

International Federation of Accountants Board

Statements of Membership
Obligations 1 – 7 (Revised)

REQUEST FOR COMMENTS

The IFAC Board approved this Exposure Draft, Proposed Statements of Membership Obligations (SMOs) 1-7 (Revised), for publication in December 2011. These proposed revised SMOs may be modified to reflect comments received before being issued in final form.

Respondents are asked to submit their comments **electronically** through the IFAC website (www.ifac.org), using the “Submit a Comment” button. Please note that first-time users must register to use this feature. All comments will be considered a matter of public record and will ultimately be posted on the IFAC website.

Comments can also be faxed for the attention of the Executive Director, Quality and Member Relations at +1 (212) 856-9420, or mailed to:

Executive Director
Quality and Member Relations
International Federation of Accountants
545 Fifth Avenue, 14th Floor
New York, New York 10017 USA

Comments should be submitted by **March 5, 2012**.

Copies of this Exposure Draft may be downloaded free of charge from the IFAC website at www.ifac.org.

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EXPLANATORY MEMORANDUM

Introduction

This memorandum provides a background to, and an explanation of, the proposed revised Statements of Membership Obligations (SMOs) 1-7. The Revised SMOs 1-7 were approved for public exposure by the IFAC Board in November, 2011.

Background on the Member Body Compliance Program

The IFAC Member Body Compliance Program (“the Program”) was launched in 2004 as an integral part of the 2003 IFAC Reforms. It is a staff driven program reporting to the chief executive officer. The implementation and operation of the Program is overseen by the Compliance Advisory Panel (CAP), which also provides advice to the staff. The CAP is comprised of six highly experienced professionals, one from each major geographic region of the world. The Program is also subject to external oversight by the Public Interest Oversight Board (PIOB). The primary emphasis of the Program is to encourage continuous improvement by IFAC member bodies and associates through an ongoing assessment of their efforts to adopt and support implementation of auditing, education, ethics, international financial reporting, and public sector accounting standards as well as to operate or otherwise support robust quality assurance and investigation and disciplinary mechanisms. The Program recognizes that in many jurisdictions the authority to establish standards and practices does not exist within the member body or associate but in the government or other regulatory authority.

Core Elements of the Program

Statement of Membership Obligations

The foundation of the Program are Statements of Membership Obligations (“SMOs”), ratified by the IFAC Council in 2004 as part of the 2003 Reforms. Participation is mandatory for the 167 IFAC member bodies and associates in 127 countries. The implementation of the Program has been rolled out in three distinct parts:

Part 1 – Assessment of the Standard-Setting and Regulatory Framework

Part 1, launched in 2004, is a fact-gathering exercise to determine the legal, regulatory and standard-setting arrangements.

Part 2 – SMO Self-Assessment

Part 2 was launched in 2005 and requires member bodies and associates to self-assess their level of compliance with the specific requirements of the 7 SMOs as well as the status of adoption of international standards and best practices.

Part 3 – Action Plans

Part 3 was launched in late 2007. Member bodies and associates develop and annually update their Action Plans to explain how they make progress toward or continue to

uphold SMO requirements. Progress in the execution of Action Plans is monitored by the CAP and the IFAC Compliance staff.

As of November 2011 a total of 158 plans have been published. The Action Plan, however, is just the beginning of the process. The goal is actual change reflected by the completion of the action steps identified in the plan. As a result, the CAP and staff have developed a monitoring and update process to monitor implementation of action steps by member bodies and associates with published Action Plans.

Transparency and Oversight

As the Program is committed to transparency, all compliance responses, including the country's regulatory framework overview, SMO self-assessment, Action Plans, and an analysis of the basis used by different jurisdictions in adopting the International Standards on Auditing (ISAs) are published on the IFAC website (<http://www.ifac.org/about-ifac/membership/compliance-program>). This information is accessed regularly by IFAC member bodies, associates, and others interested in the development of the profession, including key international stakeholders like International Organization of Securities Commissions (IOSCO), International Forum of Independent Audit Regulators (IFIAR), the World Bank and development agencies, as well as national governments and regulators. Since 2005 the compliance responses have been downloaded close to a million times.

Recognizing the public dimension of the CAP work, the PIOB in its 6th Public Report, published in May 2011, notes that the CAP's "advice and direction are crucial to the success of [adoption and effective implementation] initiatives. Its constant interaction with member bodies continues to provide valuable insight into the unique implementation and compliance challenges faced by individual jurisdictions" (see page 20).

Outcomes

Since its inception, the Program and its related activities have achieved a number of important outcomes:

- Transformation – through the member body requirements contained in the SMOs, the Program has made a substantial contribution to transforming IFAC into a global professional organization that is demonstrating its commitment to strengthen the accountancy profession around the world.
- Recognition – the SMOs have become recognized as the international benchmarks for Professional Accountancy Organizations (PAOs); in particular, the World Bank Reports on Observance of Standards and Codes (ROSC) Accounting and Auditing (A&A) Reports specifically refer to the SMOs as benchmarks they use for policy recommendations to governments and PAOs.
- Regulatory Input – the Program can assist regulators and other key stakeholders in achieving their objectives by providing a transparent assessment of the current status of adoption of international standards and best practices in their jurisdictions.

- Influencing Action – as described above, the Program serves as an engine to drive behavior in a positive way to achieve the successful adoption and implementation of international standards and best practices.

Compliance Staff

The total number of staff supporting the Program has steadily increased over the last six years as the three phases of the Program were implemented. As of 2011, the Program is administered by an executive director and team of seven professional and two administrative staff. Staff members have broad global experience and are fluent in over 10 languages, including Arabic, French, Russian and Spanish.

Background on the Development of Proposed Revised Statements of Membership Obligations 1-7

Decision to Revise the SMOs

In accordance with the CAP Terms of Reference, the CAP and Compliance staff are responsible for reviewing the relevance, sufficiency, and efficacy of the SMOs and for making related recommendations to the Board regularly. While considering its 2010-2012 work program during its 2009 meetings, the CAP directed a review of the SMOs commencing in 2010. This action was aligned with IFAC's self-assessment for the Monitoring Group's Review of the 2003 Reforms. The CAP discussed the initial project proposal at its meeting in April 2010, and subsequently consulted with the PIOB in June that same year. The project proposal included a recommendation to establish requirements and guidance on an appropriate governance structure for PAOs. The revision project was presented to the IFAC Board and approved in September 2010.

In accordance with the project proposal, in late 2010 task forces were set up to work on revisions of SMO 1 and SMO 6. For revisions of SMOs 2-5 and 7 (the "standard-setting SMOs") the CAP members and staff served in the capacity of relevant task forces.

In addition, a task force was created to consider development of authoritative guidance (potentially in the form of an SMO) on "appropriate governance structures" for PAOs. As a result of the task force work, and consultation by staff with other groups and member bodies between January and June 2011, the Board agreed that additional analysis and research on this topic would be necessary. Further work on this subject may be taken forward after revisions to the existing SMOs are completed.

Key Principles Followed in Revising the SMOs

At the outset of the SMO revision project, the CAP and Compliance staff identified and agreed on a number of principles to ensure that the SMOs:

- Continue to be an effective and globally recognized framework for PAOs to serve the public interest by (a) supporting the adoption and implementation of international standards, and (b) maintaining adequate enforcement mechanisms to ensure the professional behavior of their individual members;
- Serve the public interest by reflecting the context of developments in international standards and today's regulatory environment, thereby ensuring further alignment

of the SMOs with the expectations of the accountancy profession held by the public and key stakeholders;

- Contribute to increasing the effectiveness of the IFAC Member Body Compliance Program, thus enhancing credibility of the accountancy profession worldwide; and
- Continue to reflect current international best practice and present their requirements in a clear, consistent, and concise manner.

Significant Matters Considered During the Review

Best Endeavors Concept, Applicability Framework, and Clearly Defined Requirements

As part of the project, consideration was given as to whether (a) the “best endeavors” concept, together with (b) the Compliance Program self-assessment questionnaires and the Action Plan process, continue to be effective in assisting IFAC member bodies and associates to fulfill the requirements of the SMOs.

While it was concluded that the best endeavors concept continues to be sufficiently effective, it was also indicated that the explanation of the concept is not consistently located in the original SMOs, leading to potential confusion and misunderstanding by users and other stakeholders.

To address this issue, the proposed revised SMOs have been redrafted to clearly communicate the expectations of member bodies when they have varying degrees of responsibility for an SMO area. Consequently, the intent of the proposed revised SMOs is not to change, but rather to clarify the applicability of the SMOs in line with how IFAC staff has interpreted them and how compliance assessment has been done.

Therefore, each of the proposed revised SMOs clearly defines the following elements:

1. A direct link to the IFAC Constitution that requires compliance with the SMOs.
2. An applicability framework that provides a guide to member bodies and associates on actions they are required to take depending on their degree of responsibility for the areas covered by an SMO:
 - (a) Where member bodies have direct responsibility, they are required to implement the requirements or, in exceptional circumstances, explain reasons for departure on public interest grounds.
 - (b) Where member bodies have no responsibility, they are required to use their best endeavors to comply with the requirements.
 - (c) Where member bodies have shared responsibility, they are required to:
 - (i) implement those requirements for which they have direct responsibility, in accordance with the approach described in **(a)** above; and
 - (ii) use best endeavors for those requirements for which they have no responsibility, in accordance with **(b)** above.

3. A clear set of obligations that refer to the applicability framework and are identified by the use of the word “shall”. The requirements are accompanied by application guidance where relevant.
4. The IFAC Compliance Assessment, which explains that IFAC gives due consideration to the applicability framework, best endeavors concept, differing national environments, stages of development, and other relevant environmental factors in assessing a member body’s or associate’s compliance.

Use of Plain English Writing Principles

The redrafting of the SMOs was done using “Plain English” writing principles to help achieve a universal understanding of the requirements across jurisdictions. The proposed draft has been reviewed by a Plain English specialist.

Change of Terminology from “Incorporation” to “Adoption and Implementation”

The original SMOs referred to “incorporation” of international standards into national requirements. Since the SMOs were first published in 2004, the use of international standards has progressed. This advancement continues to take place in the context of different approaches to adoption, including requiring the use of international standards by means of law or regulation, the decision of national standard setters to use international standards in place of national standards, or other means of incorporation at a national level. In addition, since 2007, the IFAC strategy has embraced the use of “adoption and implementation” instead of “incorporation” of international standards.

To reflect the current strategic thrusts of IFAC, as well as international developments in the area of standard setting, all proposed revised standard-setting SMOs consistently include a requirement to “adopt and implement” international standards. The CAP, however, continues to acknowledge that standard setters operate in differing environments, are at different stages of development, and may face other relevant environmental factors. Consequently, the CAP will continue to acknowledge that there are different approaches to the adoption of international standards, including determining whether there is a need to incorporate them into national requirements, introduce limited modifications, or have a convergence process to remove differences between national and international standards.

To provide further guidance in this regard, each standard setting SMO includes application guidance to aid the understanding of the terms “adoption” and “implementation”:

- “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 decisions¹, including incorporation into national requirements or requiring the use of international standards through law. Adoption typically includes a process to review draft international standards, translation, public exposure of proposed standards, approval, incorporation into

¹ As stated in the *IFAC Strategic Plan for 2011-2014*. The IFAC Strategic Plan is available on the IFAC website.

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.

- “Implementation” typically includes 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.

Furthermore, the SMOs emphasize that it is possible for member bodies and associates to comply with the requirements of an SMO, even if government, regulators, or other appointed authorities carry out some or all of the functions specified in that SMO. In such circumstances, the obligation of IFAC member bodies and associates is to use their best endeavors to encourage those entrusted with such functions to implement them in accordance with the provisions of the SMOs and to assist them in implementing those functions when appropriate.

Translation

The translation of standards in non-English-speaking countries is a vital element of meaningful adoption and implementation. Previously, the translation requirement was included only in SMO 3. The revision ensures that the translation of standards is addressed in all standard setting SMOs.

Summary of Changes in Individual SMOs

SMO 1 — Quality Assurance

Consistency Revisions, Scope, Review Cycles, and Risk-Based Approaches of Quality Assurance Review Systems

One of the main revisions related to SMO 1 covers the scope of the Quality Assurance (QA) review systems that shall be established by IFAC member bodies and associates. In the former version of the SMO, the scope of these quality assurance review systems covers at least audits of financial statements of listed entities. Based on the task force as well as the CAP deliberations, the scope has been extended to all audits of financial statements.

To ensure that the level of development in individual jurisdictions is properly considered, and that no undue burden is placed on IFAC member bodies and associates, additional guidance has been added to explain that although the scope is extended to all audits, priority shall be given in the first instance to statutory audits and audits of public interest entities.²

The decision on this limited scope extension was based on the fact that most QA review systems established in developed countries already cover these types of engagements. Furthermore, it will also encourage developing and emerging nations to make further progress in this respect and to ensure the quality of all audits.

² As defined by the *Code of Ethics for Professional Accountants* of the International Ethics Standards Board for Accountants (IESBA).

It is recognized that in some jurisdictions one QA system exists for listed or other public interest entities, which is operated by an external authority, and another system exists for all other audits, operated by the member bodies. For such situations, additional clarification has been added to ensure that there is no undue overlap between the two systems.

The requirements related to the review cycles have been clarified to reflect developments at the international level. Bodies responsible for QA systems are now requested to establish (a) a maximum cycle of three years when firms perform audits of financial statements of public interest entities, and (b) a maximum of six years when firms perform audits of non-public interest entities. A model for a risk-based approach has also been clarified and expanded to further assist member bodies and associates in developing more flexible and risk-focused QA review systems.

The other editorial changes relate to the clarification of the best endeavors concept and the applicability framework, as well as to the need to ensure consistency and clarity, Plain English principles, and to reflect changes in the names of current international standards.

SMO 2 – International Education Standards

Consistency Revisions

Revisions to SMO 2 include changes to clarify the best endeavors concept (described above); the applicability framework; clearly defined requirements relating to adoption and implementation of international standards issued by the International Accounting Education Standards Board (IAESB); and addition of the translation requirement.

SMO 3 – International Auditing Standards

Consistency Revisions

Revisions to SMO 3 include changes to clarify the best endeavors concept (described above); the applicability framework; and clearly defined requirements relating to adoption and implementation of international standards issued by the International Auditing and Assurance Standards Board (IAASB). The translation requirement was already present in the existing SMO 3.

SMO 4 – Code of Ethics for Professional Accountants

Consistency Revisions

Revisions to SMO 4 include changes to clarify the best endeavors concept (described above); the applicability framework; clearly defined requirements relating to adoption and implementation of international standards issued by IESBA; and addition of the translation requirement.

SMO 5 – International Public Sector Accounting Standards

Consistency Revisions

Revisions to SMO 5 include changes to clarify the best endeavors concept (described above); the applicability framework; clearly defined requirements relating to adoption

and implementation of international standards issued by the International Public Sector Accounting Standards Board (IPSASB); and addition of the translation requirement.

While it is recognized that a relatively small number of IFAC member bodies and associates have direct responsibility for public sector standards, it is proposed that the SMO has the same structure as the other standard-setting SMOs. It is believed that the proposed applicability framework allows the SMO to sufficiently reflect the fact that most IFAC member bodies and associates do not have responsibility for this area.

SMO 6 — Investigation and Discipline

Consistency Revisions, Coherence, Additional Guidance, and Additional Membership

The proposed revised SMO 6 has been restructured to add clarity and facilitate a more logical flow. For example, in the original SMO the section dealing with sanctions was placed before initiation of proceedings. The proposed revised SMO also groups all references to public interest considerations in one place and expands the relevant guidance.

A separate section on proportionality of sanctions has been developed to ensure that investigation and disciplinary mechanisms provide fit-for-purpose response to the different types of misconduct. Additional guidance on proportional disciplinary responses was added to address the issue of the individual member's responsibility versus systemic issues with a firm.

Other changes include a new section encouraging member bodies and associates to consider addressing situations when their individual members also hold memberships with other professional accountancy organizations. This addition illustrates the approach to be taken when disclosing information to the other PAO(s) about the outcome of the disciplinary process.

Link between SMO 1 and SMO 6

Task forces for both SMO 1 and 6 worked on clarifying the linkage between the requirements related to the QA review systems and the initiation of investigation and disciplinary processes. The revised approach now requires member bodies and associates that do not take corrective actions via the QA review system to address an unsatisfactory QA review result under SMO 6.

SMO 7 – International Financial Reporting Standards

Consistency Revision and Consideration of IFRS for SMEs

Revisions to SMO 7 include changes to clarify the best endeavors concept (described above); the applicability framework; clearly defined requirements relating to adoption and implementation of international standards issued by International Accounting Standards Board (IASB); and addition of the translation requirement.

In addition, in the proposed revised SMO 7, clarification was added that the requirement for use of full IFRSs relates only to public interest entities. Furthermore, the application guidance was expanded to encourage the use of IFRS for SMEs as a possible standard for non-public interest entities.

Consultation to Date

Throughout the course of developing the proposed revised SMOs, consultations were undertaken with staff and representatives of the relevant international standard-setting boards, representatives of IFAC member bodies and associates, as well as content experts that were part of task forces revising the enforcement SMOs (SMOs 1 and 6).

Project Timetable

Subject to comments received on exposure of the proposed revised SMOs 1-7, the CAP expects to finalize the revised SMOs in first half of 2012, and the IFAC Board expects to present the finalized revised SMOs for ratification by the Council in November 2012.

Guidance to Respondents

The CAP welcomes comments on all matters addressed in the exposure draft. To guide the respondents, specific revisions are discussed above; a mark-up document is available upon request. Comments are most helpful when they refer to specific paragraphs, include the reasons for the comments, and, where appropriate, make specific suggestions for any proposed wording changes. When a respondent agrees with proposals in the exposure draft (especially those calling for modification in current practice), it is helpful for the CAP to be made aware of this view.

Requests for Specific Comments:

In addition to general comments, and views on specific matters highlighted in this Explanatory Memorandum, the CAP would welcome views on the following:

1. Considering differing national regulatory environments around the world, does the applicability framework included in each SMO provide sufficient clarity on what is expected of member bodies, when they have varying degrees of responsibility for an SMO area?
2. The SMOs refer to adoption and implementation of international standards and provide descriptions of both concepts to ensure that both terms are understood in their broader meaning. Are these descriptions sufficient to ensure clear understanding that adoption and implementation encompasses a broad range of actions including national convergence, harmonization, incorporation, transposition, and integration of international standards into national frameworks?

EXPOSURE DRAFT
PROPOSED STATEMENTS OF MEMBERSHIP OBLIGATIONS 1-7
(REVISED)
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PREFACE TO THE STATEMENTS OF MEMBERSHIP OBLIGATIONS

Introduction

1. This preface to the Statements of Membership Obligations (SMOs) is issued to facilitate understanding of the scope and authority of the SMOs.
2. The International Federation of Accountants (IFAC)'s Board establishes the SMOs and has the authority to determine, where appropriate, amendments, additions, or repeals to the SMOs³. In accordance with the Compliance Advisory Panel (CAP)'s Terms of Reference⁴, the CAP and Compliance staff are responsible for (a) reviewing the relevance, sufficiency, and efficacy of the SMOs, and (b) making related recommendations regularly to the Board.
3. The CAP and the due process for SMO revisions are subject to oversight by the Public Interest Oversight Board (PIOB).
4. The IFAC Board is committed to the goal of developing a set of SMOs that provides clear benchmarks to current and potential IFAC member bodies, to assist them in ensuring high-quality performance by professional accountants. The SMOs cover IFAC member body's obligations to support the (a) adoption and implementation of international pronouncements issued by the International Auditing and Assurance Standards Board (IAASB), International Accounting Education Standards Board (IAESB), International Ethics Standards Board for Accountants (IESBA), International Public Sector Accounting Standards Board (IPSASB), and International Accounting Standards Board (IASB), as well as (b) the establishment of quality assurance and investigation and disciplinary systems.
5. The SMOs were originally approved by the IFAC Board for issue in March 2004 and ratified by the IFAC Council in November 2004. In November 2006, the IFAC Board approved limited editorial revisions to the SMOs.

IFAC Member Body Compliance Program

6. The SMOs form the basis of the IFAC Member Body Compliance Program. Member bodies are required to perform ongoing self-assessments of their compliance with each of the SMO's requirements, including an assessment of actual standards in place in comparison to the relevant international standards. Furthermore, member bodies are required to develop, meaningfully execute, and regularly update their own action plans to demonstrate their compliance with the SMOs' requirements.

³ As stated in provision 6.4 (m) of the International Federation of Accountants' Bylaws

⁴ The CAP Terms of Reference were approved by the IFAC Board and the Public Interest Oversight Board (PIOB) in September 2008

7. The SMOs also apply to IFAC associates as they move towards IFAC membership. Associates must complete self-assessments to demonstrate their current compliance status and ability to further address the SMOs' requirements. Associates are required to develop, meaningfully execute, and regularly update their own action plans to demonstrate their progress towards compliance with the SMOs' requirements.
8. Applicants for IFAC membership or associate status must also complete self-assessments to demonstrate their ability to address the SMOs' requirements. Associate applicants are encouraged to submit action plans that identify their planned actions to further meet IFAC's membership requirements.

Key Concepts

9. In accordance with the IFAC Constitution, paragraph 2.3.b., IFAC member bodies are required to comply with the SMOs.
10. IFAC recognizes that its member bodies operate under different national legal and regulatory frameworks, and are comprised of professionals working in different sectors of the accountancy profession. Accordingly, IFAC member bodies in different jurisdictions may have different degrees of responsibility for meeting the requirements in each SMO.
11. Member bodies have an obligation to identify and undertake actions to fulfill the requirements set out within SMOs. The use of the word "shall" in specific provisions of the SMOs imposes a requirement on the member body to comply with those provisions in accordance with the applicability framework as outlined in each SMO.
12. A member body's specific actions are to be considered in the context of the degree of their responsibility for the area of each SMO, as explained in the applicability framework in each SMO (see also diagram 1 at the end of this Preface). Each SMO also includes a section explaining the IFAC compliance assessment process.

SMO Subject Matters

SMO 1—Quality Assurance

13. SMO 1 sets out the requirements of an IFAC member body with respect to quality assurance review systems for their members who perform audits, review, other assurance, and related services engagements of financial statements.

SMO 2—International Education Standards for Professional Accountants and Other IAESB Guidance

14. SMO 2 sets out the requirements of an IFAC member body with respect to international standards, related practice statements, and other papers issued by the International Accounting Education Standards Board (IAESB), an independent standard-setting body.

SMO 3—International Standards, Related Practice Statements, and Other Papers Issued by the IAASB

15. SMO 3 sets out the requirements of an IFAC member body with respect to international standards, related practice statements and other papers issued by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting body.

SMO 4 – IESBA Code of Ethics for Professional Accountants

16. SMO 4 sets out the requirements of an IFAC member body with respect to the *Code of Ethics for Professional Accountants (IESBA Code of Ethics)* issued by the International Ethics Standards Board for Accountants (IESBA), an independent standard-setting body. Due to the nature of ethical requirements, SMO 4 requires adoption and implementation of standards no less stringent than the IESBA *Code of Ethics*.

SMO 5 – International Public Sector Accounting Standards and Other IPSASB Guidance

17. SMO 5 sets out the requirements of an IFAC member body with respect to International Public Sector Accounting Standards (IPSASs), and other pronouncements issued by the International Public Sector Accounting Standards Board (IPSASB), an independent standard-setting body.

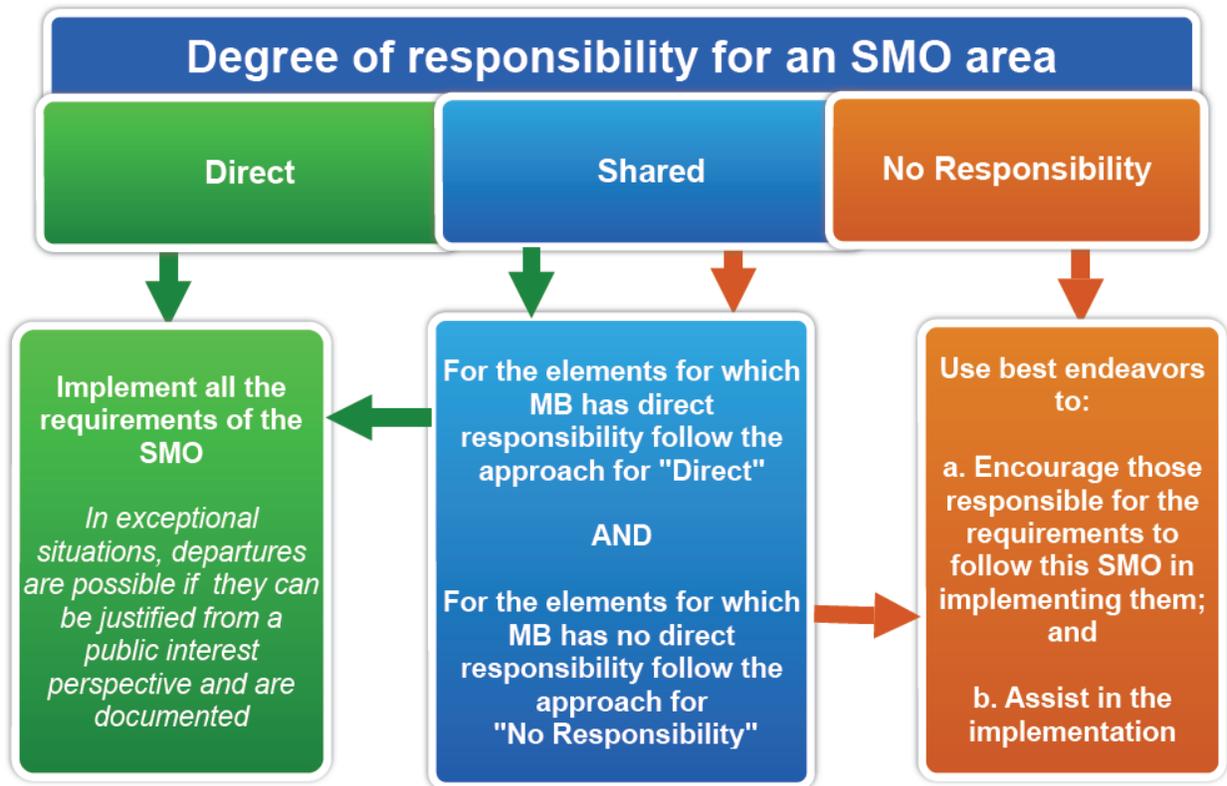
SMO 6 – Investigation and Discipline

18. SMO 6 sets out the requirements of an IFAC member body with respect to mechanisms that provide for the investigation and discipline of those who fail to exercise and maintain professional standards and related obligations of an IFAC member body.

SMO 7 – International Financial Reporting Standards (IFRSs)

19. SMO 7 sets out the requirements of an IFAC member body with respect to International Financial Reporting Standards (IFRSs), issued by the International Accounting Standards Board (IASB), an independent standard-setting body.

Diagram 1 Illustration of the Applicability Framework



STATEMENT OF MEMBERSHIP OBLIGATIONS 1

QUALITY ASSURANCE

Obligation

1. In accordance with the IFAC Constitution, paragraph 2.3.b., IFAC member bodies are required to comply with the Statements of Membership Obligations.

Scope

2. This Statement of Membership Obligations (SMO) is issued by the IFAC Board and sets out requirements of an IFAC member body with respect to quality assurance review systems for their members performing certain audit, review, other assurance, and related services engagements of financial statements. To understand and address the requirements, it is necessary to consider the entire text of the SMO.
3. Quality assurance is addressed at three levels: the engagement level, the firm level, and the body responsible for quality assurance.
4. The International Auditing and Assurance Standards Board (IAASB) establishes standards and provides guidance on quality control policies and procedures:
 - (a) for specific types of engagements (for example, International Standard on Auditing 220 (ISA 220), “Quality Control For an Audit of Financial Statements”), and
 - (b) for a firm’s responsibilities for its system of quality control for audits and reviews of financial statements, and other assurance and related services engagements (International Standard on Quality Control (ISQC) 1, “Quality Controls for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements”).
5. Refer to Paragraphs 15 to 20 for more information about the scope of this SMO and the audits that are to be covered by the quality assurance review system.
6. IFAC member bodies have responsibility for quality assurance review systems in respect of their members, but only to the extent that they are performing engagements in the country or countries of the IFAC member body’s domicile (as recorded in its application for admission to membership in IFAC).
7. In some jurisdictions, quality assurance systems for firms performing audits of listed or other public interest entities are operated by an external authority, while systems for firms performing all other audits are operated by IFAC member bodies. In such cases, IFAC member bodies shall give due consideration to quality assurance systems operated by the external authority to ensure there is no undue overlap between the systems.

Applicability Framework

8. IFAC recognizes that its member bodies operate under different national legal and regulatory frameworks, and are comprised of professionals working in different sectors of the accountancy profession. Accordingly, IFAC member bodies in different jurisdictions may have different degrees of responsibility for meeting the requirements in this SMO.
9. Without prejudice to the existence of more complex national frameworks, IFAC member bodies can have:
 - (a) direct responsibility for the area covered by this SMO. The mandate, explicitly given to the IFAC member body or otherwise implied through general consensus, specifies that it is responsible for setting the rules and operating the quality assurance review system; or
 - (b) no responsibility for the area covered by this SMO. The IFAC member body has no mandate, explicitly given or otherwise implied through general consensus, that it has any responsibility for setting the rules and operating the quality assurance review system; or
 - (c) shared responsibility with government, regulators, or other appointed authorities. The mandate, explicitly given to the IFAC member body or otherwise implied through general consensus, specifies that it has some responsibility for the area relating to this SMO.

Direct Responsibility

10. Where IFAC member bodies have direct responsibility they shall implement all the requirements of this SMO.
11. In exceptional circumstances, an IFAC member body may depart from a requirement of this SMO, if doing so is determined by the member body to be in the public interest. If this is the case, the IFAC member body shall justify and publicly document the departure. Any IFAC member body that (a) fails to follow the requirements of this SMO, and (b) does not document satisfactorily why it has departed from it, may be suspended or removed from membership.

No Responsibility

12. Where member bodies have no responsibility they shall use best endeavors to:
 - (a) encourage those responsible for the requirements to follow this SMO in implementing them; and
 - (b) assist in the implementation where appropriate.
13. An IFAC member body will have been considered to have used “best endeavors” if it could not reasonably do more than it has done and is doing to meet the requirements of this SMO.

Shared Responsibility

14. Where member bodies have shared responsibility they shall:
 - (a) implement those requirements for which they have direct responsibility in accordance with paragraphs 10 and 11; and
 - (b) take actions specified in paragraphs 12 and 13 for those requirements where they have no direct responsibility.

Requirements and Application Guidance

Scope of Quality Assurance Review System

15. A mandatory quality assurance review system shall be in place for firms performing audits of financial statements. Depending on the legislative framework, due consideration shall be given to statutory audits and audits of financial statements of public interest entities.
16. Criteria shall be established and published for evaluating all other engagements to determine whether they shall be included in the scope of the system; any engagements meeting these criteria shall be included in the scope of the quality assurance review.
17. Where other engagements are included in the scope of the system pursuant to paragraph 18, all requirements of this SMO related to audits of financial statements shall be also applied to these engagements.
18. Because the public places greater interest in audits of financial statements, it is appropriate for mandatory quality assurance review systems to apply at least to those engagements. It is desirable, however, for the largest range of professional services performed by professional accountants to be subject to quality assurance review systems that are commensurate with the nature of the services. Therefore, parties responsible for the quality assurance review systems are encouraged to extend their scope to cover as many professional services as possible. Criteria, or risk factors, for selecting additional engagements to be subject to mandatory quality assurance review shall be identified (see paragraph 19 below).
19. Criteria for extending the scope of engagements that will be subject to a quality assurance review include:
 - the number and range of stakeholders who may make decisions based on the engagement result;
 - the extent to which the subject matter and the engagement results are of public interest, or may affect the public's confidence in public institutions or public administration;
 - the identification of unusual circumstances or risks in an engagement or class of engagement; and
 - laws and regulations requiring inclusion of specific engagements in the scope of the quality assurance review system.

20. The implementation of an appropriate system of quality control is the responsibility of firms. Firms shall be required (a) to adhere to a code of ethics (such as the IESBA *Code of Ethics*), and (b) to implement a system of quality control for the performance of audit, review, other assurance, and related services engagements in accordance with ISQC 1 and ISA 220, as applicable.

Quality Control Standards

21. In accordance with the applicability framework, IFAC member bodies shall identify and undertake actions to have ISQC 1 adopted, and requirements established for firms to implement a system of quality control in their jurisdictions.
- “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 decisions⁵, including incorporation into national requirements or requiring the use of international standards through law. Adoption typically includes 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.
 - “Implementation” typically includes 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.
22. Firms are responsible for implementing policies and procedures that comply with ISQC 1. ISQC 1 provides guidance on the elements that shall be addressed by the policies and procedures of the systems of quality control established by firms.
23. A quality assurance review system monitors compliance with those policies and procedures.

Other Quality Control Guidance

24. Relevant guidance on quality control standards shall be developed and published to assist firms in:
- (a) understanding the objectives of quality control; and
 - (b) implementing and maintaining appropriate systems of quality control.
25. Assistance may take various forms, depending upon the needs within a country, including:
- raising firms’ awareness of the objective of quality control and the related quality control standards by developing seminars and publishing specific explanatory documents about quality control and quality assurance;

⁵ As stated in the *IFAC Strategic Plan for 2011-2014*. The IFAC Strategic Plan is available on the IFAC website.

- developing guidelines for comprehensive Continuing Professional Development (CPD) programs. These could include (a) guidance on planning or evaluating the adequacy of in-house training, and (b) CPD programs mandated by the IFAC member body or local licensing authority;
 - providing CPD programs to firms without their own programs, including programs that are specifically directed to implementing quality control policies and procedures;
 - providing guidelines for conducting effective internal inspection systems; and
 - implementing voluntary programs that enable firms to obtain an independent, confidential assessment of their quality control policies and procedures, apart from any formal quality assurance review system. Potential sources to perform the assessment include a firm, IFAC member body's employees, or individuals recommended by the IFAC member body.
26. In setting up these CPD programs, the IFAC member body may refer to SMO 2, International Education Standards (IESs) for Professional Accountants and other IAESB guidance, and ensure that such programs and other training activities are established and maintained in compliance with the IESs and other relevant standards and guidance.

The Design of the Quality Assurance Review System

Subject of the Quality Assurance Review System

27. The subject of the quality assurance review system shall be either a firm or a partner, as determined at the national level.
- (a) Where the firm is the subject, the system shall be designed to obtain reasonable assurance that:
- (i) the firm has an adequate system of quality control for its practice relating to audits of financial statements (and other engagements that the body responsible for quality assurance includes as part of its quality assurance system);
 - (ii) the firm complies with that system; and
 - (iii) the firm and engagement teams have adhered to professional standards and regulatory and legal requirements in performing audits of financial statements.
- (b) Where a partner is the subject, the system shall be designed to obtain reasonable assurance that:
- (i) the partner is subject to an adequate system of quality control for the practice of the partner's firm relating to audits of financial statements (and other engagements that the body responsible for quality assurance includes as part of its quality assurance system);
 - (ii) the partner complies with that system; and

- (iii) the partner has adhered to professional standards and regulatory and legal requirements in performing audits of financial statements (and other engagements that the body responsible for quality assurance includes as part of its quality assurance system).
28. Where the firm is the subject of the quality assurance review, the review shall take into account the work of individual partners, to conclude whether the firm has adhered to professional standards and applicable regulatory and legal requirements in respect of audit engagements. Where a partner is the subject of the quality assurance review, the review shall take into account the system of quality control of the partner's firm to conclude whether that system is adequate, and whether the firm has complied with that system.
29. When evaluating the adequacy of a firm's system of quality control, the elements of the system of quality control are considered as firm-wide, not necessarily engagement-specific. However, the firm may establish additional policies and require additional procedures for audits of financial statements.

Basis for Reaching an Overall Conclusion on a Quality Assurance Review

30. Suitable criteria for determining whether the overall outcome of a quality assurance review can be considered to be satisfactory shall be developed and published.
31. In developing these criteria, paragraphs 27, 29, 30, and 58 of this SMO may be referenced to obtain further guidance on this topic.

Description of the Scope and Design of the Quality Assurance Review System

32. A description of the scope and design of the quality assurance review system and related procedures to be followed by quality assurance review teams shall be published.
33. The following procedures are included in quality assurance review system guidelines:
- (a) Requiring and determining whether quality assurance review teams receive training in the conduct of quality assurance reviews;
 - (b) Evaluating the independence of the members of the quality assurance review teams;
 - (c) Evaluating whether quality assurance review teams have the technical skill and knowledge, the specialized experience, and the authority to perform quality assurance reviews with professional competence;
 - (d) Assessing compliance with international accounting standards (either International Financial Reporting Standards or International Public Sector Accounting Standards) and International Standards on Auditing to the extent that such standards are used in the engagements included in the scope of the review.
 - (e) Evaluating corrective actions taken by the member with regard to the results of previous quality assurance reviews;

- (f) Documenting the performance of quality assurance review procedures in a manner that permits the IFAC member body or an oversight body to objectively determine whether quality assurance reviews were performed with due care and in compliance with the relevant standards;
- (g) Reporting the conclusions of quality assurance reviews to appropriate individuals in a manner that assists the subjects of reviews to (i) identify and implement any necessary corrective actions, and (ii) make other desirable improvements in quality control policies and procedures;
- (h) Imposing, where applicable, added corrective, educational, or monitoring procedures that provide for fair and consistent treatment of each member; and
- (i) Maintaining the confidentiality of client information.

Review Cycle

34. A cycle-based, risk-based, or mixed approach for selecting firms for review shall be used. All firms or partners performing audits of financial statements shall be considered in the selection process.

Cycle Approach

35. Jurisdictions that select a cycle approach shall:
- (a) adopt a cycle of a maximum of three years when a firm performs audits of financial statements of public interest entities as defined in the *IESBA Code of Ethics*;
 - (b) adopt a cycle of a maximum of six years when a firm performs audits of financial statements of non-public interest entities; and
 - (c) take into consideration the quality and effectiveness of the internal inspection system of a partner's firm when a partner is the subject of the quality assurance review.
36. The review cycle for partners shall be determined. The length of the review cycle takes into consideration the frequency of review of the partner under the firm's internal inspection system, as well as the procedures performed.
37. It may be appropriate to review some firms more frequently. For example, the review cycle may be shortened if the results of the previous review were less than satisfactory. Additional appropriate reasons for conducting reviews more frequently may be identified.

Risk-Based Approach

38. Jurisdictions that select a risk-based approach shall consider various risk factors when determining the firms or partners to be reviewed in priority. Firms or partners shall be reviewed with reasonable frequency even if not selected in priority for review based on risk factors.

39. Examples of risk factors include:
- (a) the number of entities considered to be of public interest.
 - (b) past investigations and disciplinary procedures against the firm.
 - (c) past results of quality assurance reviews, including:
 - (i) a failure to meet CPD requirements;
 - (ii) independence violations; or
 - (iii) deficiencies in the design of, or compliance with, the firm's system of quality control.

Mixed Approach

40. For efficiency and effectiveness, a mixed approach that includes cycle- and risk-based elements for selecting firms for review may be developed.
41. In defining the exact mixed approach for the quality assurance review, additional factors may also be considered, including specific risk elements in defining the length of the review cycle, and past results of quality assurance reviews and awareness of non-compliance with quality control standards or other professional standards. The assessment of risk factors may result in reviews taking place earlier than otherwise planned for firms performing audits of financial statements.

Other Considerations

42. Audits of financial statements subject to selection for review are ordinarily completed and issued audits of financial statements with fiscal years periods ending during the review period. If a more recent auditor's report has been issued during the review, consideration is given to reviewing that audit.
43. If, during or after a quality assurance review period, a firm under review has (a) made a significant acquisition of all or a portion of another firm's practice, or (b) divested itself of a significant portion of its practice, before commencing the review the quality assurance review team shall consult with the body responsible for the quality assurance review system on the scope of the quality assurance review or other actions that may be taken.

Quality Assurance Review Team Procedures

44. Quality assurance review teams shall be required to follow procedures that are based on published guidelines. These procedures shall include reviews of audit working papers and discussions with appropriate personnel.
45. The procedures performed during the quality assurance review shall include:
- an assessment of the system of quality control relating to audits of financial statements;
 - a review of the quality control policies and procedures and reviews of audit working papers to evaluate:

- the functioning of the system of quality control, and compliance with it; and
 - the compliance with professional standards and regulatory and legal requirements in respect of audits of financial statements.
46. The review of audit working papers shall include evaluating:
- the existence and effectiveness of the system of quality control implemented by the firm, and the performance of the audit;
 - compliance with professional standards and regulatory and legal requirements related to the engagement;
 - the sufficiency and appropriateness of evidence documented in the working papers; and
 - based on the above, whether the audit reports are appropriate in the circumstances.
47. Procedures the quality assurance review team may consider when performing the quality assurance review include:
- obtaining a sufficient understanding of:
 - the nature and extent of the member's audit practice and the methodologies used;
 - the design of the system of quality control of the member of the IFAC member body;
 - the firm's ethical and independence policies and procedures; and
 - the firm's training policies and procedures.
 - testing the effectiveness of the firm's monitoring procedures in place for the period under review, and whether the quality assurance reviewer can rely on them, by performing tests of the conclusions of the applicable period's monitoring as a source of evidence. It may be useful to plan the quality assurance review concurrent with the member's monitoring procedures;
 - reviewing compliance with the firm's system of quality control relating to audits of financial statements;
 - reassessing the adequacy of the scope of the quality assurance review by evaluating the results to determine whether additional procedures are necessary to support or reach a conclusion;
 - holding a closing meeting with the firm to discuss the quality assurance review team's results, conclusions, recommendations, and the type of report to be issued; and
 - providing the firm with conclusions and recommendations for corrective actions.

Documentation

48. The quality assurance review team shall document matters that:
 - (a) provide evidence supporting the quality assurance review report; and
 - (b) establish that the quality assurance review was carried out in accordance with the guidelines established by the body responsible for quality assurance.
49. The quality assurance review team shall maintain documentation that supports the work performed, including findings, recommendations, and conclusions. The quality assurance review team leader instructs the quality assurance review team on how to prepare, store, and retain documentation (programs, checklists, etc.).
50. During the quality assurance review, the quality assurance review team:
 - (a) documents the planning of the review, the scope of work performed, the conclusions reached, and comments made to the firm or partner that were not deemed sufficiently significant to be included as a finding;
 - (b) evaluates the nature, cause, pattern, pervasiveness, and significance of any deficiencies in the design of the firm's system of quality control, and in the firm's compliance with its system;
 - (c) evaluates the nature, cause, pattern, pervasiveness, and significance of any deficiencies in the performance of an engagement; and
 - (d) summarizes conclusions.
51. The length of the period for retaining documentation after completion of the quality assurance review shall be determined. The time shall be long enough to allow the IFAC member body or its oversight body, if any, to maintain appropriate oversight of the quality assurance review process.

The Quality Assurance Review Team

Skills and Competence

52. Members of the quality assurance review team shall have the necessary competencies to perform the work expected of them. These competencies include:
 - (a) appropriate professional education;
 - (b) relevant professional experience; and
 - (c) specific training on performing quality assurance reviews.
53. Members of the quality assurance review team shall possess certification or credentials required by the body responsible for quality assurance review.
54. In selecting and approving the quality assurance review team, consideration shall be given to the following competencies and areas of expertise:
 - Understanding of professional standards and regulatory and legal requirements;
 - Understanding of the guidelines established for performing quality assurance reviews;

- Understanding and practical experience of audit engagements and quality assurance reviews through appropriate training and participation;
 - Appropriate technical knowledge, including knowledge of relevant information technology;
 - Knowledge of specific industries; and
 - Ability to apply professional judgment.
55. Individuals selected as quality assurance review team leaders and members of quality assurance review teams are members in good standing in the profession. Individuals may not serve as quality assurance reviewers if their ability to practice public accountancy has been limited in any way by a regulatory, profession-wide monitoring organization or enforcement body, until the limitation or restriction has been removed.
56. The quality assurance review team shall consist of an appropriate number of reviewers to accomplish the review within a reasonable time.

The Quality Assurance Review Team Leader

57. A quality assurance review team leader shall be assigned for each quality assurance review assignment. The quality assurance review team leader shall:
- (a) supervise the conduct of the quality assurance review;
 - (b) communicate the quality assurance review team's conclusions to the firm; and
 - (c) be responsible for preparing the main quality assurance review report and gathering applicable review-related documents.
58. The quality assurance review team leader has significant involvement in the planning of the quality assurance review, and at the member's closing meeting. The quality assurance review team leader is involved in discussing significant conclusions with the member and the quality assurance review team, and interacts with the member and the quality assurance review team during the quality assurance review.
59. The quality assurance review team leader attends review training courses approved by the body responsible for the quality assurance review system to obtain current knowledge of the quality assurance review process, and otherwise maintains competencies in conducting such reviews.

Ethical Requirements

60. The objectivity and confidentiality principles of the IESBA *Code of Ethics* in relation to the quality assurance review team's conduct of a review shall be complied with.
61. When selecting a review team for an individual quality assurance review assignment, those responsible for selection and approval shall consider whether the objectivity of the quality assurance review team leader and each member of the quality assurance review team has been assessed and confirmed. Quality

assurance review team members are expected to be independent of the member and the member's clients selected for review.

62. Objectivity and confidentiality are addressed by the IESBA *Code of Ethics*. The body responsible for the quality assurance review system and the quality assurance review team are encouraged to refer to the IESBA *Code of Ethics* requirements for specific guidance on these topics. Even though the report issued by the quality assurance review team may not be an assurance report, this SMO requires objectivity of quality assurance review team members with respect to the professional services they deliver.
63. Firms and their peers shall not perform reciprocal quality assurance reviews.
64. Performance of other reciprocal professional services by the quality assurance review team and the firm does not, however, impair independence, if (a) the fees charged are not material to either party, and (b) the services are not an integral part of the firm's system of quality control.
65. If concerns regarding threats to the independence of the quality assurance review team cannot be eliminated or reduced to an acceptable level by appropriate safeguards to the satisfaction of all parties, a different quality assurance review team is appointed.

Confidentiality

66. As stated in the IESBA *Code of Ethics* or relevant national codes of ethics, individuals or firms under review shall be exempted from professional client confidentiality requirements concerning audit engagement working papers for the purpose of quality assurance reviews.
67. The quality assurance review team shall follow confidentiality requirements similar to those established for professional accountants performing audits of financial statements.
68. The obligation of professional confidentiality binds (a) all persons who work or have worked for the IFAC member body, regulator, public oversight body, or other competent authority responsible for administering and overseeing the quality assurance review system and (b) all persons involved with the applicable oversight system.

Reporting

69. The quality assurance review team leader shall be responsible for issuing a written quality assurance review report to the reviewed firm or partner upon completion of each quality assurance review assignment. The report shall include the following elements:
 - Where the subject of the quality assurance review system is a firm, a conclusion on:
 - whether the firm's system of quality control has been designed to meet the requirements of the quality control standards described in paragraph 22; and

- whether the firm has complied with its system of quality control during the review period.
 - Where the subject of the quality assurance review system is a partner, a conclusion on:
 - whether the partner has been subject to a system of quality control designed to meet the requirements of the quality control standards described in paragraph 22; and
 - whether the partner, through the firm, has complied with the firm's system of quality control during the review period.
 - Reasons for negative conclusions on the above.
 - Recommendations for improvement at both the firm-wide and engagement level.
70. The body responsible for the quality assurance review system determines the form of the quality assurance review report and the nature of the conclusion to be reached (e.g., opinion and limited assurance).
71. The reviewed member shall provide a timely written response to the recommendations and conclusions of the quality assurance review report, including planned actions and expected time of completion or implementation. The response shall be addressed to the quality assurance review team or the body responsible for the quality assurance review system. The expected time of completion shall be reasonable and agreed to by the member, quality assurance review team, and the body responsible for the quality assurance review system.
72. An annual report shall be prepared and made available to the public, summarizing the results of the quality assurance review system. Copies of the report shall be sent to regulatory and public oversight authorities, on request.
73. For confidentiality purposes, the annual report may not include detail regarding specific partners, firms, or clients.

Corrective and Disciplinary Actions

74. The conclusions of each quality assurance review report shall be considered. When a quality assurance review report includes an unsatisfactory conclusion, the firm to which that conclusion applied shall be required to take appropriate corrective action.
75. Corrective action may be necessary to address (a) lack of cooperation, (b) failings in development or application of a system of quality control, or (c) failure to comply, maintain, or apply professional standards. The body responsible for the quality assurance review system may consider various forms of corrective action to be taken with respect to firms or partners, taking into consideration the educative purpose of the quality assurance review system, and the level of seriousness of the failure of the firm or partner. The corrective actions may include:
- requiring revisions or additions to quality control policies and procedures or audit methodology;

- requiring additional CPD;
 - admonishments, censures, and reprimands;
 - fines/payments of costs; and
 - suspension of membership or expulsion.
76. If the body responsible for the quality assurance review system licenses firms to perform audits, it may exercise sanctions through the licensing system by suspending or prohibiting firms from performing audits of financial statements.
77. Where (a) the body responsible for the quality assurance review system (or its committee with appropriate delegated powers) considers that an unsatisfactory conclusion of quality assurance reviews represents serious failings by the firm or partner, and (b) there is no mechanism requirement to take corrective action under the quality assurance review system to address this unsatisfactory conclusion, a link shall be established between unsatisfactory conclusion of quality assurance reviews and the initiation of disciplinary proceedings.
78. Actions taken as a consequence of unsatisfactory results of quality assurance reviews that constitute disciplinary action shall be carried out under a disciplinary system that is established in accordance with the provisions of SMO 6, *Investigation and Discipline*.

Considerations of Public Oversight

79. The body responsible for the quality assurance system is encouraged to closely cooperate with its oversight body, if any, and to share information about the functioning of the quality assurance review system, as needed. They may also (a) generally consider how best to contribute to the development of the regulation of the profession and, in this respect, (b) refer to the IFAC Policy Position, *Regulation of the Accountancy Profession*.⁶

Review of Implementation and Effectiveness

80. Regular reviews of the proper implementation and effectiveness of the quality assurance review system shall be performed to ensure that it functions as intended and in accordance with the requirements of this SMO. When reviews of the proper implementation of the quality assurance review system reveal issues in the proper functioning of the system, action shall be taken to ensure these specific issues are addressed as soon as practicable. An IFAC member body responsible for the quality assurance system is not required to perform any implementation reviews when they are undertaken at least annually by the public oversight body, if any, or another equivalent organization.
81. Performing the review of the proper implementation of the quality assurance review system is recommended every two years. The cycle of the review may, however, need to be shortened for very new quality assurance review systems.

⁶ The IFAC Policy Position *Regulation of the Accountancy Profession* is available on the IFAC website.

IFAC Compliance Assessment

82. In assessing compliance with this SMO, IFAC will give due consideration to the applicability framework and the best endeavors concept, as well as the differing national environments, stages of development, and other relevant environmental factors.
83. IFAC will take into account the relevance of individual SMO requirements to each IFAC member body in assessing its level of compliance. This recognizes that some IFAC member bodies and their members operate in different sectors of the profession, and that some SMOs may not apply to them in their entirety.
84. In addressing the requirements of this SMO, IFAC member bodies need to consider priorities, processes, and challenges specific to their jurisdiction and constituency. Consequently, they shall develop an action plan, obtain internal agreement on a timetable for achieving compliance and demonstrate progress against the plan. If not, they shall satisfactorily justify why they have not done so or they may be suspended or removed from membership for non-compliance.

Effective Date

85. This SMO is effective for reviews commencing on or after XXX and was last amended as of XXX.

Definitions

86. In this SMO, the following terms have the meanings attributed below:
 - (a) “Firm”^{*}—a sole practitioner, partnership, or corporation, or other entity of professional accountants;
 - (b) “Partner”^{*}—any individual with authority to bind the firm with respect to the performance of a professional services engagement;
 - (c) “Public Interest Entities”—as defined in the *Code of Ethics* of the International Ethics Standards Board for Accountants (IESBA)⁷;
 - (d) “Professional standards”—For the purpose of this SMO, IAASB Pronouncements, as defined in the IAASB’s “Preface to the International Standards on Quality Control, Auditing, Review, Other Assurance and Related Services,” and relevant ethical requirements, which ordinarily comprise the *Code of Ethics for Professional Accountants* of the International Ethics Standards Board for Accountants (IESBA) (*IESBA Code of Ethics*) and relevant national ethical requirements;
 - (e) “Quality assurance review”—a review to determine whether the member (i) is subject to (as a partner) or has (as a firm) an adequate system of quality control, (ii) is in compliance with such system, and (iii) has adhered to

^{*} As defined in ISQC 1.

⁷ The IESBA *Code of Ethics* is available through the IFAC website.

professional standards and regulatory and legal requirements in performing engagements;

- (f) “Quality assurance review team”—individuals (including the quality assurance review team leader) employed or engaged to perform a quality assurance review;
- (g) “Quality assurance review team leader”—an experienced professional accountant employed or engaged to lead a quality assurance review;
- (h) “System of quality control”—policies designed to provide a firm with reasonable assurance that (i) the firm and its personnel comply with professional standards and regulatory and legal requirements, and (ii) reports issued by the firm or partners are appropriate in the circumstances, and in accordance with the procedures necessary to implement and monitor compliance with those policies.

STATEMENT OF MEMBERSHIP OBLIGATIONS 2

INTERNATIONAL EDUCATION STANDARDS FOR PROFESSIONAL ACCOUNTANTS AND OTHER IAESB GUIDANCE

Obligation

1. In accordance with the IFAC Constitution, paragraph 2.3.b., IFAC member bodies are required to comply with the Statements of Membership Obligations.

Scope

2. This Statement of Membership Obligations (SMO) is issued by the IFAC Board and sets out requirements for IFAC member bodies with respect to international standards, related practice statements, and other papers issued by the International Accounting Education Standards Board (IAESB), an independent standard-setting body supported by IFAC. To understand and address the requirements, it is necessary to consider the entire text of the SMO.
3. International standards and other publications issued by the IAESB comprise International Education Standards (IESs) for Professional Accountants, International Education Practice Statements (IEPSs) for Professional Accountants, and International Education Information Papers (IEIPs) for Professional Accountants. IESs prescribe standards of generally accepted “good practice” in the education and development of professional accountants. They establish the essential elements (e.g., the subject matter, methods, and techniques) that accounting education and development programs are expected to contain.
4. A description of, and the authority attached to, IESs, IEPSs, and IEIPs are contained in the Framework for International Education Statements issued by the IAESB.

Applicability Framework

5. IFAC recognizes that its member bodies operate under different national legal and regulatory frameworks, and are comprised of professionals working in different sectors of the accountancy profession. Accordingly, IFAC member bodies in different jurisdictions may have different degrees of responsibility for meeting the requirements in this SMO.
6. Without prejudice to the existence of more complex national frameworks, IFAC member bodies can have:
 - (a) direct responsibility for the area covered by this SMO. The mandate, explicitly given to the IFAC member body or otherwise implied through general consensus, specifies that it is responsible for adopting and implementing accountancy education standards and guidance; or
 - (b) no responsibility for the area covered by this SMO. The IFAC member body has no mandate, explicitly given or otherwise implied through general

consensus, that it has any responsibility for adopting and implementing accountancy education standards and guidance; or

- (c) shared responsibility with government, regulators, or other appointed authorities. The mandate, explicitly given to the IFAC member body or otherwise implied through general consensus, specifies that it has some responsibility for the area relating to this SMO.

Direct Responsibility

- 7. Where IFAC member bodies have direct responsibility they shall implement all the requirements of this SMO.
- 8. In exceptional circumstances, an IFAC member body may depart from a requirement of this SMO, if doing so is determined by the member body to be in the public interest. If this is the case, the IFAC member body shall justify and publicly document the departure. Any IFAC member body that (a) fails to follow the requirements of this SMO, and (b) does not document satisfactorily why it has departed from it, may be suspended or removed from membership.

No Responsibility

- 9. Where member bodies have no responsibility they shall use best endeavors to:
 - (a) encourage those responsible for the requirements to follow this SMO in implementing them; and
 - (b) assist in the implementation where appropriate.
- 10. An IFAC member body will have been considered to have used “best endeavors” if it could not reasonably do more than it has done and is doing to meet the requirements of this SMO.

Shared Responsibility

- 11. Where member bodies have shared responsibility they shall:
 - (a) implement those requirements for which they have direct responsibility in accordance with paragraphs 7 and 8; and
 - (b) take actions specified in paragraphs 9 and 10 for those requirements where they have no responsibility.

Requirements and Application Guidance

- 12. In accordance with the applicability framework, IFAC member bodies shall identify and undertake actions to have the international standards issued by the IAESB adopted and implemented in their jurisdictions.
 - “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 decisions⁸, including incorporation into national requirements or requiring the use of international standards through law. Adoption typically includes 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.

- “Implementation” typically includes 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.
13. In jurisdictions where English is not an official or widely used language, IFAC member bodies shall use best endeavors to have a process established, or otherwise support a process to provide for the timely, accurate, and complete translation of international standards⁹ and, to the extent practicable, of related exposure drafts.
 14. IFAC member bodies shall notify their members of all new, proposed, and revised international standards, related practice statements, and other papers issued by the IAESB.
 15. IFAC member bodies are encouraged to comment on IAESB exposure drafts.

IFAC Compliance Assessment

16. In assessing compliance with this SMO, IFAC will give due consideration to the applicability framework and the best endeavors concept, as well as to the differing national environments, stages of development, and other relevant environmental factors.
17. IFAC will take into account the relevance of individual SMO requirements to each IFAC member body in assessing its level of compliance. This recognizes that some IFAC member bodies and their members operate in different sectors of the profession, and that some SMOs may not apply to them in their entirety.
18. In addressing the requirements of this SMO, IFAC member bodies need to consider priorities, processes, and challenges specific to their jurisdiction and constituency. Consequently, they shall develop an action plan, obtain internal agreement on a timetable for achieving compliance, and demonstrate progress against the plan. If not, they shall satisfactorily justify why they have not done so or they may be suspended or removed from membership for non-compliance.

⁸ As stated in the *IFAC Strategic Plan for 2011-2014*. The IFAC Strategic Plan is available on the IFAC website.

⁹ Translations, if any, shall be made in line with the IFAC Policy Statement, *Policy for Translating and Reproducing Standards Issued by the International Federation of Accountants*. The policy document is available on the IFAC website.

Effective Date

19. This SMO is effective as of December 31, 2004 and was last amended as of MM, DD, YYYY.

STATEMENT OF MEMBERSHIP OBLIGATIONS 3
INTERNATIONAL STANDARDS, PRACTICE STATEMENTS,
AND OTHER PAPERS ISSUED BY THE IAASB

Obligation

1. In accordance with the IFAC Constitution, paragraph 2.3.b., IFAC member bodies are required to comply with the Statements of Membership Obligations.

Scope

2. This Statement of Membership Obligations (SMO) is issued by the IFAC Board and sets out requirements for IFAC member bodies with respect to international standards, related practice statements, and other papers issued by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting body supported by IFAC. To understand and address the requirements, it is necessary to consider the entire text of the SMO.
3. International standards issued by the IAASB comprise International Standards on Quality Control (ISQCs), International Standards on Auditing (ISAs), International Standards on Review Engagements (ISREs), International Standards on Assurance Engagements (ISAEs), and International Standards on Related Services (ISRSs). The IAASB also issues practice statements¹⁰ and other papers to provide guidance and practical assistance to professional accountants in implementing international standards, and to promote good practice.
4. A description of, and the authority attaching to, international standards, practice statements, and other papers are contained in the Preface to the International Standards on Quality Control, Auditing, Assurance and Related Services.

Applicability Framework

5. IFAC recognizes that its member bodies operate under different national legal and regulatory frameworks, and are comprised of professionals working in different sectors of the accountancy profession. Accordingly, IFAC member bodies in different jurisdictions may have different degrees of responsibility for meeting the requirements in this SMO.
6. Without prejudice to the existence of more complex national frameworks, IFAC member bodies can have:
 - (a) direct responsibility for the area covered by this SMO. The mandate, explicitly given to the IFAC member body or otherwise implied through general

¹⁰ The authoritative status of IAASB practice statements is currently under review by the IAASB and the reference may be changed accordingly in the final SMOs.

consensus, specifies that it is responsible for adopting and implementing auditing standards and guidance; or

- (b) no responsibility for the area covered by this SMO. The IFAC member body has no mandate, explicitly given or otherwise implied through general consensus, that it has any responsibility for adopting and implementing auditing standards and guidance; or
- (c) shared responsibility with government, regulators, or other appointed authorities. The mandate, explicitly given to the IFAC member body or otherwise implied through general consensus, specifies that it has some responsibility for the area relating to this SMO.

Direct Responsibility

- 7. Where IFAC member bodies have direct responsibility they shall implement all the requirements of this SMO.
- 8. In exceptional circumstances, an IFAC member body may depart from a requirement of this SMO, if doing so is determined by the member body to be in the public interest. If this is the case, the IFAC member body shall justify and publicly document the departure. Any IFAC member body that (a) fails to follow the requirements of this SMO, and (b) does not document satisfactorily why it has departed from it, may be suspended or removed from membership.

No Responsibility

- 9. Where member bodies have no responsibility they shall use best endeavors to:
 - (a) encourage those responsible for the requirements to follow this SMO in implementing them; and
 - (b) assist in the implementation where appropriate.
- 10. An IFAC member body will have been considered to have used “best endeavors” if it could not reasonably do more than it has done and is doing to meet the requirements of this SMO.

Shared Responsibility

- 11. Where member bodies have shared responsibility they shall:
 - (a) implement those requirements for which they have direct responsibility in accordance with paragraphs 7 and 8; and
 - (b) take actions specified in paragraphs 9 and 10 for those requirements where they have no responsibility.

Requirements and Application Guidance

- 12. In accordance with the applicability framework, IFAC member bodies shall identify and undertake actions to have the international standards issued by the IAASB adopted and implemented in their jurisdictions.

- “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 decisions¹¹, including incorporation into national requirements or requiring the use of international standards through law. Adoption typically includes 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, and consideration of necessary limited local modifications¹².
 - “Implementation” typically includes 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.
13. In jurisdictions where English is not an official or widely used language, IFAC member bodies shall use best endeavors to have a process established, or otherwise support a process to provide for the timely, accurate, and complete translation of international standards¹³ and, to the extent practicable, of related exposure drafts.
 14. IFAC member bodies shall notify their members of all new, proposed, and revised international standards, related practice statements, and other papers issued by the IAASB.
 15. The use of IAASB practice statements and other papers to provide guidance and practical assistance shall be promoted.
 16. IFAC member bodies are encouraged to comment on IAASB exposure drafts.

IFAC Compliance Assessment

17. In assessing compliance with this SMO, IFAC will give due consideration to the applicability framework and the best endeavors concept, as well as the differing national environments, stages of development, and other relevant environmental factors.
18. IFAC will take into account the relevance of individual SMO requirements to each IFAC member body in assessing its level of compliance. This recognizes that some

¹¹ As stated in the *IFAC Strategic Plan for 2011-2014*. The IFAC Strategic Plan is available on the IFAC website.

¹² Modifications, if any, shall be made in line with the IAASB Policy: Modifications to International Standards of the International Auditing and Assurance Standards Board (IAASB). A Guide for National Standard Setters that Adopt IAASB’s International Standards but Find It Necessary to Make Limited Modifications. The Policy document is available through the IAASB website.

¹³ Translations, if any, shall be made in line with the IFAC Policy Statement, Policy for Translating and Reproducing Standards Issued by the International Federation of Accountants. The policy document is available on the IFAC website.

IFAC member bodies and their members operate in different sectors of the profession, and that some SMOs may not apply to them in their entirety.

19. In addressing the requirements of this SMO, IFAC member bodies need to consider priorities, processes, and challenges specific to their jurisdiction and constituency. Consequently, they shall develop an action plan, obtain internal agreement on a timetable for achieving compliance and demonstrate progress against the plan. If not, they shall satisfactorily justify why they have not done so or they may be suspended or removed from membership for non-compliance.

Effective Date

20. This SMO is effective as of December 31, 2004 and was last amended as of MM, DD, YYYY.

STATEMENT OF MEMBERSHIP OBLIGATIONS 4

IESBA CODE OF ETHICS FOR PROFESSIONAL ACCOUNTANTS

Obligation

1. In accordance with the IFAC Constitution, paragraph 2.3.b., IFAC member bodies are required to comply with the Statements of Membership Obligations.

Scope

2. This Statement of Membership Obligations (SMO) is issued by the IFAC Board and sets out requirements for IFAC member bodies with respect to the *Code of Ethics for Professional Accountants* (IESBA Code of Ethics) issued by the International Ethics Standards Board for Accountants (IESBA), an independent standard-setting body supported by IFAC. To understand and address the requirements, it is necessary to consider the entire text of the SMO.
3. The IESBA develops ethical standards and guidance for use by professional accountants. The IESBA also fosters international debate on ethical issues faced by accountants.
4. The IESBA *Code of Ethics* establishes the fundamental principles of professional ethics for professional accountants, and provides a conceptual framework and guidance for applying those principles.

Applicability Framework

5. IFAC recognizes that its member bodies operate under different national legal and regulatory frameworks, and are comprised of professionals working in different sectors of the accountancy profession. Accordingly, IFAC member bodies in different jurisdictions may have different degrees of responsibility for meeting the requirements in this SMO.
6. Without prejudice to the existence of more complex national frameworks, IFAC member bodies can have:
 - (a) direct responsibility for the area covered by this SMO. The mandate, explicitly given to the IFAC member body or otherwise implied through general consensus, specifies that it is responsible for setting ethical requirements for its members; or
 - (b) no responsibility for the area covered by this SMO. The IFAC member body has no mandate, explicitly given or otherwise implied through general consensus, that it has any responsibility for setting ethical requirements for its members; or
 - (c) shared responsibility with government, regulators, or other appointed authorities. The mandate, explicitly given to the IFAC member body or otherwise implied through general consensus, specifies that it has some responsibility for the area relating to this SMO.

Direct Responsibility

7. Where IFAC member bodies have direct responsibility they shall implement all the requirements of this SMO.
8. In exceptional circumstances, an IFAC member body may depart from a requirement of this SMO, if doing so is determined by the member body to be in the public interest. If this is the case, the IFAC member body shall justify and publicly document the departure. Any IFAC member body that (a) fails to follow the requirements of this SMO, and (b) does not document satisfactorily why it has departed from it, may be suspended or removed from membership.

No Responsibility

9. Where member bodies have no responsibility they shall use best endeavors to:
 - (a) encourage those responsible for the requirements to follow this SMO in implementing them; and
 - (b) assist in the implementation where appropriate.
10. An IFAC member body will have been considered to have used “best endeavors” if it could not reasonably do more than it has done and is doing to meet the requirements of this SMO.

Shared Responsibility

11. Where member bodies have shared responsibility they shall:
 - (a) implement those requirements for which they have direct responsibility in accordance with paragraphs 7 and 8; and
 - (b) take actions specified in paragraphs 9 and 10 for those requirements where they have no responsibility.

Requirements and Application Guidance

12. In accordance with the applicability framework, IFAC member bodies shall identify and undertake actions to have the IESBA *Code of Ethics* adopted and implemented in their jurisdiction. Given the importance of consistent, high quality ethical standards, member bodies should not apply less stringent standards than those stated in the IESBA Code of Ethics.
 - “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 decisions¹⁴, including incorporation into national requirements or requiring the use of international standards through law. Adoption typically includes a process to review draft international standards, translation, public exposure of proposed standards, approval, incorporation into national requirements as necessary, and promulgation of

¹⁴ As stated in the *IFAC Strategic Plan for 2011-2014*. The IFAC Strategic Plan is available on the IFAC website.

final standards, and where applicable, a convergence process to eliminate or minimize differences between international and national standards.

- “Implementation” typically includes 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.
13. In jurisdictions where English is not an official or widely used language, IFAC member bodies shall use best endeavors to have a process established, or otherwise support a process to provide for the timely, accurate, and complete translation of international standards¹⁵ and, to the extent practicable, of related exposure drafts.
 14. IFAC member bodies shall notify their members of the new, proposed, and revised provisions of the IESBA *Code of Ethics* and other pronouncements developed by the IESBA.
 15. IFAC member bodies are encouraged to comment on IESBA exposure drafts.

IFAC Compliance Assessment

16. In assessing compliance with this SMO, IFAC will give due consideration to the applicability framework and the best endeavors concept, as well as the differing national environments, stages of development, and other relevant environmental factors.
17. IFAC will take into account the relevance of individual SMO requirements to each IFAC member body in assessing its level of compliance. This recognizes that some IFAC member bodies and their members operate in different sectors of the profession, and that some SMOs may not apply to them in their entirety.
18. In addressing the requirements of this SMO, IFAC member bodies need to consider priorities, processes, and challenges specific to their jurisdiction and constituency. Consequently, they shall develop an action plan, obtain internal agreement on a timetable for achieving compliance and demonstrate progress against the plan. If not, they shall satisfactorily justify why they have not done so or they may be suspended or removed from membership for non-compliance.

Effective Date

19. This SMO is effective as of December 31, 2004 and was last amended as of MM, DD, YYYY.

¹⁵ Translations, if any, shall be made in line with the IFAC Policy Statement, *Policy for Translating and Reproducing Standards Issued by the International Federation of Accountants*. The policy document is available on the IFAC website.

STATEMENT OF MEMBERSHIP OBLIGATIONS 5
INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS
AND OTHER IPSASB GUIDANCE

Obligation

1. In accordance with the IFAC Constitution, paragraph 2.3.b., IFAC member bodies are required to comply with the Statements of Membership Obligations.

Scope

2. This Statement of Membership Obligations (SMO) is issued by the IFAC Board and sets out requirements of an IFAC member body with respect to International Public Sector Accounting Standards (IPSASs), and other pronouncements issued by the International Public Sector Accounting Standards Board (IPSASB), an independent standard-setting body supported by IFAC. To understand and address the requirements, it is necessary to consider the entire text of the SMO.
3. The IPSASB focuses on the accounting and financial reporting needs of (a) national, regional, and local governments, (b) related governmental agencies, and (c) the constituencies they serve. It addresses these needs by issuing and promoting benchmark guidance and facilitating the exchange of information among accountants and those who work in the public sector, or rely on its work.

Applicability Framework

4. IFAC recognizes that its member bodies operate under different national legal and regulatory frameworks, and are comprised of professionals working in different sectors of the accountancy profession. Accordingly, IFAC member bodies in different jurisdictions may have different degrees of responsibility for meeting the requirements in this SMO.
5. While it is possible for an IFAC member body to have direct responsibility for public sector accounting standards, it is recognized that most IFAC member bodies have no or very limited responsibility for this area.
6. Without prejudice to the existence of more complex national frameworks, IFAC member bodies can have:
 - (a) direct responsibility for the area covered by this SMO. The mandate, explicitly given to the IFAC member body or otherwise implied through general consensus, specifies that it is responsible for adopting and implementing public sector accounting standards; or
 - (b) no responsibility for the area covered by this SMO. The IFAC member body has no mandate, explicitly given or otherwise implied through general consensus, that it has any responsibility for adopting and implementing public sector accounting standards; or

- (c) shared responsibility with government, regulators, or other appointed authorities. The mandate, explicitly given to the IFAC member body or otherwise implied through general consensus, specifies that it has some responsibility for the area relating to this SMO.

Direct Responsibility

- 7. Where IFAC member bodies have direct responsibility they shall implement all the requirements of this SMO.
- 8. In exceptional circumstances, an IFAC member body may depart from a requirement of this SMO, if doing so is determined by the member body to be in the public interest. If this is the case, the IFAC member body shall justify and publicly document the departure. Any IFAC member body that (a) fails to follow the requirements of this SMO, and (b) does not document satisfactorily why it has departed from it, may be suspended or removed from membership.

No Responsibility

- 9. Where member bodies have no responsibility they shall use best endeavors to:
 - (a) encourage those responsible for the requirements to follow this SMO in implementing them; and
 - (b) assist in the implementation where appropriate.
- 10. An IFAC member body will have been considered to have used “best endeavors” if it could not reasonably do more than it has done and is doing to meet the requirements of this SMO.

Shared Responsibility

- 11. Where member bodies have shared responsibility they shall:
 - (a) implement those requirements for which they have direct responsibility in accordance with paragraphs 7 and 8; and
 - (b) take actions specified in paragraphs 9 and 10 for those requirements where they have no responsibility.

Requirements and Application Guidance

- 12. In accordance with the applicability framework, IFAC member bodies shall identify and undertake actions to have the international standards issued by the IPSASB adopted and implemented in their jurisdictions.
 - “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 decisions¹⁶, including incorporation into national requirements or requiring the use of international standards

¹⁶ As stated in the *IFAC Strategic Plan for 2011-2014*. The IFAC Strategic Plan is available on the IFAC website.

through law. Adoption typically includes 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.

- “Implementation” typically includes 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.
13. In jurisdictions where English is not an official or widely used language, IFAC member bodies shall use best endeavors to have a process established, or otherwise support a process to provide for the timely, accurate, and complete translation of international standards¹⁷ and, to the extent practicable, of related exposure drafts.
 14. IFAC member bodies shall notify their members of all new, proposed, and revised IPSAS and guidelines, as well as studies and occasional papers developed by the IPSASB.
 15. IFAC member bodies are encouraged to comment on IPSASB exposure drafts.

IFAC Compliance Assessment

16. In assessing compliance with this SMO, IFAC will give due consideration to the applicability framework and the best endeavors concept, as well as the differing national environments, stages of development, and other relevant environmental factors.
17. IFAC will take into account the relevance of individual SMO requirements to each IFAC member body in assessing its level of compliance. This recognizes that some IFAC member bodies and their members operate in different sectors of the profession, and that some SMOs may not apply to them in their entirety.
18. In addressing the requirements of this SMO, IFAC member bodies need to consider priorities, processes, and challenges specific to their jurisdiction and constituency. Consequently, they shall develop an action plan, obtain internal agreement on a timetable for achieving compliance and demonstrate progress against the plan. If not, they shall satisfactorily justify why they have not done so or they may be suspended or removed from membership for non-compliance.

Effective Date

19. This SMO is effective as of December 31, 2004 and was last amended as of MM, DD, YYYY.

¹⁷ Translations, if any, shall be made in line with the IFAC Policy Statement, *Policy for Translating and Reproducing Standards Issued by the International Federation of Accountants*. The policy document is available on the IFAC website.

STATEMENT OF MEMBERSHIP OBLIGATIONS 6

INVESTIGATION AND DISCIPLINE

Obligation

1. In accordance with the IFAC Constitution, paragraph 2.3.b., IFAC member bodies are required to comply with the Statements of Membership Obligations.

Scope

2. This Statement of Membership Obligations (SMO) is issued by the IFAC Board and sets out the requirements of an IFAC member body with respect to investigation and disciplinary systems, which provide for the investigation and discipline of those who fail to exercise and maintain professional standards, and the related obligation of an IFAC member body. To understand and address the requirements, it is necessary to consider the entire text of the SMO.

Applicability Framework

3. IFAC recognizes that its member bodies operate under different national legal and regulatory frameworks, and are comprised of professionals working in different sectors of the accountancy profession. Accordingly, IFAC member bodies in different jurisdictions may have different degrees of responsibility for meeting the requirements in this SMO.
4. Without prejudice to the existence of more complex national frameworks, IFAC member bodies can have:
 - (a) direct responsibility for the area covered by this SMO. The mandate, explicitly given to the IFAC member body or otherwise implied through general consensus, specifies that it is responsible for setting the rules and operating the investigation and disciplinary system; or
 - (b) no responsibility for the area covered by this SMO. The IFAC member body has no mandate, explicitly given or otherwise implied through general consensus, that it has any responsibility for setting the rules and operating the investigation and disciplinary system; or
 - (c) shared responsibility with government, regulators, or other appointed authorities. The mandate, explicitly given to the IFAC member body or otherwise implied through general consensus, specifies that it has some responsibility for the area relating to this SMO.

Direct Responsibility

5. Where IFAC member bodies have direct responsibility they shall implement all the requirements of this SMO.
6. In exceptional circumstances, an IFAC member body may depart from a requirement of this SMO, if doing so is determined by the member body to be in

the public interest. If this is the case, the IFAC member body shall justify and publicly document the departure. Any IFAC member body that (a) fails to follow the requirements of this SMO, and (b) does not document satisfactorily why it has departed from it, may be suspended or removed from membership.

No Responsibility

7. Where member bodies have no responsibility they shall use best endeavors to:
 - (a) encourage those responsible for the requirements to follow this SMO in implementing them; and
 - (b) assist in the implementation where appropriate.
8. An IFAC member body will have been considered to have used “best endeavors” if it could not reasonably do more than it has done and is doing to meet the requirements of this SMO.

Shared Responsibility

9. Where member bodies have shared responsibility they shall:
 - (a) implement those requirements for which they have direct responsibility in accordance with paragraphs 5 and 6; and
 - (b) take actions specified in paragraphs 7 and 8 for those requirements where they have no responsibility.

Requirements and Application Guidance

Scope of the Investigative and Disciplinary System

10. In accordance with the applicability framework, IFAC member bodies shall identify and undertake actions to have a just and effective investigative and disciplinary system in place for their members.
11. Each member shall be made fully aware of:
 - (a) all provisions of the code of ethics and other applicable professional standards, rules, and requirements (and any amendments), whether issued by IFAC or by the responsible body at the national level; and
 - (b) the consequences of non-compliance with these codes, standards, rules, and requirements.
12. Bodies responsible for the investigation and disciplinary system shall, in their constitution and rules, provide for the investigation and discipline of misconduct, including breaches of professional standards by individual members (and, if local laws and practices permit, by firms).
13. Misconduct includes any and all of the following:
 - Criminal activity;
 - Acts or omissions likely to bring the accountancy profession into disrepute;

- Breaches of professional standards, including breaches of ethical requirements;
- Gross professional negligence;
- A number of less serious instances of professional negligence that, cumulatively, may indicate unfitness to exercise practicing rights; and
- Unsatisfactory work.

Each jurisdiction is free to decide that “misconduct” also includes lesser instances of professional misconduct.

14. Where local laws and public interest considerations permit, a proportional response shall be elaborated in relation to the individual member’s responsibility versus an issue with the firm. Possible elements to take into consideration are to evaluate if:
 - the failures were systemic;
 - the firm leadership was complicit in the willful misconduct or gross negligence;
 - it forms part of a pattern of failures, identified through a rigorous inspection process, that have not been corrected in due time; and
 - it represents a sufficient public concern.
15. In some jurisdictions, some instances of misconduct that normally require a reference to a disciplinary tribunal or similar body are distinguished from regulatory breaches, which can be effectively dealt with under the regulatory rules of the body responsible for the investigation and disciplinary system without reference to a tribunal. Where separate departments of the responsible body deal with each category, the two departments shall liaise with (including giving reports to) each other, to ensure an effective link between regulatory action and investigation and discipline.
16. Where the law or practice in the jurisdiction does not consider regulatory breaches as “misconduct,” the responsible body shall ensure that the sanctions include both restriction and removal of practicing rights.

Investigative and Disciplinary Powers

17. The rules of the body responsible for the investigation and disciplinary system shall, to the extent that local laws permit, include all powers necessary to enable authorized personnel to carry out an effective investigation. Such rules shall also (a) require individual members (and member firms) to cooperate in the investigation of complaints, and to respond promptly to all communications on the subject, and (b) provide for sanctions in the event of failure to comply. Good professional relationships with public authorities shall also be fostered, to enable them to effectively administer the investigative and disciplinary processes.
18. The body responsible for the investigation and disciplinary system shall ensure the availability of appropriate expertise and adequate financial and other resources to

enable timely investigative and disciplinary action. A suitably qualified, senior member of staff shall be given the responsibility for managing these processes, to ensure that all investigative and disciplinary processes are consistent with the rules of natural justice and other applicable laws.

Composition of Investigative and Disciplinary Teams and Committees

19. The composition of the investigative and prosecutorial teams and committees shall be governed by the decision of each body responsible for the investigation and disciplinary system. Some bodies deploy mixed teams of volunteer members and staff of appropriate skill and experience. In many cases, an investigation committee is appointed and composed of individuals from different professional backgrounds, including non-accountants and “public interest” representation. Any individual(s) serving on the investigation committee may be asked to assist in the detailed investigation of a particular case.

Initiation of Proceedings

20. The body responsible for the investigation and disciplinary system shall adopt both an “information-based” approach and a “complaints-based” approach to investigation and discipline.

Complaints-based Approach

21. Action that is complaints-based is triggered by the receipt of a complaint by the body responsible for the investigation and disciplinary system against an individual member or firm. Typically, such complaints come from a client or regulatory agency.

Information-based Approach

22. The information-based approach is not a substitute for the complaints-based approach, but an additional process that offers the public further protection. It does so by permitting the investigative and disciplinary arm of the responsible body to commence an investigation (even when there has been no complaint) when information is received from reliable sources that indicates the possibility of misconduct. The information-based approach has the following benefits:
 - It enables the system to be proactive in the public interest;
 - It may allow for the identification of conduct of potential concern at an early stage; and
 - It can also provide additional assurance to outside stakeholders that the profession is actively concerned with protecting the public interest and maintaining the highest possible standards within the profession.
23. As required by SMO 1, a link shall be established between unsatisfactory conclusion of quality assurance reviews and the initiation of disciplinary proceedings.

The Investigative Process

24. At the outset of an investigation process, it shall be confirmed that any individual chosen from the committee to assist in an investigation is independent of (a) the subject of the investigation, and (b) anyone connected with or interested in the matter under investigation. If a conflict of interest exists at the outset, or arises during the investigation, the nominee shall immediately stand down. Similar considerations apply equally to anyone connected with the investigation and hearing of cases.
25. On completion of the investigation process, the investigation committee shall review the evidence and decide whether there appears to be a case to answer. If the investigation committee is satisfied that there is a case to answer, the matter shall be referred to a disciplinary tribunal or similar grouping, and professional charges shall be laid.
26. Many cases can be dealt with without the need for a full tribunal hearing, if the parties agree on an alternative solution, or if the defendant admits the charge or charges.

The Disciplinary Process

27. A tribunal or other body with responsibility for disciplinary matters shall be established to hear cases where the investigation committee has decided to lay professional charges. To avoid delay, a panel or similar grouping shall be established as soon as possible from which individuals can be drawn to sit as judges at hearings. Tribunals shall comprise a balance of professional expertise and outside judgment. For this reason, they shall be composed of accountants and non-accountants. No person shall be a member of both the investigation committee and the disciplinary tribunal at the same time, nor can a member of the investigation committee in relation to a case be subsequently appointed to the disciplinary tribunal to hear the same case.
28. One of the established tests for invoking disciplinary processes is that the member's (or member firm's) conduct has fallen significantly short of what might reasonably have been expected in the circumstances, but it is for each body to establish the appropriate test.
29. It is appropriate to have a senior lawyer act as independent adviser to members of the tribunal on evidential, procedural, and other matters, such as the burden and standard of proof necessary to support the conclusions of the investigation committee. The tribunals shall also include legally qualified personnel, or have permanent access to legal advisors during the disciplinary proceeding. In some jurisdictions, a senior lawyer is retained to chair the tribunal. A small panel of senior lawyers might be established, from which an individual could be drawn to act as adviser or to chair hearings as they arise. The senior staff member assigned to investigation and prosecution, an outside lawyer, or another suitably qualified individual, may conduct prosecutions. In some jurisdictions, provision is made for the chair alone to deal with preliminary issues, to reduce the time spent by other

members of the tribunal. If this practice is adopted, it is appropriate that the chair be legally qualified, or that an independent legal adviser also be present.

30. The tribunal shall exhibit independence. How this is done may vary from jurisdiction to jurisdiction, but institutional rules shall exist that prevent the body responsible for the investigation and disciplinary system from influencing the disciplinary tribunal's operational work, decision making, or imposition of sanctions. Further, only the appeal tribunal referred to in Paragraph 35 may amend or reverse a decision of the tribunal.

Sanctions

31. The system shall allow those who judge such issues to impose a range of penalties, including, if local laws permit:
 - reprimands;
 - fine/payment of costs;
 - loss or restriction of practice rights;
 - loss of professional title (designation);
 - suspension from membership; and
 - exclusion from membership.
32. It is particularly important that the penalties include (a) loss of professional designation, (b) restriction and removal of practicing rights, and (c) exclusion from membership. Such a system protects clients and other stakeholders, demonstrating to the public that the profession is dedicated to maintaining and enhancing professional standards and, ultimately, removing from the profession those who do not deserve to belong in it.

Proportionality of Sanctions

33. In deciding what sanction is appropriate, the tribunal or other body with responsibility for disciplinary matters shall weigh the interests of the member and the public interest. This includes the protection of members of the public, maintaining public confidence in the profession, and maintaining proper standards of professional conduct.
34. To ensure (a) consistency in the sanctioning process, and (b) that any sanction imposed is both proportionate to the level of seriousness of the misconduct and the minimum necessary to achieve the purpose, the tribunal shall develop and utilize sanctioning guidelines when imposing sanctions. The tribunal shall also take into account all the circumstances of the case, including:
 - any aggravating or mitigating factors relevant to the conduct in question;
 - the personal circumstances of the individual, and any other mitigation advanced by the individual or firm, i.e., the circumstances that pertain at the date of the tribunal's decision; and

- any character and/or other references provided in support of the individual or firm.

Rights of Representation and Appeal

35. The rules of the body responsible for the investigation and disciplinary system shall permit a qualified lawyer or other person chosen by the defendant to accompany and represent the defendant at all disciplinary hearings, and to advise the defendant throughout the investigative and disciplinary process. These rules shall also permit the defendant to appeal the conviction and any imposed sanction. Where local laws and public interest considerations permit, any order made against the defendant shall be suspended by the tribunal that convicted the defendant pending the hearing of that appeal. The appeal tribunal shall not include a prosecutor or a member of the first tribunal, or any other individual who was involved in the original conviction. The appeal process shall include the same procedures as apply to hearings before the disciplinary tribunal.
36. In some jurisdictions, the investigation committee may file an appeal if the committee considers that the sanction imposed by the disciplinary tribunal is too lenient. However, no appeal is permitted by the member's governing body.

Administrative Processes

37. The body responsible for the investigation and disciplinary system shall establish time targets for disposal of all cases, and shall aim to meet them whenever possible. Normally, any time set for disposal shall begin on the date information that was sufficient to justify commencing an investigation was received.
38. Tracking mechanisms shall be maintained and operated, to ensure that all investigations and prosecutions are promptly handled, and that all necessary action is taken at the appropriate stage. These mechanisms shall include a form of exception reporting. It would require the person responsible for the investigative and disciplinary process to report any material delay in investigation or prosecution to a designated person, such as the CEO of the responsible body, or the chair of the investigation committee, or equivalent person.
39. Unnecessary delay threatens effective investigation and prosecution of cases. It is potentially unfair to complainants and defendants alike, and can be detrimental to an otherwise substantiated case. Accordingly, it is recommended that investigations and disciplinary hearings take place as expeditiously as possible. Where it is not necessary to have a formal disciplinary hearing, an appropriate target might be to complete the process as quickly as practicable. The commencement of criminal or civil proceedings or investigations by outside agencies may delay investigations and prosecutions by the body responsible for the investigation and disciplinary system. Judgments and other information from such other proceedings and investigations may, however, assist the body responsible for the investigation and disciplinary system in its subsequent investigation and prosecution of cases.

40. Tracking mechanisms are designed to monitor progress in investigations and prosecutions, and to prompt those involved to take timely action to minimize delay.
41. In many jurisdictions, confidentiality of proceedings is desirable for the good standing of the investigative and disciplinary process; however, due consideration is given to local laws and public interest considerations in relation to a defendant's rights. The body responsible for the investigation and disciplinary system develops its own policies on what publicity will be given to the disposal of cases. Caution shall be taken to release to third parties only information that the law permits to be made public, or that is authorized for release by those responsible for such decisions.
42. All persons employed or otherwise participating in the investigative and disciplinary processes (or having access to information concerning such processes) shall be notified of the importance of maintaining confidentiality. A binding agreement to maintain that confidentiality shall be signed.
43. Secure and confidential facilities shall be maintained for the storage of case papers and other evidence. Secure and confidential handling and storage of papers and other evidence protects the interests of all parties to the investigative and disciplinary processes, particularly the complainant and the body responsible for disciplinary matters. It reduces the potential loss of evidence, and prevents tampering with or removal of that evidence.
44. Complete records of all investigations and disciplinary processes, both during the proceedings and the retention period, shall be established and maintained for these purposes.
45. Effective record keeping is important to track and maintain records of all investigations and disciplinary processes. In this way, persistent offenders can be identified and reliable statistics produced. This demonstrates that there is an active and effective investigative and disciplinary process in place. Accurate and complete records are also helpful in answering complaints about the handling of a case, particularly since these may arise even years after the case has been dealt with. Each body responsible for the investigation and disciplinary system develops its own document retention policies. It is recommended that records be retained long enough to ensure that relevant information is available to protect the public interest and the members of the IFAC member body. Such records may be maintained in electronic or paper format. It is advised to refer to legislation in their jurisdictions that deal with the handling, storage, and use of data and confidential information.
46. Reports of disciplinary and similar proceedings can be a valuable educational tool, in that they (a) relate to actual events, (b) demonstrate the practical application of standards, rules, and the code of ethics, and (c) identify pitfalls to be avoided. For this reason, it is recommended that case reports be published, and that students and qualified members be encouraged to study them. They are useful whether or not they identify the names of individuals and third parties involved. In all circumstances, it is important to ensure that the rights of all concerned (for example, the rights of those involved in related civil or criminal cases) are not

adversely affected by the timing or content of such reports. Where circumstances permit, third parties intending to produce such reports, shall issue them after consulting those responsible for the investigative and prosecutorial process.

Public Interest Considerations

47. IFAC member bodies shall ensure that the public is aware that an investigative and disciplinary system exists in its jurisdiction, so that issues it wishes to raise may be forwarded to the relevant committee of the responsible body.
48. A process for the independent review of complaints by clients and others shall be established and maintained in cases where it has been decided, following investigation, that the matter will not be referred to a disciplinary hearing.
49. The objective of this review process is to study the available information and decide whether the investigation committee reached a reasonable decision on the basis of complete information. The details of the process are matter for the body responsible for the investigation and disciplinary system. However, the existence of an effective independent review process is essential to demonstrate that the investigative processes recognize human rights, natural justice, and effectively serve the public interest. This is important not only to the defendant, the complainant, and others involved in the investigative and disciplinary process, but also to the reputation of the body responsible for the investigation and disciplinary system and the profession at the national and international level.
50. An annual report shall be prepared and made available to the public summarizing the results of investigative and disciplinary proceedings. Copies of the report shall also be made available, upon request, to the appropriate public authority.
51. The disclosure of specific information in such annual reports pertaining to the individual's or firms' identity(ies), and their clients, is governed by the existing local regulations.

Liaison with Outside Bodies

52. The body responsible for the investigation and disciplinary system shall ensure that it complies with all obligations under local laws requiring it to:
 - (a) report possible involvement in serious crimes and offences by members to the appropriate public authority; and
 - (b) disclose related information to that authority.

Dual Membership

53. To the extent that local laws permit, in relation to members of member bodies holding two or more memberships, member bodies are encouraged to consider informing relevant qualifying professional accountancy organization about the outcome of the investigative proceeding.

Review of Implementation and Effectiveness

54. Regular reviews of the proper implementation and effectiveness of the investigation and disciplinary system shall be performed to ensure that it functions as intended and in accordance with the requirements of this SMO. When reviews of the proper implementation of the investigation and disciplinary system reveal issues in the proper functioning of the system, action shall be taken to ensure that these specific issues are addressed as soon as practicable. An IFAC member body responsible for the investigation and disciplinary system is not required to perform any implementation reviews when they are undertaken at least annually by an external organization.

IFAC Compliance Assessment

55. In assessing compliance with this SMO, IFAC will give due consideration to the applicability framework and the best endeavors concept, as well as the differing national environments, stages of development, and other relevant environmental factors.
56. IFAC will take into account the relevance of individual SMO requirements to each IFAC member body in assessing its level of compliance. This recognizes that some IFAC member bodies and their members operate in different sectors of the profession, and that some SMOs may not apply to them in their entirety.
57. In addressing the requirements of this SMO, IFAC member bodies need to consider priorities, processes, and challenges specific to their jurisdiction and constituency. Consequently, they shall develop an action plan, obtain internal agreement on a timetable for achieving compliance and demonstrate progress against the plan. If not, they shall satisfactorily justify why they have not done so or they may be suspended or removed from membership for non-compliance.

Effective Date

58. This SMO is effective as of December 31, 2004 and was last amended as of MM, DD, YYYY.

Definitions

59. In this SMO, the following terms have the meanings attributed below:
 - “Professional standards”—For the purpose of this SMO, a range of applicable international standards or the equivalent standards of the country in which the IFAC member bodies and associates carry out practice in the field of accounting and auditing, generally recognized as promulgating best global accounting principles. The non-exhaustive international standards list includes (a) pronouncements of the International Auditing and Assurance Standards Board (IAASB), as defined in the IAASB’s “Preface to the International Standards on Quality Control, Auditing, Review, Other Assurance and Related Services,” (b) ethical requirements, which ordinarily comprise the *Code of Ethics* for Professional Accountants of the International Ethics Standards Board for Accountants (*IESBA Code of Ethics*), (c)

International Educational Standards (IESs), issued by the International Accounting Education Standards Board (IAESB), and (d) International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). Each IFAC member body is free to incorporate additional relevant standards into the above list.

STATEMENT OF MEMBERSHIP OBLIGATIONS 7

INTERNATIONAL FINANCIAL REPORTING STANDARDS

Obligation

1. In accordance with the IFAC Constitution, paragraph 2.3.b., IFAC member bodies are required to comply with the Statements of Membership Obligations.

Scope

2. This Statement of Membership Obligations (SMO) is issued by the IFAC Board and sets out requirements for IFAC member bodies with respect to International Financial Reporting Standards (IFRSs), issued by the International Accounting Standards Board (IASB). To understand and address the requirements, it is necessary to consider the entire text of the SMO.
3. The IASB is the independent standard-setting body of the IFRS Foundation. Its members are responsible for developing and publishing IFRSs, including IFRS for SMEs, and for approving interpretations of IFRSs developed by the IFRS Interpretations Committee.

Applicability Framework

4. IFAC recognizes that its member bodies operate under different national legal and regulatory frameworks, and are comprised of professionals working in different sectors of the accountancy profession. Accordingly, IFAC member bodies in different jurisdictions may have different degrees of responsibility for meeting the requirements in this SMO.
5. Without prejudice to the existence of more complex national frameworks, IFAC member bodies can have:
 - (a) direct responsibility for the area covered by this SMO. The mandate, explicitly given to the IFAC member body or otherwise implied through general consensus, specifies that it is responsible for adopting and implementing accounting standards; or
 - (b) no responsibility for the area covered by this SMO. The IFAC member body has no mandate, explicitly given or otherwise implied through general consensus, that it has any responsibility for adopting and implementing accounting standards; or
 - (c) shared responsibility with government, regulators, or other appointed authorities. The mandate, explicitly given to the IFAC member body or otherwise implied through general consensus, specifies that it has some responsibility for the area relating to this SMO.

Direct Responsibility

6. Where IFAC member bodies have direct responsibility they shall implement all the requirements of this SMO.
7. In exceptional circumstances, an IFAC member body may depart from a requirement of this SMO, if doing so is determined by the member body to be in the public interest. If this is the case, the IFAC member body shall justify and publicly document the departure. Any IFAC member body that (a) fails to follow the requirements of this SMO, and (b) does not document satisfactorily why it has departed from it, may be suspended or removed from membership.

No Responsibility

8. Where member bodies have no responsibility they shall use best endeavors to:
 - (a) encourage those responsible for the requirements to follow this SMO in implementing them; and
 - (b) assist in the implementation where appropriate.
9. An IFAC member body will have been considered to have used “best endeavors” if it could not reasonably do more than it has done and is doing to meet the requirements of this SMO in.

Shared Responsibility

10. Where member bodies have shared responsibility they shall:
 - (a) implement those requirements for which they have direct responsibility in accordance with paragraphs 6 and 7; and
 - (b) take actions specified in paragraphs 8 and 9 for those requirements where they have no responsibility.

Requirements and Application Guidance

11. In accordance with the applicability framework, IFAC member bodies shall identify and undertake actions to have the IFRSs issued by the IASB adopted and implemented for at least public interest entities¹⁸ in their jurisdictions.
 - “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 decisions¹⁹, including incorporation into national requirements or requiring the use of international standards through law. Adoption typically includes a process to review draft international standards, translation, public exposure of proposed standards, approval, incorporation into national requirements as necessary, and promulgation of

¹⁸ Public interest entities as defined by the *Code of Ethics* of the International Ethics Standards Board for Accountants (IESBA). The IESBA *Code of Ethics* is available through the IFAC website.

¹⁹ As stated in the *IFAC Strategic Plan for 2011-2014*. The IFAC Strategic Plan is available on the IFAC website.

final standards, and where applicable, a convergence process to eliminate or minimize differences between international and national standards.

- “Implementation” typically includes 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.
12. Responsible parties are encouraged to consider the use of IFRS for SMEs in relation to non-public interest entities.
 13. In jurisdictions where English is not an official or widely used language, IFAC member bodies shall use best endeavors to have a process established, or otherwise support a process to provide for the timely, accurate, and complete translation of international standards and, to the extent practicable, of related exposure drafts. Therefore, IFAC member bodies are encouraged to assist in the translation processes undertaken by the IFRS Foundation or to work with the IFRS Foundation to establish a process for the national language of the member body²⁰.
 14. IFAC member bodies are encouraged to comment on IASB exposure drafts.

IFAC Compliance Assessment

15. In assessing compliance with this SMO, IFAC will give due consideration to the applicability framework and the best endeavors concept, as well as the differing national environments, stages of development, and other relevant environmental factors.
16. IFAC will take into account the relevance of individual SMO requirements to each IFAC member body in assessing its level of compliance. This recognizes that some IFAC member bodies and their members operate in different sectors of the profession, and that some SMOs may not apply to them in their entirety.
17. In addressing the requirements of this SMO, IFAC member bodies need to consider priorities, processes, and challenges specific to their jurisdiction and constituency. Consequently, they shall develop an action plan, obtain internal agreement on a timetable for achieving compliance and demonstrate progress against the plan. If not, they shall satisfactorily justify why they have not done so or they may be suspended or removed from membership for non-compliance.

Effective Date

18. This SMO is effective as of December 31, 2004 and was last amended as of MM, DD, YYYY.

²⁰ More information about the IFRS official translation process can be found on the IASB website at www.iasb.org.



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