

### **Background Note on Action Plans**

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

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

Refer to responses to the Part 1 Assessment of the Regulatory and Standard-Setting Framework Questionnaire and Part 2 SMO Self-Assessment Questionnaire for background information on each member and associate their environment and existing processes. These responses may be viewed at: [http://www.ifac.org/ComplianceAssessment/published\\_surveys.php](http://www.ifac.org/ComplianceAssessment/published_surveys.php)

### **Use of Information**

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

### **ACTION PLAN**

<b>IFAC Member/Associate:</b>	Institute of Accountants and Auditors of Montenegro (IAAM)
<b>Approved by Governing Body:</b>	Board of Directors
<b>Date Approved:</b>	April 2011
<b>Date Published:</b>	April 2011

## **Preface**

As there have been numerous changes to the profession in recent years. The following preface to the Action Plan has been provided.

In 2002, the Institute of Accountants and Auditors of Montenegro (IAAM) was established. After the passage of Montenegro's 2005 law on accounting and auditing, there was a decision among the membership to split the IAAM into two Professional Accountancy Organizations (PAOs): IAAM and the Institute of Certified Accountants of Montenegro (ICAM). Shortly thereafter, the membership also decided to establish a third PAO in Montenegro, the Chamber of Auditors of Montenegro. It should be noted that at times, membership overlaps between these three organizations.

The 2002 accounting and auditing law established that the IAAM would have the right to certify auditors and regulate the profession until the year 2005. It was stated that during 2007, there would be an open tender, by the Ministry of Finance, for determination of the organization which would have the right to certify and regulate the audit profession. During this time, the IAAM as well as a consortium consisting of the ICAM, the Serbian Association of Accountants and Auditors (SAAA) and the Faculty of Economics of the University of Podgorica tendered for these rights.

In 2007, the Ministry of Finance concluded their tender and offered these rights to the consortium, thus effectively giving the right for certification of auditors and regulation of the audit profession to the ICAM. Although presently, the country of Montenegro maintains three PAOs, it is the desire and goal of IAAM to work together with other two existing PAOs to combine efforts and create only one PAO for the country. In furtherance of this goal, IAAM has established a cooperation agreement with the Chamber of Auditors of Montenegro.

**GLOSSARY**

<b>ACCA</b>	Association of Chartered Certified Accountants
<b>CAT</b>	Certified Accounting Technician
<b>CPD</b>	Continuous Professional Development
<b>IAAM</b>	Institute of Accountants and Auditors of Montenegro
<b>IAASB</b>	International Auditing and Assurance Standards Board
<b>IAESB</b>	International Accounting Education Standards Board
<b>IASB</b>	International Accounting Standards Board
<b>ICAM</b>	Institute of Certified Accountants of Montenegro
<b>IES</b>	International Education Standards
<b>IESBA</b>	International Ethics Standards Board for Accountants
<b>IFAC</b>	International Federation of Accountants
<b>IPD</b>	Initial Professional Development
<b>IPSAS</b>	International Public Sector Accounting Standards
<b>IPSASB</b>	International Public Sector Accounting Standards Board
<b>ISA</b>	International Standards on Auditing
<b>ISQC</b>	International Standards on Quality Control
<b>PAO</b>	Professional Accountancy Organization
<b>SAAA</b>	Serbian Association of Accountants and Auditors
<b>SME</b>	Small and Medium Enterprise
<b>SMO</b>	Statements of Membership Obligations

**Action Plan Subject:** SMO 1 - Quality Assurance

**Action Plan Objective:** Promote, and participate in, the development of the Quality Assurance Review System

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Background:</i>					
Presently, the IAAM is working to develop a system of quality assurance in coordination with the Chamber of Auditors and Institute of Certified Accountants of Montenegro. IAAM sees coordination and cooperation among the PAOs as integral to the establishment of a strong, well-functioning system of quality assurance.					
<i>Promoting SMO1</i>					
1.	Dec. 2010	Initiate discussions with the National Council for Accounting, the Chamber of Auditors and the Institute of Certified Accountants of Montenegro about defining the role of each of above mentioned in implementation of the development of the Quality Assurance system.	June 2011	Executive Director	Management Board
2.	June 2011	Work with PAOs to define the model, position and the role of each partner in the next phase: establishment of a Quality Assurance Review Committee.	Sept. 2011	Executive Director	Management Board
3.	Sept.2011	Work with PAOs to establish a Quality Assurance Review Committee responsible for the design and development of a system of quality assurance. Encourage the responsible body to place emphasis on the necessity of establishing a system in compliance with ISQC 1.	Dec. 2011	Executive Director	Management Board

4.	Sept. 2011	Increase IAAM's members awareness about quality assurance and implementation of ISQC 1.	Dec.2011	Executive Director	Management Board
<i>Maintaining Ongoing Processes</i>					
5.	Ongoing	Ensure, through periodic reviews, that the quality review system currently being developed and designed is aligned with the requirements of the SMO 1.	Ongoing	Executive Director	Management Board
<i>Review of IAAM's Compliance Information</i>					
6.	January 2011	<p>Perform periodic review of IAAM's response to the IFAC's Compliance Self Assessments and update sections relevant to SMO 1 as necessary. Once updated, inform the IFAC compliance Staff about the updates in order for the compliance Staff to republish updated data:</p> <ul style="list-style-type: none"> <li>- Identify the person that will be assigned and responsible to track changes or modifications.</li> <li>- Notify updates to IFAC's Compliance Self-Assessment and any update to SMO 1, as necessary.</li> </ul>	June 2011	Executive Director	Management Board

**Action Plan Subject:** SMO 2 – International Education Standards

**Action Plan Objective:** Implementation of IESs and other IAESB guidance on education

#	Start Date	Actions	Completion Date	Responsibility	Resource
<p><i>Background:</i></p> <p>The IAAM currently maintains a two-tiered certification scheme which offers recognition of progress and achievement at two different levels: Accountant and Authorized Accountant.</p> <p>'Accountant' Certification - The Accountant certification recognizes persons who have achieved the knowledge and competency of an accounting technician. This program and examination is based on the ACCA syllabus for the Certified Accounting Technician (CAT) scheme. The IAAM Accountant examination scheme consists of five exams: commercial law, taxation law, financial management, financial reporting, and compilation of financial statements. Those completing this program are educated and trained to act as technicians in Small and Medium Enterprises (SME) and are taught the basics of IFRS.</p> <p>'Authorized Accountant' Certification – This recognition is meant to certify the knowledge and experience of persons who will be acting as professional accountants in business. In Montenegro, these persons typically work for the larger, listed entities and deal with a more advanced application of IFRS. Individuals interested in this program must first complete university with a degree in economics before being entered into the formal Initial Professional Education (IPD) Program. This program, administered by the IAAM typically lasts six months. After completing required courses and seminars, candidates are required to complete the 5 Accountant Certification exams plus four additional exams which focus on information technology, advanced management accounting, external and internal audit, and advanced corporate financial reporting. In regards to experience requirements, members are required to have 3 years of relevant experience before attaining certification. All Authorized Accountants are required to maintain their skills through mandatory Continuous Professional Development (CPD).</p>					
<p><i>Review of IAAM Educational Materials for Compliance with IESs</i></p>					
6.	Dec. 2010	Review 'Authorized Accountant' education, examination and CPD programs for alignment with IESs. Review 'Accountant' materials for alignment with the IFAC publication and guidance on 'The	May 2011	Executive Director	Education Board

		Education, Training and Development of Accounting Technicians’.			
7.	May 2011	Reflect on areas of non-conformity of education, examination and CPD programs and identify areas where best endeavors can be used to strengthen these programs. Specifically consider what efforts may be taken to develop a system for monitoring and verifying achievement of practical experience requirements for Authorized Accountants.	June 2011	Executive Director	Education Board
8.	June 2011	Implement activities for strengthening education, examination and CPD programs.	Dec. 2011	Executive Director	Education Board
9.	Ongoing	Maintain dialogue with university professors in departments of economics regarding changes in IESs, changes to international accountancy standards and implementation guides. Discuss the importance of including content required by IESs in university syllabi.	Ongoing	Executive Director	Education Board
<i>Maintaining Ongoing Processes</i>					
10.	Ongoing	Ensure through periodic reviews, that the Entry Requirements, Professional Education, Final Assessments, and Practical Experience, and Continuing Education currently developed and designed, are updated with the new requirements issued by IAESB.	Ongoing	Executive Director	Education Board
<i>Review of IAAM’s Compliance Information</i>					

11.	Ongoing	<p>Perform periodic review of IAAM’s response to the IFAC’s Compliance Self-Assessment questionnaires and update sections relevant to SMO 2, as necessary.</p> <p>Once updated, inform the IFAC compliance Staff about the updates in order for the compliance Staff to republish updated data:</p> <ul style="list-style-type: none"> <li>- Identify the person that will be assigned and responsible to track changes or modifications.</li> <li>- Notify updates to IFAC’s Compliance Self-Assessment and any update to SMO 2 as necessary.</li> </ul>	Ongoing	Executive Director	Education Board
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**Action Plan Subject:** SMO 3 - IAASB Pronouncements  
**Action Plan Objective:** Use Best Endeavors to Improve Implementation of ISAs.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<p><i>Background:</i></p> <p>According to the 2005 Montenegrin Law on Accounting and Auditing, ISAs were introduced as a legal requirement for all entities performing audits. The Ministry of Finance is responsible for the adoption of ISA. Through this legislation, in 2007 ICAM was given the authority to translate and implement ISAs in cooperation with the SAAA. As the Serbian language translation of clarified ISA is not readily available at present, the version of Serbian language ISA which is being utilized in Montenegro is that from 2006.</p> <p>Once the ISA translation into Serbian is completed and published, IAAM and the Chamber of Auditors of Montenegro will work to support and enhance adoption and implementation activities in Montenegro.</p>					
<p><i>Promoting the need for convergence and assissting with implementation of IAASB Pronouncements</i></p>					
12.	Dec. 2010	Contact and arrange a meeting with the Chamber of Auditors of Montenegro, in order to indicate the need for joint activities to promote ongoing processes of adoption and implementation of IAASB Pronouncements in Montenegro.	Dec. 2010	Executive Director	Management Board
13.	Jan. 2011	Establish a Work Group together with the Chamber of Auditors to review recently released Exposure Drafts of IAASB standards and pronouncements and to provide feedback and input into the standard setting process.	May 2011	Executive Director	Management Board

14.	Feb. 2011	Endeavour in cooperation with the Chamber of Auditors to form the special appendix concerning audit in the periodical magazine published by IAAM.	Mar. 2011	Executive Director	Management Board
<i>Maintaining Ongoing Processes</i>					
15.	Ongoing	Continue to promote IAASB pronouncements through various IAAM workshops, seminars, conferences which focus on ISA implementation.	Ongoing	Executive Director	Management Board
16.	Ongoing	Monitor the changes in standards and when there are changes ensure that the changes are communicated to the IAAM Members and that training programs are updated to reflect these changes.	Ongoing	Executive Director	Management Board
17.	Ongoing	Continue to use 'best endeavors' by identifying opportunities to further assist in implementation of ISAs. This includes review of the existing activities and updating action plans for the future activities where necessary.	Ongoing	Executive Director	Management Board
<i>Review of IAAM's Compliance Information</i>					
18.	Jan. 2011	Perform periodic review of IAAM's response to the IFAC's Compliance Self-Assessment questionnaires and update sections relevant to SMO 3, as necessary.  Once updated, inform the IFAC compliance Staff about the updates in order for the compliance Staff to republish updated data:	June 2011	Executive Director	Management Board

		<ul style="list-style-type: none"><li>- Identify the person that will be assigned and responsible to track changes or modifications.</li><li>- Notify updates to IFAC's Compliance Self-Assessment and any update to SMO 3 as necessary.</li></ul>			
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**Action Plan Subject:** SMO 4 - The IESBA Code of Ethics  
**Action Plan Objective:** Update the Code of Ethics to Current IESBA Code of Ethics

#	Start Date	Actions	Completion Date	Responsibility	Resource
<p><i>Background:</i></p> <p>IAAM maintains the right to establish ethical requirements for its membership. IAAM adopted without modification the IESBA Code of Ethics (2006). IAAM plans to adopt and implement the most up to date version of the Code of Ethics (2009) upon receipt of Serbian language translation.</p> <p>In an effort to enhance the overall ethical behavior of accountants (whether members or not) and the business community, the IAAM collaborates regularly with the Anti-Corruption Association of Montenegro.</p>					
<p><i>Continue to Promote IESBA Code of Ethics</i></p>					
19.	Mar. 2011	Establish cooperation with other organizations that operate in Montenegro- the Chamber of Auditors and the Institute of Certified Accountants of Montenegro regarding professional ethics and the IFAC Code of Ethics.	July 2011	Executive Director	Professional Ethics and Disciplinary Procedure Board
20.	July 2011	Conduct meetings and presentations on the topic of the IESBA Code of Ethics with other PAOs in Montenegro. Raise awareness of the importance of adoption and implementation of IESBA Code of Ethics.	Nov. 2011	Executive Director	Professional Ethics and Disciplinary Procedure Board

21.	Nov. 2011	Encourage and support efforts of other Montenegrin PAOs to adopt and implement the IESBA Code of Ethics.	Dec. 2011 Ongoing	Executive Director	Professional Ethics and Disciplinary Procedure Board
22.	Mar. 2011	Review contents of the <i>Ethics Education Toolkit</i> and disseminate among Professional Ethics and Disciplinary Procedure Board as well as Education Committee.	May 2011	Executive Director	Professional Ethics and Disciplinary Procedure Board  Education Board
23.	May 2011	Consider how Ethics Education Toolkit elements such as sample course outlines, teaching notes, case studies, video clips of ethical dilemmas, and the database of ethics education resource materials may be used to enhance current ethics education. Identify key areas for strengthening ethics education programs.	July 2011	Executive Director	Professional Ethics and Disciplinary Procedure Board  Education Board
24.	July 2011	Work to implement key areas for strengthening ethics education programs.	Dec. 2011 Ongoing	Executive Director	Professional Ethics and Disciplinary Procedure Board  Education Board
<i>Maintaining Ongoing Processes</i>					
25.	Ongoing	Monitor the changes in Code of Ethics and when there are changes ensure that the changes are communicated to the IAAM Members. Additionally, ensure that IAAM training programs are updated to reflect changes in the Code of Ethics.	Ongoing	Executive Director	Professional Ethics and Disciplinary Procedure Board

26.	Ongoing	Continue to use 'best endeavors' by identifying opportunities to further assist in implementation of the Code of Ethics. This includes review of the existing activities and updating action plans for the future activities where necessary.	Ongoing	Executive Director	Professional Ethics and Disciplinary Procedure Board
27.	Ongoing	Continue efforts to collaborate and support the Montenegro Anti-Corruption Association in their efforts to raise the ethical behavior of the entire accountancy profession and business community.	Ongoing	Executive Director	Professional Ethics and Disciplinary Procedure Board
<i>Review of IAAM's Compliance Information</i>					
28.	Ongoing	<p>Perform periodic review of IAAM's response to the IFAC's Compliance Self-Assessment questionnaires and update sections relevant to SMO 4, as necessary.</p> <p>Once updated, inform the IFAC compliance Staff about the updates in order for the compliance Staff to republish updated data:</p> <ul style="list-style-type: none"> <li>- Identify the person that will be assigned and responsible to track changes or modifications.</li> <li>- Notify updates to IFAC's Compliance Self-Assessment and any update to SMO 4 as necessary.</li> </ul>	Ongoing	Executive Director	Professional Ethics and Disciplinary Procedure Board

**Action Plan Subject:** SMO 5 - Public Sector Accounting  
**Action Plan Objective:** Promote IPSAS to the Government and other counterparts

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Background:</i>					
Presently, IPSAS are not adopted in Montenegro. There are also no plans to adopt in the near future. As such, IAAM sees its role in raising awareness, educating its membership and promoting the adoption and implementation of IPSAS by the government.					
<i>Begin Dialogue on Subject of IPSAS</i>					
1.	Ongoing	IAAM will use its best endeavors to create awareness of IPSAS's, the impact of their use around the world and the progress that has been made particularly in the Southeastern European region, subsequent to their adoption, reflecting the possible benefits of their adoption and the implementation in Montenegro.  Among others, awareness raising activities should be directed toward representatives of the Ministry of Finance.	Ongoing	Executive Director	Management Board
<i>Maintaining Ongoing Processes</i>					
2.	Ongoing	Continue to use 'best endeavors' by identifying opportunities to further assist in the adoption of the IPSAS. This includes review of the existing activities and updating action plans for the future activities where necessary.	Ongoing	Executive Director	Management Board

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Review of IAAM's Compliance Information</i>					
3.	Ongoing	Perform periodic review of IAAM's response to the IFAC's Compliance Self-Assessment questionnaires and update sections relevant to SMO 5, as necessary. Once updated, inform the IFAC compliance Staff about the updates in order for the compliance Staff to republish updated data: - Identify the person that will be assigned and responsible to track changes or modifications. - Notify updates to IFAC's Compliance Self-Assessment and any update to SMO 5 as necessary.	Ongoing	Executive Director	Management Board

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

**Action Plan Objective:** Further develop the Investigation and Disciplinary system in accordance with SMO 6 requirements

#	Start Date	Actions	Completion Date	Responsibility	Resource
<p><i>Background:</i></p> <p>IAAM maintains a compliant-based system of investigation and discipline which is maintained and overseen by the Investigation and Discipline Committee of IAAM.</p> <p>Upon receipt of a complaint, the Investigation and Discipline Committee assembles a three-person panel which includes persons who are independent of both the situation and the individual(s) in question. The panel is typically comprised of the Executive Director of IAAM, a representative from the Management Board, and a Member of the IAAM. The panel investigates the complaint and reaches a conclusion. The conclusion is then given to the Investigation and Discipline Committee to determine the consequence. There are three consequences for unprofessional/unethical behavior as a member of IAAM: a requirement for additional CPD, a requirement to attain the next level of certification (for those Accountants found to be conducting work beyond the scope of their certification), and the expulsion from membership of IAAM. Although members can be expelled, as membership in IAAM is voluntary, expulsion does not mean revocation of the right to practice as an accountant.</p> <p>In regards to the investigation and discipline of auditors, this remains ambiguous due to the recent creation of ICAM and the need to identify which body(ies) have the right to investigate and discipline auditors as well as how ICAM and IAAM can work together to coordinate and share information regarding infractions and sanctions. It is still not known whether IAAM together with the Chamber of Auditors of Montenegro will investigate and discipline auditors or whether that work will be performed by another unnamed body.</p>					
<i>Develop the Investigation and Discipline System and use best endeavours to implement it</i>					
29.	April 2011	Review SMO 6 and gain understanding of key components of a system of investigation and discipline.	May 2011	Executive Director	Investigation and Discipline Committee

30.	May 2011	Conduct a review and analysis of the IAAM system of investigation and discipline for alignment with SMO 6.	Nov. 2011	Executive Director	Investigation and Discipline Committee
31.	Nov. 2011	Identify areas for strengthening the current system of investigation and discipline so that it may be better aligned with SMO 6 requirements.	Dec. 2011	Executive Director	Investigation and Discipline Committee
32.	May 2011	Begin dialogue with other Montenegrin PAOs regarding key components of SMO 6 as well as the need for coordination and communication in the area of investigation and discipline.	Dec. 2011 Ongoing	Executive Director	Investigation and Discipline Committee
33.	April 2011	Raise awareness among IAAM members in relation to IFAC SMO 6 – specifically the role and responsibility of a PAO to investigate and discipline breaches of professional and ethical standards committed by its members.	Ongoing	Executive Director	Investigation and Discipline Committee
<i>Maintaining Ongoing Processes</i>					
34.	Ongoing	Continue to use best endeavors to ensure the IAAM's investigation and disciplinary mechanism encompasses addressing all SMO 6 requirements. This includes review of the existing mechanism and updating the Action Plan for future activities where necessary.	Ongoing	Executive Director	Investigation and Discipline Committee
<i>Review of IAAM's Compliance Information</i>					

35.	Ongoing	Perform periodic review of IAAM's response to the IFAC Compliance Self-Assessment questionnaires and update sections relevant to SMO 6 as necessary. Once updated, inform the IFAC compliance Staff about the updates in order for the compliance Staff to republish updated data.	Ongoing	Executive Director	Investigation and Discipline Committee
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**Action Plan Subject:** SMO 7 - International Financial Reporting Standards

**Action Plan Objective:** Maintain and improve ongoing program for adoption and implementation of IFRS

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Background:</i>					
<i>In Montenegro, the 2005 Law on Accounting and Auditing obliges all entities to implement full application of IFRS. ICAM is responsible for adoption of IFRS in our country. Although this is law, no Montenegrin or similar language translation of IFRS currently exists. As such, Montenegro utilizes the Serbian translation of IFRS from 2010. IAAM is currently exploring their options for the development of IFRS in a language understandable to its members. Presently, the IAAM is in discussions with the IASB regarding the ability to translate these standards. At this time, there are no discussions on adopting IFRS for SMEs for the country of Montenegro.</i>					
<i>Continue Efforts to Facilitate the Implementation of IFRS</i>					
36.	Jan. 2011	IAAM contacted IASB and is considering the possibility of gaining the right to translate and publish IFRS into Montenegrin language.	Mar. 2011 Ongoing	Executive Director	Technical Council
37.	Ongoing	Continue cooperation with Ministry of Finance to support their efforts at obtaining a Montenegrin translation of IFRS and publishing the translation on the Ministry of Finance website.	Ongoing	Executive Director	Technical Council
38.	Ongoing	Continue to provide information on the latest developments in IFRS through magazine <i>Računovodstvo, revizija i finansije</i> and other publications which are targeted to the IAAM membership and other accountancy and finance professionals.	Ongoing	Executive Director	Technical Council

<i>Maintaining Ongoing Processes</i>					
39.	Ongoing	<p>Monitor the changes in IFRS and when there are changes ensure that the changes are communicated to the IAAM Members.</p> <p>Additionally, ensure that IAAM training programs are updated to reflect changes in the IFRS.</p>	Ongoing	Executive Director	Technical Council
40.	Ongoing	<p>Continue to use 'best endeavors' by identifying opportunities to further assist in implementation of the IFRS. This includes review of the existing activities and updating action plans for the future activities where necessary.</p>	Ongoing	Executive Director	Technical Council
<i>Review of IAAM's Compliance Information</i>					
41.	Ongoing	<p>Perform periodic review of IAAM's response to the IFAC's Compliance Self-Assessment questionnaires and update sections relevant to SMO 7, as necessary.</p> <p>Once updated, inform the IFAC compliance Staff about the updates in order for the compliance Staff to republish updated data:</p> <ul style="list-style-type: none"> <li>- Identify the person that will be assigned and responsible to track changes or modifications.</li> <li>- Notify updates to IFAC's Compliance Self-Assessment and any update to SMO 7 as necessary.</li> </ul>	Ongoing	Executive Director	Technical Council