>Administrative Processes</b> 12. Timeframe targets for disposal of all cases are set.	Yes			
13. Tracking mechanisms to monitor progress in investigation and discipline and related procedures are established.	Yes			
14. Records of investigations and disciplinary processes are established.	Yes			
<b>Public Interest Considerations</b> 15. Activities are supported to ensure that the public is aware that an investigative and disciplinary system exists in the jurisdiction.		No		
16. A process for the independent review of complaints on which there was no follow-up is established.		No		
17. The results of the investigative and disciplinary proceedings are made available to the public.	Yes			

Requirements	Y	N	Partially	Comments
<p><b>Liaison with Outside Bodies</b></p> <p>18. There is an appropriate process for liaison with outside bodies on possible involvement in serious crimes and offences.</p>	Yes			
<p><b>Regular review of implementation and effectiveness</b></p> <p>19. Regular review of implementation and effectiveness of the system are performed and corrective actions are implemented.</p>	Yes			

**Action Plan Subject:** SMO 7–International Financial Reporting Standards and Other Pronouncements issued by the IASB  
**Action Plan Objective:** Best Endeavors in Adoption and Implementation of Nepal Financial Reporting Standards (NFRS)

**Background:**

The Accounting Standards Board (ASB) has been established under Section 15 (a) of the Nepal Chartered Accountants Act 1997, by the Government of Nepal in 2003 to develop the Nepal Accounting Standards (NAS)/Nepal Financial Reporting standards (NFRS). Although the Board is responsible for the development of Reporting Standards, however, ICAN is authorized by the Act to issue the standards and regulation of their compliance. Initially ASB has prepared the road map to converge the National Standards with International Financial Reporting Standards, which was expected to be implemented in July 2012. Initially, an action plan has been prepared and finalized by the ASB and ICAN to converged the national accounting standards with international financial reporting standards.

However, after the detail consultation and intensive meeting with the regulators and stakeholders, ICAN came in to the conclusion of adopting the IFRS on phase wise basis effective from financial year 2014-15 onwards. The implementation process has begun from mid July 2014 on a phased basis and applied to listed Multinational Manufacturing Companies and selected listed State Owned Enterprises (SOEs). The details of the implementation schedule has been uploaded in the ICAN website and published in National Newspapers, Journals and Newsletter of the ICAN and ASB. Accordingly, as per the provision of Section 11 of the Nepal Chartered Accountants Act, 1997, the Council meeting held on 13 September 2013 decided to pronounce the Nepal Financial Reporting Standards (NFRS) including IFRICs and SICs for implementation upon the recommendation from the Accounting Standards Board (ASB) which are prepared in line with International Financial Reporting Standard (IFRS).

For this purpose of application of NFRS effective in the corporate sectors, the NFRS, NAS and NPSAS Implementation Committee (Except Bank and Insurance Companies, two separate committees are formed for application of NFRS in banking industries and insurance industries), a non-standing committee, has been formed including representatives from the Ministry of Finance, Office of the Auditor General (OAG), Financial Controller's General Office (FCGO), the Central Bank, the Securities Board, the Insurance Board and the Office of the Company Registrar.

ICAN is regularly conducting IFRS certification course and Diploma IFRS course. ASB has also been conducted IFRS training and ToT program to ease the implementation process to members and regulators continuously. Accordingly, ASB and ICAN together has conducted several joint workshop, meetings and discussion program apart from the rigorous week-long program to the target groups and members of the ICAN. Further, ICAN and ASB has been closely working with the regulators, government officials and other stakeholders on implementation of NFRS in Nepal in schedule timeframe. The NFRS implementation date and the designated entities require implementations of NFRS shall starts effective from the Financial Year 2014-15 onwards and will be completed by Financial Year 2016-17. Thereafter all the entities shall prepare their NFRS compliant Financial Statements. However, early application of NFRS to the corporate entities and others is encouraged /recommended. ICAN is closely working with the Regulators (Central Bank, Insurance Board, Securities Board, Office of the Company Registrar), Ministry of Finance, FCGO and OAG for the effective implementations of NFRS.

SN	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Preparation of Action Plan for Convergence of Nepal Accounting Standards with IFRS</i>					
56.	2008	Accounting Standards for SMEs have been prepared on the basis of SAFA SMEs, IFAC SMEs and concerned NAS with certain modifications.	2010 (Completed)	ASB	ASB/Government Grants
57.	2008	Form Committee for preparation of Action Plan for convergence and adoption of IFRS.	2009 (Completed)	ASB	ASB/Government Grants
58.	2009	Prepare a draft action plan for adoption to be consulted with regulators and major stakeholders.	2009 (Completed)	ASB	ASB/Government Grants
59.	2012	Review the action plan and approve.	2012 (Completed)	ICAN/ ASB	ASB/Government Grants
<i>Maintaining Ongoing Processes</i>					
60.	2010	Disseminate the action plan and educate the stakeholders on the plan for adoption of IFRS.	September 2013 (Completed)	ICAN/ASB	ASB/Government Grants
61.	2010	Make necessary amendments in the relevant laws to ensure that IFRS is recognized by all relevant laws.	Ongoing	Regulatory authorities, Government (GON), ASB and ICAN	ASB and ICAN Council
62.	July 2013	Adoption from mid July 2014 on a phased basis starting with Multinational Manufacturing Companies listed in Securities Exchange and listed State Owned Enterprises (SOEs) with minimum paid up capital of Rs. 5 billion (except Banks and Financial Institutions under BAFIA Act, 2006).	July 2015	ICAN Council	ASB and ICAN Council
63.	July 2013	Adoption of NFRS in Commercial Banks, including State Owned Commercial Banks and all other Listed State Owned Enterprises (SOEs).	July 2016	ICAN Council	ASB and ICAN Council
64.	July 2013	All other Financial Institutions, all other SOEs, Insurance Companies, other Listed Companies and other Corporate Bodies/Entities not defined as SMEs or entities having borrowing facility with minimum of Rs. 500 million.	July 2017	ICAN Council	ASB and ICAN Council
65.	Dec 2015	Develop NFRS for SMEs in line with IFRS for SME issued by IFAC.	Dec 2016	ASB	ASB and ICAN Council
66.	Dec 2016	Pronounce NFRS for SMEs.	July 2017	ICAN Council	ICAN Council

<b>SN</b>	<b>Start Date</b>	<b>Actions</b>	<b>Completion Date</b>	<b>Responsibility</b>	<b>Resource</b>
67.	July 2013	Continue training and awareness programs on NFRS and accounting standards for SMEs.	Ongoing	ICAN Council	ASB and ICAN Council
68.	January 2016	Conduct a survey on IFRS compliance.	December 2018	ICAN Council	ASB and ICAN Council
<i>Review of ICAN's Compliance Information</i>					
69.	Ongoing	Perform periodic review of ICAN's SMO Action plan and <u>update sections</u> relevant to SMO-7 as necessary. Once updated <u>inform</u> IFAC Compliance staff about the updates to re-publish the updated information.	Ongoing	ICAN Council/ Compliance Staffs	ASB and ICAN Council



नेपाल चार्टर्ड अकाउन्टेन्ट्स संस्था  
THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NEPAL  
(Established under the Chartered Accountants Act, 1997)



च. नं.

Ref No.

22 December 2017

Alta Prinsloo

Executive Director, Quality & Development, and Chief Operating Officer

IFAC

New York, USA

AltaPrinsloo@ifac.org

Dear Alta,

**Subject: Letter to Confirm Institutional Support for the SMO Action Plan**

This letter is to confirm that the leadership of The Institute of Chartered Accountants of Nepal has reviewed the information contained in the SMO Action Plan prepared by The Institute of Chartered Accountants of Nepal as part of the IFAC Member Compliance Program and will provide institutional support for its implementation.

On behalf of the leadership of The Institute of Chartered Accountants of Nepal, I endorse publication of the SMO Action Plan on the IFAC website in the interests of transparency and to demonstrate our commitment to enhancing the quality and credibility of the accountancy profession worldwide.

Sincerely,

CA. Prakash Jung Thapa

President

The Institute of Chartered Accountants of Nepal

22 December 2017

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