

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 adoption¹ and implementation² 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

IFAC Member:	The Institute of Chartered Accountants of Sri Lanka (ICASL)
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¹ *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.

² *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

AAT	Association of Accounting Technicians of Sri Lanka
CASL	Institute of Chartered Accountants of Sri Lanka
CEO	Chief Executive Officer
CMA	Certified Management Accountants
ED	Exposure Draft
I&D	Investigation and Discipline
IAASB	International Auditing and Assurance Standards Board
IAESB	International Accounting Educational Standards Board
IASs	International Accounting Standards
IASB	International Accounting Standards Board
ICAP	Institute of Chartered Accountants of Pakistan
IESBA	International Ethics Standards Board for Accountants
IESs	International Educational Standards
IFRSs	International Financial Reporting Standards
IPSAS'	International Public Sector Accounting Standards
IPSASB	International Public Sector Accounting Standards Board
ISAs	International Standards on Auditing
ISQC 1	International Standard on Quality Control 1
PAO	Professional Accountancy Organization
PSASC	Public Sector Accounting Standards Committee
QA	Quality Assurance
SAFA	South Asian Federation of Accountants
SBE	Specified Business Enterprise
SEC	Securities and Exchange Commission
SLAASMB	Sri Lanka Accounting and Auditing Standards Monitoring Board
SLFRS/LKAS	Sri Lanka Accounting Standards
SLSQC 1	Sri Lanka Standard on Quality Control 1
SMEs	Small and Medium Enterprises
SMPs	Small and Medium Practices
SPLSAS'	Sri Lanka Public Sector Accounting Standards

Action Plan Subject: SMO 1–Quality Assurance
Action Plan Objective: Adopt a QA Standard Based on International Standard on Quality Control 1 (ISQC 1) and Comply with SMO 1 Requirement

Background

According to the Sri Lanka Accounting and Auditing Standards Act No.15 of 1995 the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) is the sole accounting and auditing standards setting authority in the country. The Act has defined certain enterprises to be Specified Business Enterprises (SBE), for which these standards have been made mandatory.

With this mandate CA Sri Lanka has adopted the national standard Sri Lanka Standard on Quality Control 1 (SLSQC 1) based on the International Standard on Quality Control 1 (ISQC 1) and is in the preliminary stages of establishing the basis for a Quality Assurance Review System. SLSQC1 was made applicable from 1st January 2013. Currently, the 2016 version of ISQC 1 is adopted.

In March 2012 approval was received for a World Bank grant which includes USD 198,200 for technical initiatives. This includes implementation of a Quality Assurance Review Program. These funds have been utilized as follows:

- To create awareness among practitioners on the requirements under SLSQC 01
- To develop a framework for a QA program with corresponding guidelines
- In awareness building for QAB members and assistance on the policy and planning process
- To train the QA Review Panel to undertake QA engagements and report their findings

Expertise were sought to assist in the AQA implementation process and CA Sri Lanka worked on a joint project with the Institute of Chartered Accountants in England and Wales (ICAEW) to strengthen the oversight and regulation of the audit function which was launched in February 2013.

A brochure on AQA was developed to familiarize the practicing members and firms with SLSQC 1 policies and procedures. CA Sri Lanka scheduled 10 half-a-day interactive sessions on SLSQC 1, practicing firms were taken through a comprehensive learning process on SLSQC 1.

A high level Audit Quality Assurance Board (QAB) was set up by the Institute to strengthen the quality of the professional practices and work programs of audit practitioners and thus a QA system internal to the auditing profession. Currently Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 is being amended and authority of AQA and may be amended and defined further.

CA Sri Lanka has direct responsibility in relation to SMO 1 and is therefore committed to establish a sustainable AQA Monitoring Regime.

More detailed information regarding CA Sri Lanka and its activities can be found on the website (www.casrilanka.com).

Adoption of ISQC 01

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Introduction of a Quality Assurance Mechanism</i>					
1.	January 2014	Extension of the scope to ALL audits of financial statements (priority for PIE audits)	Ongoing	Technical Manager	Quality Assurance Board

#	Start Date	Actions	Completion Date	Responsibility	Resource
2.	January 2014	To carry out preliminary assessment visits covering firms that audit Specified Business Enterprises (as defined in the Sri Lanka Accounting and Auditing Act No. 15 of 1995). This will be on voluntary basis.	Completed	Technical Manager	Quality Assurance Board
3.	October 2015	To recruit a full time quality assurance reviewer to conduct quality assurance reviews regularly where detail file (engagement) review will be covered as the phase 2 of the quality assurance programme. CA Sri Lanka is in the process of recruiting a quality assurance reviewer from the foreign country in order to perform the AQA activities with the foreign exposure.	Ongoing	Technical Manager	Quality Assurance Board
4.	December 2015	Implementation of discussion cum instruction session (Round Table Discussion on Audit Quality Assurance) at the Institute for the reviewers and representatives of the Council to interact with the SMPs who participated for the initial assessment reviews.	Completed	Technical Manager	Quality Assurance Board
5.	November 2016	Arrange a discussion at CA Sri Lanka for the members of the Quality Assurance Board with Mr. Jon Grant, Past Member of the International Auditing and Assurance Standards Board (IAASB) to discuss and deliberate the framework for audit quality and way forward of AQA activities in Sri Lanka.	Completed.	Technical Manager	Quality Assurance Board
<i>Maintain Ongoing Processes</i>					
6.	Ongoing	Review the QA Review System on an ongoing basis as compared to the international best practice SMO1. This includes reevaluating plans and updating the Action Plan.	Ongoing	Technical Manager	Quality Assurance Board
<i>Review of CA Sri Lanka's Compliance Information</i>					
7.	Ongoing	Perform periodic review of CA Sri Lanka SMO Action Plan and update sections relevant to SMO 1 as necessary. Once updated inform IFAC Compliance staff about the updates in order for the Compliance staff to republish updated information.	Ongoing	Technical Manager	Quality Assurance Board

QA Review Table

Requirements	Y	N	Partially	Comments
<p>Scope of the System</p> <p>1. At a minimum, mandatory QA reviews are required for all audits of financial statements.</p>				At present, AQA system is not mandatory. However, Sri Lanka Accounting and Auditing Standards Act No.15 of 1995 is being amended and provisions for AQA may be amended and may be defined further.
<p>Quality Control Standards and Other Quality Control Guidance</p> <p>2. Firms are required to implement a system of quality control in accordance with the quality control standards.</p>	Y			
<p>3. Most up to date versions of ISQC 1 and other relevant ISA are adopted as the quality control standards.</p>	Y			
<p>4. Member Body assists firms in understanding the objectives of quality control and in implementing and maintaining appropriate systems of quality control.</p>	Y			
<p>Review Cycle</p> <p>5. A cycle-based, risk-based, or a mixed approach for selecting firms for QA review is used.</p>				
<p>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).</p>				
<p>QA Review Team</p> <p>7. Independence of the QA Team is assessed and documented.</p>	Y			
<p>8. QA Team possesses appropriate levels of expertise.</p>	Y			

Requirements	Y	N	Partially	Comments
Reporting				
9. Documentation of evidence supporting the quality control review report is required.	Y			
10. A written report is issued upon conclusion of the QA review and provided to the firm/partner reviewed.	Y			
Corrective and Disciplinary Actions				
11. Reviewed firms/partners are required to make timely adjustments to meet recommendations from the review report.	Y			
12. QA review system is linked to the Investigation and Discipline system.	Y			
Consideration of Public Oversight				
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.	Y			
Regular Review of Implementation and Effectiveness				
14. Regular reviews of implementation and effectiveness of the system are performed.	Y			

Action Plan Subject: SMO 2–International Education Standards for Professional Accountants and Other Pronouncements issued by the IAESB
Action Plan Objective: Continuous Improvement in Line with SMO 2

Background

CA Sri Lanka is the premier accounting body in Sri Lanka incorporated by Act of Parliament in 1959. CA Sri Lanka has the direct responsibility of adaptation of IESs .As per the regulations of the Council CA Sri Lanka adhere to the IESs in the curriculum development process the said regulations further requires the members to comply with Continuing Professional Education. Since those standards should be adhered by CA Sri Lanka and not by third parties, there is no necessity to translate the same to local languages. CA Sri Lanka requires candidates to obtain relevant accounting education, pass a final assessment, and have three years of practical experience in order to be certified as a Chartered Accountant. Since 2010 CA Sri Lanka educational requirements are aligned with the International Educational Standards. New syllabus which will be effective in 2015, is in compliance with the IES 1-6 and the first examination under the new syllabus will be held in March 2015. IES 8 has been adopted in Sri Lanka and comprehensive training programs and developments were carried out to enhance the professional development of practitioners. CA Sri Lanka fully committed in meeting all International Federation of Accountants’ membership obligations. In keeping with this premise CA Sri Lanka launched the revised CPD guide in 2016, drawn in compliance with the requirement of IFAC. Accordingly, CPD is assessed using one of the three approaches namely, input-based approach, output-based approach and Combine approach. Members are required to comply with both the annual and three-years rolling requirement of 20 hours and 120 hours respectively. The primary responsibility of ensuring compliance with CPD lies with respective members. This applies in terms of both the CPD policy and the code of ethics. Failure to comply with any of these requirements will amount to misconduct by the respective members. CPD monitoring and evaluation takes place by way of reviewing a sample group of members to ensure that they are in compliance with the specified requirements. Moreover, each member is subjected to an individual and a strict evaluation criteria in the event of elevation to the “fellow” status from “associate” status.

A number of courses of action is available for non-compliance with CPD. However, the selected courses of action would depend upon the extent of the non-compliance, presence of mitigating factors and the historical performance with respect to CPD.

More detailed information regarding education, examinations, and practical training is available on the website (www.casrilanka.com).

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Strengthening Continuing Professional Development (CPD)</i>					
1.	Ongoing	All the CPD accredited programmes are communicated regularly to all the members through digital channels including emails containing e flyers, Mobile platforms. Further all CPD accredited events are listed under the event calendar displayed on CA Sri Lanka official web with the online registration facility.	Ongoing	CPD Secretariat	CPD Committee/ CPD Secretariat/ Resource Persons

#	Start Date	Actions	Completion Date	Responsibility	Resource
2.	Ongoing	CA Sri Lanka continuously looking to collaborate with local and international resources including subject matter experts to deliver high quality seminars, workshops, panel discussions, webinars. These workshops include high standard international resources such as Euromoney Training LLC, Duke Corporate Education, and INSEAD Global Campus. Further CPD committee committed to deliver seminar and workshops with various academia, industry experts local and international level to fulfil the demand of professional development of members while maintaining higher standards in delivery. Another development in this area is launching the CPD Online Academy providing members' remote access to enhance their knowledge through online programmes while obtaining CPD hours. CA Sri Lanka is complied with IES 7 and IES 8 from 2015.	Ongoing*	CPD Secretariat	Industry experts, local and overseas institutions. CPD Committee
3.	July 2013	Comprehensive Online CPD survey was carried out in July/ August 2016 to identify most demanding CPD areas among members. The committee has commenced implementing and execution of these programmes based on the high demand outcomes of the survey.	Ongoing*	CEO/ Chairman CPD Committee	CPD Secretariat
4.	Ongoing	New syllabus was launched in 2014 which will be effective in 2015 in compliance with the IES 1-6 comprising of three main pillars of knowledge, skills where the emphasis is communication and information technology, and personal where the emphasis is practical training and ethics. CA Sri Lanka has trained the lecturers, practical training providers and the examiners during the year 2015.	Ongoing*	Director Education & Examinations	Education Committee
Delivery of Training					
5.	July 2014	Following the seminar series organized on Sri Lanka Auditing Standards (SLAuS) and Sri Lanka Standard on Quality Control 1 – 2011 under the Clarity Project effective for audits of financial statements for periods beginning on or after 1 January 2014, CA Sri Lanka continues to organize seminars and workshops to build the awareness on Auditing Standards, including the workshops conducted to raise awareness on New/ Revised auditing standards..	Ongoing	Head of Technical	Representatives from Practicing Firms
6.	Ongoing	CPD Short sessions include skill development programmes both soft technical skills development programmes ,on Leadership, Strategic Management, Communication, Operational Management, Financial Management, Technical areas such as Accounting and Auditing Standards, updates on Code of Ethics etc.	Ongoing*	CPD Secretariat	Local and International resource persons

#	Start Date	Actions	Completion Date	Responsibility	Resource
7.	August 2014	CA Sri Lanka has organized a series of case study based workshops for the benefit of Small and Medium-sized Practices (SMPs). This workshop facilitated SMPs to apply Clarified Auditing Standards for the audit of SMEs. The series of 2-day workshops were designed to enable SMPs to carry out audits of SMEs in compliance with the Sri Lanka Auditing Standards and other Best Practices. This would be a continuous effort with the coverage of practical scenarios.	Ongoing*	Secretary – SMP Capacity Building Task Force	Representatives from Practicing Firms
8.	November 2016	CA Sri Lanka has co – branded and published IFAC recently issued brochure on Choosing the Right Service: Comparing Audit, Review, Compilation, and Agreed-Upon Procedures Services	January 2107	Secretary – SMP Capacity Building Task Force	SMP Capacity Building Task Force
9.	Ongoing	CA Sri Lanka has conducted series of seminars on the SLFRS for SMEs and SLFRS for Smaller Entities, covering regional areas of the country for the Small and Medium Practitioners (SMPs) and for Small and Medium Enterprises (SMEs).	Ongoing	Secretary – SMP Capacity Building Task Force	Representatives from Practicing Firms
<i>Maintaining Ongoing Processes</i>					
10.	Ongoing	Ensure that new and revised standards on auditing, financial reporting and ethics are incorporated into CA Sri Lanka’s training and education requirements.	Ongoing*	Director Education and Examination	Education and Curriculum Development Committee /Students Training and Development Committee
11.	Ongoing	Monitor the International Education Standards issued and ensure that the Institute’s education requirements are constantly up to date. CA Sri Lanka normally comments on the exposure drafts and other consultative papers issued by the IAESB.	Ongoing	Director Education and Examination	Education and Curriculum Development Committee Training Committee
12.	Ongoing	Review of ongoing work to ensure it is in line with the IFAC guidelines and update action plan.	Quarterly	CPD Secretariat	CPD Committee
13.	Ongoing	3 Months Rolling Plan and a tentative annual plan to accommodate the trends and core subject areas.	Ongoing	Deputy Manager - CPD	CPD Secretariat

#	Start Date	Actions	Completion Date	Responsibility	Resource
14.	January 2012	Promote the new CPD guide among the members to engage in verifiable and non-verifiable CPD activities that are more relevant to their current job role and scope.	Ongoing*	Director member Relations	CPD Secretariat / Business School
<i>Review of CA Sri Lanka's Compliance Information</i>					
15.	Ongoing	Perform periodic review of CA Sri Lanka's SMO Action Plan and update sections relevant to SMO 1 as necessary. Once updated inform IFAC Compliance staff about the updates in order for the Compliance staff to republish updated information.	Ongoing	Director Education and Examinations	Lecturer Practicing Accountant

Action Plan Subject: SMO 3—International Standards and other Pronouncements Issued by the IAASB
Action Plan Objective: Continuous Improvement in Line with SMO 3

Background

According to the Sri Lanka Accounting and Auditing Standards Act No.15 of 1995, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) is the sole accounting and auditing standards setting authority in the country. The Act has defined certain enterprises to be Specified Business Enterprises (SBEs), for which these standards have been made mandatory.

With this mandate CA Sri Lanka's Auditing Standards Committee regularly reviews IAASB pronouncements, and recommends to the Council the recommendation of Sri Lanka Auditing Standards and Sri Lanka Other Audit Pronouncements CA Sri Lanka has adopted IFAC 2016 publication and therefore latest standards are available in Sri Lanka without a significant time lag.

Efforts are currently focused on supporting the implementation of Sri Lanka Auditing Standards that are in line with the Clarity International Standards on Auditing (ISAs). The council of CA Sri Lanka has approved to issue the 2017 Sri Lanka Auditing Standards and Sri Lanka Standard on Quality Control (Volume I), Sri Lanka Standards on other Assurance Engagements and Related Services (Volume II), Framework for Audit Quality and Sri Lanka Framework for Assurance Engagements (Volume III) based on the latest edition of the auditing handbook by IFAC which was issued in 2016 December except for the ISA 250 (revised) on 20th December 2017 with modifications due to national requirements. Though the International Auditing Handbook includes the changes to the ISA 250 (Revised), *Consideration of Laws and regulations in an audit of financial statements* in response to the new ethical requirements addressing noncompliance with laws and regulations (NOCLAR) and related conforming amendments, the 2017 Sri Lanka Auditing Standards bound volume will exclude SLAuS 250 (Revised) and related conforming amendments to SLSQC 1, SLAuS 210, SLAuS 220, SLAuS 240, SLAuS 260 (Revised), SLAuS 450, SLAuS 500, SLSRE 2400 (Revised), SLSAE 3000 (Revised), SLSAE 3402, SLSAE 3410 and SLSRS 4410 (Revised).

According to the requirement of Sri Lanka Accounting and Auditing Standards Act No 15 of 1995 it is required to translate the standards in to local languages i.e. Sinhala and Tamil. The Institute of Chartered Accountants of Sri Lanka is responsible for the translations.

CA Sri Lanka has direct responsibility in relation to SMO 1 and is therefore committed to enhance the public trust and confidence placed in the audit profession to ensure members' compliance with established auditing standards.

More detailed information regarding CA Sri Lanka and its activities can be found on the Auditing Standards Committee website (<http://www.slaasc.lk/auditing>).

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Adoption and Implementation of Auditing Standards</i>					
16.	Ongoing	Consider details on ongoing process to adopt new and amended ISAs, comment on EDs, implementation support, education and awareness building, etc.	Ongoing*	Head of Technical	Statutory Auditing Standards Committee

#	Start Date	Actions	Completion Date	Responsibility	Resource
17.	March 2013	Conducted Industry group discussions (eg: Insurance) in order to capture main issues identified by preparers of financial statements and auditors for the Financial Institutions. Further programs would be conducted for other industries.	Ongoing	Head of Technical	The Members of the Institute who are updated with these developments.
18.	Ongoing	Ongoing monitoring and review of IAASB pronouncements following the IAASB's work program, and updating the Action Plan for future activities where necessary. Revisions and updates to Auditing Standards are made available on the Auditing Standards Committee website and also in the form of hardcopies.	Ongoing	Head of Technical	Statutory Auditing Standards Committee Sub Committee appointed by the Main Committee
19.	Ongoing	Conduct seminars in improving awareness of members around the Clarified ISAs. Technical support is provided by CA Sri Lanka via online inquiries, circulars, and education and training programmes.	Ongoing	Head of Technical	Representatives from Audit Firms Statutory Auditing Standards Committee
20.	July 2014	Conduct periodical seminars and workshops to promote better understanding of the auditing standards including the upcoming/revised with case studies.	Ongoing	Head of Technical	Representatives from Audit Firms Audit Faculty
<i>Review of CA Sri Lanka's Compliance Information</i>					
21.	Ongoing	Perform periodic review of CA Sri Lanka's SMO Action Plan 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	CEO/ Head of Technical	Statutory Auditing Standards Committee Sub Committee appointed by the Main Committee

Action Plan Subject: SMO 4–IESBA Code of Ethics for Professional Accountants
Action Plan Objective: Adoption and Implementation of the IESBA Code of Ethics

Background

The Institute of Chartered Accountants of Sri Lanka is directly responsible for adopting and implementing ethical standards for its members. The Code is mandatory for all members of CA Sri Lanka and members are expected to comply with the ethical requirements issued by the Institute. Apparent failure to do so can result in an investigation into the members conduct by the Ethics Committee and Council of the Institute. CA Sri Lanka issued the first Code of Professional Conduct and Ethics to its members in 1993, which was substantially in line with the IFAC Code. Subsequently a revised Code was issued in 2014 in line with IESBA 2012 Code and the latest is the CA Sri Lanka Code of Ethics Publication issued in 2016 which is in line with IESBA 2016 Code.

The Code of Ethics 2016 publication is substantially in line with the IESBA 2016 publication and without modifications. This publication is effective from 15 July 2017. CA Sri Lanka has organized series of seminars for its members to make aware about the amendments made to the prevailing code of ethics.

The CA Sri Lanka Code is available only in English.

CA Sri Lanka has incorporated ethics in the CA Sri Lanka Curriculum through executive, business, and corporate level subjects such as Assurance and Ethics, Business, Ethics and Audit, and Corporate Governance.

More detailed information regarding CA Sri Lanka and its activities can be found on the website (www.casrilanka.com).

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Adoption and Implementation of the IESBA Code of Ethics</i>					
22.	Q3 2016	Professional Conduct (Ethics) Committee completed its review process of 2016 IESBA Code with 2014 CA Sri Lanka Code of Ethics Publication in order to identify the required revisions. CA Sri Lanka has issued the Code of Ethics 2016 which is fully in-line with the Handbook of the Code of Ethics for Professional Accountants, 2016 Edition of IESBA.	Completed	Professional Conduct (Ethics) Committee	Professional Conduct (Ethics) Committee
23.	Q4 2016	Issued the revised Code of Ethics 2016 draft publication as an Exposure Draft for members' comments.	Completed	Professional Conduct (Ethics) Committee	Professional Conduct (Ethics) Committee
24.	November 2016	Launched the revised Code and conducted an Awareness Session on the revised provisions of the new Code which is applicable from 15 July 2017.	Completed	Professional Conduct (Ethics) Committee	Professional Conduct (Ethics) Committee

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Maintaining Ongoing Processes</i>					
25.	Ongoing	Monitor the upcoming changes to the IESBA Code of Ethics by way of deliberating on the Exposure Drafts issued by the IESBA and evaluating the impact of the changes and commenting on the proposed changes in such Exposure Drafts. In particular, monitor closely the IESBA work program and proposed revisions to the IESBA Code of Ethics so they can be incorporated into CA Sri Lanka's framework on a timely basis.	Ongoing	Professional Conduct (Ethics) Committee	Professional Conduct (Ethics) Committee
26.	October 2017	CA Sri Lanka together with South Asian Federation of Accountants (SAFA) has conducted the International Technical Workshop on Non-Compliance with Laws and Regulations (NOCLAR) in October 2017 with the presence of the Chairman of the International Ethics Standard Board for Accountants (IESBA). Further, CA Sri Lanka has organized series of seminars for the members of CA Sri Lanka and to the public and IESBA Board Member, Mr. Reyaz Mihular has delivered the presentations on the updates made to the Code of Ethics.	Completed	Professional Conduct (Ethics) Committee	Local and Foreign Resource Personnel
<i>Review of CA Sri Lanka's Compliance Information</i>					
27.	Ongoing	Perform periodic review of CA Sri Lanka's SMO Action Plan 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	Professional Conduct (Ethics) Committee	Professional Conduct (Ethics) Committee

Action Plan Subject: SMO 5—International Public Sector Accounting Standards and Other Pronouncements Issued by the IPSASB
Action Plan Objective: Best Endeavors to Encourage Public Sector Entities in Sri Lanka to Improve their Financial Accountability, Financial Management and Financial Reporting in Line with SMO 5

Background

In Sri Lanka, enabling Acts of Parliament, Financial Regulations, Guidelines and Circulars issued by the General Treasury, Ministry of Finance & Planning and Line Ministries govern the issue of general purpose financial statements by public sector entities.

Standing alone, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) has no power to require the public sector to comply with Sri Lanka Public Sector Accounting Standards (SLPSASs). However, in line with current IFAC initiatives to improve the quality of general purpose financial reporting of public sector entities, Public Sector Accounting Standards are issued jointly by the CA Sri Lanka and the Ministry of Finance & Planning. The Public Sector Accounting Standards Committee (PSASC) includes four senior officers of the Ministry of Finance & Planning, who are formally nominated by the Ministry. By the end of 2016 CA Sri Lanka has been developed twenty (20) Public sector accounting standards (SLPSAS) which are in line with the IPSAS and simplified version of the standards has been formulated for Local Authorities. Government has already issued a circular requesting that Sri Lanka Public Sector Accounting Standards are implemented in all Statutory Boards (non-commercial public corporations) and local authorities, which already follow accrual based accounting. The Central Government and Provincial Councils will be asked to apply these standards once they complete the process of migration to accrual system of accounting.

Action has already been initiated to codify adoption of Sri Lanka Public Sector Accounting Standards (SLPSAS) into legal system of Sri Lanka by amending Sri Lanka Accounting & Auditing Standards Act, No. 15 of 1995.

As per the instructions sent by the Ministry of Finance and Planning (MOFP) to the Sri Lanka Accounting & Auditing Standards Monitoring Board (SLAASMB) secretary, the MOFP has approved the following amendments, inter alia, to the Sri Lanka Accounting & Auditing Standards Act No. 15 of 1995:

- Empower CA Sri Lanka to issue Sri Lanka Public Sector Accounting Standards (SLPSAS) with the concurrence of MOFP;
- Make SLPSAS applicable to all non-commercial Public Corporations, i.e., all State Owned Enterprises(SOEs), Ministries, Departments and Local Authorities;
- Empower the SLAASMB to monitor compliance with SLPSAS by the relevant public sector entities;
- To establish a Public Sector Accounting Standards Committee (parallel to current Accounting Standards Committee for Sri Lanka Accounting Standards) and to appoint a representative from MOFP to the Committee;
- Appoint a representative from public sector to the Auditing Standards Committee; and
- Appoint a representative from MOFP to the SLAASMB.

In March 2012 approval was received for a World Bank grant which includes USD 198,200 for technical initiatives. This includes a focus on closing gaps in the knowledge base of public sector accountants and introduction of a separate qualification aimed specifically at public sector accountants. Current activities include:

- Formulation and adoption of 10 Sri Lanka Public Sector Accounting Standards (SLPSAS) based on International Public Sector Accounting Standards (IPSAS). These standards were selected on need basis and another 5 standards were formulated based on IPSAS, selected on need basis. Volume – 1 – SLPSAS 1 to 4 was adopted effective 1 January 2011. Volume – 2 – SLPSAS 5 to 10 was adopted effective

1 January 2014. Slight modifications included changing 'IPSAS' to 'SLPSAS' and deleting paragraphs not applicable to Sri Lanka, but no material modifications were made.

- In July 2015, Asian Development Bank (ADB) provided funding for adopting another 10 SLPSAS based on IPSAS. This will be completed before end of December 2016. Thereafter there will be 20 SLPSAS altogether.
- Formation of Association of Public Finance Accountants of Sri Lanka (APFASL) as Public Sector Wing of CA Sri Lanka, consisting Accountants, Auditors & Assessors of the public sector as members of the Association, to handle activities relating to the improvement of public financial management.
- Launched a professional qualification "Chartered Public Finance Accountancy" (CPFA) for public sector accountants, auditors and assessors with the assistance of CIPFA London, in line with CIPFA International Public Financial Management (IPFM) qualification in February 2015.

Further, CA Sri Lanka signed an MOU with CIPFA (London) to offer full CIPFA membership for CA Sri Lanka members with 5 or more years of senior level experience in Government or the Public Sector and CIPFA Affiliate membership to other CA Sri Lanka Members and to members of Public Sector Wing, those who have passed entrance examination and have accountancy first degree.

APFASL/CA Sri Lanka has offered 135 CPFA member qualification with the guidance of CIPFA London on merit basis at the initial stage and has arranged to offer further limited number of memberships on the same basis. Other Public-sector accountants who are the member of APFASL are encouraged to follow the examination route to the same qualification. CA Sri Lanka will conduct the examinations.

CPD scheme has been formulated for CPFA members and introduced at the Orientation program held in November 2017. This is a combined approach and the Public Sector members are required to comply with the minimum 30 hour CPD annually.

CA Sri Lanka CPD scheme and CIPFA online CPD scheme are also expected to be followed when necessary to develop the Professional ability of CPFA members.

Sri Lanka Public Sector Accounting Standards 11-20 have been adopted based on IPSAS and published in SLPSAS volume III which will be effective from January 2018 onwards in the public sector in Sri Lanka.

The public sector wing (APFASL) of CA Sri Lanka has taken a progressive steps to formulate a single simplified public sector accounting standard for local authorities based on IPSAS and SLPSAS and issued an explanatory and illustrative guidance to implement the standard in local authorities in Sri Lanka. The cabinet of ministers in the legislature of Sri Lanka has approved the standard. APFASL has planned to assist public institutions and Local authorities to implement the new standards and accrual based accounting by conducting series of seminars and workshops.. APFASL has also planned to offer ICASL CPFA qualification to another batch of qualified senior officers in public sector.

All necessary steps have been taken to recognize members of Association of Public Finance Accountants of Sri Lanka (APFASL) part of CA Sri Lanka who receive the CASL CPFA designation as members of the Chartered Institute for Public Finance and Accountancy (CIPFA) London too.

CA Sri Lanka /APFASL prepares a check list and guidance of implementing accrual based accounting in SAFA countries

More detailed information regarding CA Sri Lanka and its activities can be found on the website (www.casrilanka.com).

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Establishing Convergence Mechanism and Process with IPSAS</i>					
28.	2015	Conversion of another 5 IPSAS, (IPSAS 23, 24, 13, 20 & 16) selected on need basis, into Sri Lanka Public Sector Accounting Standards	Completed	Head of Public Sector Unit	PSASC Committee Members
29.	Ongoing	Conduct seminars, workshops, awareness and training programs over the Island to Public sector employees to enhance the knowledge in Public Sector Accounting standards and financial management.	Continue	Head of Public Sector Unit	Seminar committees/Taskforce Consultants and Government projects
30.	2015	Implementation of Public Sector specific professional accountancy qualification for public sector financial staff with the assistance of the Chartered Institute of Public Finance & Accountancy (CIPFA) London	Completed	Head of Public Sector Unit	PSASC
31.	Ongoing	Perform Government and country requirement of Accounting Standards to establish the Financial Management in Public Sector compliance with IFRS and IFAC requirement too .	Ongoing	Head of Public Sector Unit	Consultants and Government projects
<i>Maintaining Ongoing Processes</i>					
32.	2016	Conversion of another 5 IPSAS, (IPSAS 11, 18, 27, 25 & 31) selected on need basis, into Sri Lanka Public Sector Accounting Standards making total of 20 SLPSAS. APFASL Board is regularly review IPSAs and update relevant stakeholders.	Completed	Head of Public Sector Unit	Committee Members
33.	Ongoing	Perform periodic review of CA Sri Lanka's SMO Action Plan 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.	Continued	Head of Public Sector Unit	Committee Members
34.	2017	Formulation of simplified version of Public Sector Accounting Standards for Local Authorities in three languages	Completed	Head of Public Sector Unit	Consultants team
35.	2017 Oct	Orientation Program for CPFA members has been organized by APFASL with the assistance of ADB and the CIPFA London	Completed	Head of Public Sector Unit	Local and foreign resource persons/Seminar committee
36.	2017 August	Translation and publication of simplified Public Sector Accounting Standards for Local Authorities in three languages	Ongoing	Head of Public Sector Unit	Translators and CA Srilanka

#	Start Date	Actions	Completion Date	Responsibility	Resource
37.	2017 November	Selection of second and final batch of most qualified senior officers in public sector financial management in Sri Lanka to offer CPFA qualification.	Ongoing	Head of Public Sector Unit	Selection committee.
38.	2017 Sept.	Placement of Best Annual Report Award Competition among public sector institutions in 2018	Ongoing	Head of Public Sector Unit	Committee
39.	2017 Dec.	Formulation of CPD scheme to all CPFA members	Ongoing	Head of Public Sector Unit	Head of Public Sector Unit
40.	2017 Oct.	Preparation of a Check list and a guidance of implementing accrual based accounting in SAFA countries	Ongoing	Head of Public Sector Unit	Head of Public Sector Unit/taskforce.

Action Plan Subject: SMO 6–Investigation and Discipline

Action Plan Objective: Continue to ensure members and the public understand how to raise complaints and the processes resolving them

Background

CA Sri Lanka has direct responsibility for setting the rules and operating the Investigation and Disciplinary system for its members. The I&D system of CA Sri Lanka is specified in the Act of Incorporation of the Institute and members are bound by that. The Act of Incorporation specifies the Acts of Professional Misconduct and the disciplinary procedure to be followed. The Professional Conduct (Ethics) Committee is responsible for carrying out investigations and recommend the actions to be taken if proved to be guilty of professional misconduct to the Council. In addition, the Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB) oversees compliance with auditing standards and CA Sri Lanka has representation on SLAASMB, so no overlap occurs during the compliance monitoring process.

The investigative process followed by CA Sri Lanka is briefly stated below;

When a complaint is received against a Member the Secretary acknowledges receipt of complaint and request to submit the information on the specified complaint form and informs the complainant, that it would be addressed. The Complaint is referred to the Member against whom the complaint has been made, and his observations/ explanations is called for. On receipt of observations/explanation of the person against whom the complaint was made, complaint is referred to the Professional Conduct (Ethics) Committee. The Professional Conduct (Ethics) Committee or a Panel of the Professional Conduct (Ethics) Committee studies the complaint. Where necessary, the complainant as well as the member against whom the complaint was made is interviewed by the Professional Conduct (Ethics) Committee or its Panel.

During the year 2016, two senior Non- Chartered Accountants (two senior lawyers) have appointed as members of the Professional Conduct (Ethics) Committee.

Any evidence / documentation available is considered, to see whether there is a prima facie case. Legal Opinion is consulted where necessary. If there is no prima facie case both parties are informed accordingly and the process and findings are intimated to the Council. If there is a prima facie case a report is submitted to the Council. As per the provisions of the Act of Incorporation, the Council appoints a Disciplinary Committee constituting three Members of the Council. Hence the disciplinary committee consist of only members of the Institute. Members of the council are CA Sri Lanka members as well. In this appointing process any conflict of interest with the subject matter will be taken in to consideration. A statement is prepared setting out the charges to be investigated by the Disciplinary Committee and the Secretary transmit a copy of the statement to each member of the Disciplinary Committee and the person whose conduct is the subject of investigation. Secretary gives notice of the first date fixed for the inquiry to the person whose conduct is under inquiry. Such notice to be given 14 days before the date fixed for inquiry.

The Secretary of CA Sri Lanka is the Secretary of the Disciplinary Committee. Every Disciplinary inquiry is held in camera. At the conclusion of the inquiry the Disciplinary Committee will submit a Report of the findings to the Council and send a copy of such Report to the person against whom the inquiry was held. The Council will take appropriate action thereafter.

If the complaint is proved the member concerned may be warned, reprimanded, or suspended from Membership, depending on the gravity of the lapse.

<p>As per the provisions of the Act of Incorporation, any person aggrieved by a decision of the Council may appeal against that decision to the Supreme Court.</p> <p>During the period January 2017– December 2017, 13 cases have been handled. During the period 7 cases were upheld and another 6 are pending.</p>					
#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Maintaining Ongoing Processes</i>					
41.	Ongoing	Appoint a separate independent committee on disciplinary matters will be appointed for every 2 years period in order to investigate and take actions on disciplinary matters.	Completed	CEO	Members of the Council
42.	Ongoing	Continue to publicize CA Sri Lanka I&D procedures via the website and distribution of the Act of Incorporation among members. Outcome of the Professional Conduct (Ethics) Committee publicize in the ABACUS journal. Further there is separate publication on Code of Ethics approved by the council of CA Sri Lanka.	Completed	CEO	CEO and legal officer
43.	Ongoing	Ensure the investigation and discipline of misconduct including breaches of professional standards by individual members is carried out in line with Section 17 (First Schedule) of Act of Incorporation. Professional misconduct has been defined in the Second schedule of the Act of incorporation.	Ongoing	CEO	Members of the Council & legal officer
44.	Ongoing	Ensure that the council exercises the power against any member, if satisfied that he is unfit to practice the profession of an accountant and auditor by reason that he has been guilty of professional misconduct.	Ongoing	CEO	Members of the Council & legal officer
45.	Ongoing	Continue to ensure CA Sri Lanka's investigation and disciplinary mechanism continues to addresses all SMO 6 requirements. This includes review of the existing mechanism and updating the Action Plan for future activities where necessary.	Ongoing	CEO	Members of the Council & legal officer
<i>Review of CA Sri Lanka's Compliance Information</i>					
46.	Ongoing	Perform periodic review of CA Sri Lanka's SMO Action Plan and update sections relevant to SMO 6 as necessary. Once updated inform IFAC Compliance staff about the updates in order for the Compliance staff to republish updated information.	Ongoing	CEO	Members of the Council & legal officer

SMO 6 Self-Assessment Table

Requirements	Y	N	Partially	Comments
Scope of the System				
1. A system of investigation, discipline and appeals exists for the accountancy profession. The system is operational.	Y			
2. Information about the types of misconduct which may bring about investigative actions is publicly available.	Y			
Initiation of Proceedings				
3. Both a “complaints-based” and an “information-based” approach are adopted.	Y			
4. Link with the results of QA reviews has been established.	Y			
Investigative Process				
5. A committee or similar body exists for performing investigations.	Y			
6. Members of a committee are independent of the subject of the investigation and other related parties.	Y			
Disciplinary Process				
7. A separate disciplinary committee/entity exists to make disciplinary decisions on referrals from the investigation committee.	Y			
8. Members of the committee/entity include professional accountants as well as non-accountants.	Y			
9. The tribunal exhibits independence of the subject of the investigation and other related parties.	Y			

Requirements	Y	N	Partially	Comments
<p>Sanctions</p> <p>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.</p>	Y			
<p>Rights of Representation and Appeal</p> <p>11. A third appeals body exists which is separate from both the disciplinary committee and investigative committee.</p>	Y			
<p>Administrative Processes</p> <p>12. Timeframe targets for disposal of all cases are set.</p>	Y			
<p>13. Tracking mechanisms to monitor progress in investigation and discipline and related procedures are established.</p>	Y			
<p>14. Records of investigations and disciplinary processes are established.</p>	Y			
<p>Public Interest Considerations</p> <p>15. Activities are supported to ensure that the public is aware that an investigative and disciplinary system exists in the jurisdiction.</p>	Y			
<p>16. A process for the independent review of complaints on which there was no follow-up established.</p>	Y			
<p>17. The results of the investigative and disciplinary proceedings are made available to the public.</p>	Y			

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

Action Plan Subject: SMO 7–International Financial Reporting Standards and Other Pronouncements issued by the IASB
Action Plan Objective: Adoption and Implementation of Accounting Standards in Line with SMO 7

Background

The Institute of Chartered Accountants of Sri Lanka is the body directly responsible for adopting accounting standards on recommendation by the Accounting Standards Committee. The national Accounting Standards for listed and other public interest entities (Specified Business Enterprises) are the IFRS adapted with modifications for nationalization purposes as required by the Sri Lanka Accounting and Auditing Standards Act No 15 of 1995.

According to the requirement of Sri Lanka Accounting and Auditing Standards Act No 15 of 1995, it is required to be translated into the local languages i.e. Sinhala and Tamil.

More detailed information regarding the Sri Lanka Accounting Standards can be found on the website dedicated for the Accounting Standards Committee: (<http://www.slaasc.lk/accounting>).

In March 2012 approval was received for a World Bank grant which includes USD 198, 200 for technical initiatives, which includes adoption and implementation of accounting standards as one component.

IFRS-aligned Sri Lanka Accounting Standards including the Standard for SMEs are effective from 1st January 2012 and 2015 Amendments to the IFRS for SMEs will be effective from 1st January 2017. IFRS 10, 11, 12, 13 are effective from 1st January 2014 and IFRS 14 is effective from 1st January 2016. IFRS 9 and IFRS 15 will be effective from 1st January 2018. IFRS 16 will be effective from 01 January 2019.

All IFRICs and SICs also have been adopted in Sri Lanka.

More detailed information regarding CA Sri Lanka and its activities can be found on the website (<http://www.slaasc.lk/accounting>).

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Notifying members of IFRS and IASB Exposure Drafts (SMO 7, paras 1, 2)</i>					
47.	Ongoing	Ensure details of IASB and IFRS Interpretations Committee (IFRSIC) discussion papers and exposure drafts, with information on how to contribute to CA Sri Lanka submissions, are maintained in the CA Sri Lanka web Site and communicate to the public.	Ongoing*	Head of Technical	Accounting Standards Committee
48.	Ongoing	Conduct round table discussions on Exposure Drafts on New International Accounting Standards.	Ongoing*	Head of Technical	Accounting Standards Committee

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Promulgation of Sri Lanka Accounting Standards.</i>					
49.	Ongoing	Follow the due review process and converge Sri Lanka Accounting Standards with International financial reporting Standards. Based on the recommendations of the Accounting Standards committee council adopts these standards in the local context. By December 2017, Sri Lanka Accounting Standards in line with International Accounting Standards 2017 (Consolidated without Early adoption) bound volume.	Ongoing*	Head of Technical	Accounting Standards committee.
50.	Ongoing	Translate all Accounting standards into two local languages, Sinhala and Tamil and gazette those standards. Any decision to change provisions of Accounting Standard would be communicated to members of CA Sri Lanka, regulatory authorities, academia and all other interested parties.	Ongoing*	Head of Technical	Statutory Accounting Standards committee and industry experts.
<i>Assist with the implementation of IFRS or IFRS-based standards (SMO 7, para 3b)</i>					
51.	July 2013	Establish the Financial Reporting Standards Implementation and Interpretation Committee to assist preparers of financial statements on the IFRS implementation and application issues.	Ongoing*	Head of Technical	Financial Reporting Standards Implementation and Interpretation Committee
52.	June 2015	IFRS e-learning module to be made available to CA Sri Lanka members under the world bank funding.	Ongoing*	Head of Technical	SLFRS Education Committee
53.	Ongoing	Conduct Annual Accounting Standards Seminar Series and workshops on IFRSs in order to educate members on the new developments of Accounting Standards based on IFRSs.	Ongoing*	Head of Technical	SLFRS Education Committee
<i>Review of CA Sri Lanka's Compliance Information</i>					
54.	Ongoing	Perform periodic review of CA Sri Lanka's SMO Action Plan and update sections relevant to SMO 7 as necessary. Once updated inform IFAC Compliance staff about the updates in order for the Compliance staff to republish updated information.	Ongoing*	CEO/Head of Technical	Statutory Accounting Standards Committee

16 February 2018

Ms. Alta Prinsloo
Executive Director, Quality and Development
International Federation of Accountants
529 Fifth Avenue
New York, NY 10017 USA

Dear Ms. Prinsloo,

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 Sri Lanka has reviewed the information contained in the SMO Action Plan prepared by the Institute of Chartered Accountants of Sri Lanka 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 Sri Lanka, 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,
**THE INSTITUTE OF CHARTERED ACCOUNTANTS
OF SRI LANKA**



Jagath Perera
PRESIDENT