

A Comparison Guide to the 2012 SMO Revisions

November 2012





This document was developed and approved by the Board of the International Federation of Accountants (IFAC).

The mission of the International Federation of Accountants (IFAC) is to serve the public interest by: contributing to the development, adoption and implementation of high-quality international standards and guidance; contributing to the development of strong professional accountancy organizations and accounting firms, and to high-quality practices by professional accountants; promoting the value of professional accountants worldwide; speaking out on public interest issues where the accountancy profession's expertise is most relevant.

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Introduction

The IFAC Statements of Membership Obligations (SMOs) are used as a framework for the development of a strong and modern accountancy profession. They provide clear benchmarks for professional accountancy organization (PAOs) in their efforts to adopt and implement international standards and best practice. They assist current and potential IFAC members to ensure the highest level of performance by professional accountants.

Additionally, the SMOs form the basis of the IFAC Member Body Compliance Program. Within the Program, member bodies and associates are required to perform ongoing self-assessments of the way in which they address the requirements of each SMO. In addition, member bodies and associates are required to submit up to date and relevant SMO Action Plans that reflect their continued commitment with respect to adoption and implementation of international standards and guidance, quality assurance review systems, and investigation and discipline mechanisms.

One of the key values of the Compliance Program is to establish an understanding and appreciation of differing regulatory frameworks, national environments, and stages of development of PAOs around the world. The revised SMOs provide an improved guide for IFAC members and associates that have varying degrees of regulatory responsibility (see the [Applicability Framework](#)). They also enhance and expand on the meaning of adoption and implementation as used in the SMOs and explain the principles used by IFAC staff in performing compliance assessments.

This Guide provides an explanation of the 2012 revisions made to the IFAC SMOs. It was developed to provide IFAC members, associates, and other interested parties, including as national standard setters and governments, with a tool to identify and understand the 2012 revisions. It is intended for use by IFAC member body committees and technical staff who contribute to IFAC Compliance Program activities as well as PAOs seeking to become an IFAC member or associate, and donor organizations involved in the development of the profession.

Background to the SMO Revision Project

The 2012 revisions of the SMOs are the result of a project approved by the IFAC Board in 2010. In accordance with the Compliance Advisory Panel (CAP) [Terms of Reference](#), the CAP and Compliance staff have responsibility for reviewing the relevance, sufficiency, and efficacy of the SMOs. In accordance with the project proposal, task forces were established to revise SMO 1 and SMO 6. For the revisions of SMOs 2, 5, and 7, CAP members and IFAC staff served in this capacity. The revisions were developed based on the combined experience of IFAC and its members with input from content experts. Revised SMOs were subject to public consultation to ensure member bodies and other interested organizations had an opportunity to comment on the proposed revisions. The comments received during the public consultation process were considered, and significant issues addressed, in preparing the final revised SMOs.

Comparison Guide to the 2012 SMOs (Revised)

This SMO Comparison Guide includes:

- Summaries of major revisions to each SMO, as compared to the previous SMOs issued in 2004 and revised in 2006
- Full text of the revised SMOs with:
 - Paragraph references mapping the revision to the previous version of the SMOs

- Notes indicating the nature and the objective of the changes, if any, made to the paragraph

A markup document of changes made to the original SMOs is also available. Readers seeking to understand the changes made following the Exposure Draft (released in December 2011) and the significant issues addressed by the CAP and staff in developing the final revised SMOs can also refer to a summary of the significant issues and conclusions.

IFAC members and associates are encouraged to seek further clarification regarding the revised SMOs or their application to Compliance Program activities with their IFAC Member Body Development staff contacts.

Effective Dates of the 2012 SMO (Revised)

With the exception of SMO 1, the effective date for the revised SMOs is January 1, 2013. SMO 1 has an extended effective date of January 1, 2014 to provide member bodies or responsible authorities sufficient time to implement the revised requirements.

The 2012 SMOs (Revised) and Updating the SMO Action Plan

IFAC members and associates update their SMO Action Plan on a regular basis. As the revised SMOs become effective, members and associates shall consider any actions that will need to be taken to address revised SMO requirements. Those considerations and actions should be reflected through the next update of their SMO Action Plan. Progress demonstrated in the SMO Action Plans is subject to ongoing monitoring by the CAP and IFAC Compliance staff.

SMO COMPARISON TABLE

Preface to the Statements of Membership Obligations

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
Fundamental Objective of the SMOs			
1.	<p>The International Federation of Accountants (IFAC)'s Board is committed to the goal of developing a set of Statements of Membership Obligations (SMOs) that provide 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 bodies' obligations to support the (a) adoption and implementation of international standards and other 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.</p> <p>Introduction</p>	Par. 1 of Preface	<p><i>Revised Introduction</i></p> <p>The section of the preface was expanded to clarify the main objective of the SMOs. The paragraph also includes references to the adoption and implementation of the international standards and the independent standard-setting boards supported by IFAC.</p>
2.	<p>This preface to the SMOs is issued to facilitate understanding of the scope and authority of the SMOs.</p>	None	<p><i>New guidance</i></p> <p>The sentence was included to clarify the purpose of the preface to the SMOs.</p>
3.	<p>The IFAC Board establishes the SMOs and has the authority to determine, where appropriate, amendments, additions, or repeals to the SMOs. In accordance with the Compliance Advisory Panel (CAP)'s Terms of Reference, the CAP and IFAC Compliance staff are responsible for (a) reviewing the relevance, sufficiency, and efficacy of the SMOs, and (b) making related recommendations regularly to the</p>	None	<p><i>New guidance</i></p> <p>The paragraph was included to clarify the role of the IFAC Board, CAP, and Compliance staff in the development of, and possible</p>

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
	Board.		revisions to, the SMOs.
4.	The CAP and the due process procedures for SMO revisions are subject to oversight by the Public Interest Oversight Board (PIOB).	None	<p><i>New guidance</i></p> <p>The paragraph was included to provide information about the role of the PIOB with respect to the development and revisions of the SMOs.</p>
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.	Par. 2 of Preface	<p><i>No significant revision</i></p> <p>The paragraph was expanded to provide additional information about past revisions of the SMOs.</p>
SMO Compliance Requirement and Use of Best Endeavors			
6.	In accordance with the IFAC Constitution, paragraph 2.3.b., IFAC member bodies are required to comply with the SMOs.	None	<p><i>New guidance</i></p> <p>The sentence was included to highlight the authority attached to the SMOs and their link to the IFAC Constitution.</p>
7.	Member bodies have an obligation to identify and undertake actions to fulfill the requirements set out within the 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. Other sections using present tense serve as explanatory or application material to support the related requirement(s).	Par. 10 of Preface	<p><i>New guidance</i></p> <p>This paragraph was revised to clarify the obligations of IFAC members and associates with respect to the SMOs in the context of the clarified Applicability Framework. The revised SMOs now state “shall” when referring specifically to the</p>

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
			SMO requirements, as opposed to the former approach which used bold and grey lettering to distinguish requirements from guidance.
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 each SMO.	Par. 4 of Preface	<p><i>Guidance expanded</i></p> <p>The paragraph was significantly enhanced to acknowledge the diversity among the IFAC membership and the link between their profiles and their degrees of responsibility.</p>
9.	A member body's specific actions are to be considered in the context of the degree of their responsibility for each SMO area, as explained in the applicability framework of each SMO (see also Diagram 1 at page 7). Each SMO also includes a section explaining the IFAC compliance assessment process.	None	<p><i>New guidance</i></p> <p>The new paragraph outlines that a new Applicability Framework and a compliance assessment section have been included in each SMO.</p>
10.	In accordance with the applicability framework as outlined in each SMO, member bodies may be required, under certain circumstances, to use their best endeavors to comply with specific requirements of the SMO where they have no responsibility, or have shared responsibility, for the area covered by the SMO. A member body will have been considered to have used its best endeavors if it could not reasonably do more than it has done and is doing to meet the requirements of the SMO.	None	<p><i>New guidance</i></p> <p>The new paragraph clarifies the "Best Endeavors" concept in the context of the clarified Applicability Framework.</p>

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
IFAC Member Body Compliance Program			
11.	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 SMOs' requirements, including an assessment of standards in place compared 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.	Par. 3 of Preface	<i>Guidance expanded</i> The paragraph has been expanded to provide additional information about IFAC member bodies' obligations under the IFAC Member Body Compliance Program.
12.	The SMOs also apply to IFAC associates as they move toward 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 toward compliance with the SMOs' requirements.	Par. 4 of Preface	<i>Guidance expanded</i> The paragraph has been expanded to clarify IFAC associates' obligations under the IFAC Member Body Compliance Program.
13.	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.	Par. 4 of Preface	<i>Guidance expanded</i> The paragraph has been developed to clarify the obligations of aspiring associates and members as part of their application process.
SMO Subject Areas			
14.	<i>SMO 1—Quality Assurance</i> SMO 1 sets out the requirements of an IFAC member body with respect to quality assurance review systems for its members who perform audits, review, other assurance, and related services engagements of financial statements.	Par. 11 of Preface	The paragraph has been amended to clarify the purpose of the revised SMO 1 and reflect the nature of the pronouncements issued by the IAASB.

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
15.	<p><i>SMO 2—International Education Standards for Professional Accountants and Other Pronouncements Issued by the IAESB</i></p> <p>SMO 2 sets out the requirements of an IFAC member body with respect to international standards and other pronouncements issued by the International Accounting Education Standards Board (IAESB), an independent standard-setting body.</p>	Par. 12 of Preface	The paragraph has been amended to clarify the purpose of the revised SMO 2 and reflect the nature of the pronouncements issued by the IAESB.
16.	<p><i>SMO 3—International Standards and Other Pronouncements Issued by the IAASB</i></p> <p>SMO 3 sets out the requirements of an IFAC member body with respect to international standards and other pronouncements issued by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting body.</p>	Par. 13 of Preface	The paragraph has been amended to clarify the purpose of the revised SMO 3.
17.	<p><i>SMO 4—IESBA Code of Ethics for Professional Accountants</i></p> <p>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.</p>	Par. 14 of Preface	The paragraph has been amended to clarify the purpose of the revised SMO 4 and reflect the nature of the pronouncements issued by the IESBA.
18.	<p><i>SMO 5—International Public Sector Accounting Standards and Other Pronouncements Issued by the IPSASB</i></p> <p>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.</p>	Par. 15 of Preface	The paragraph has been amended to clarify the purpose of the revised SMO 5.
19.	<p><i>SMO 6—Investigation and Discipline</i></p> <p>SMO 6 sets out the requirements of an IFAC member body with respect to</p>	Par. 16 of Preface	The paragraph has been amended to clarify the purpose of

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
	mechanisms that provide for the investigation and discipline of those professionals who fail to exercise and maintain the professional standards and related obligations of an IFAC member body.		the revised SMO 6.
20.	<p><i>SMO 7—International Financial Reporting Standards (IFRSs) and Other Pronouncements Issued by the IASB</i></p> <p>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.</p>	Par. 17 of Preface	The paragraph has been amended to clarify the purpose of the revised SMO 7.

SMO 1: Quality Assurance

SMO 1 Summary

The revised SMO 1 contains a few new requirements as well as enhanced guidance relating to the requirement for quality assurance (QA) reviews and related design and process. The main revision to SMO 1 is the expansion of the scope of external quality assurance to all audits of financial statements with priority given to statutory audits and audits of public interest entities where this expansion of the scope may create an undue burden.

The following index lists key paragraphs of focus to assist member bodies, associates, and other interested parties in understanding the revisions to SMO 1. A review of the entire SMO is required to fully understand all the requirements and related guidance.

Scope of SMO 1

- Par. 7: Paragraph revised

Paragraph revised to clarify the obligations of IFAC members and associates.

Applicability Framework

- Par. 8-14: Clarified Applicability Framework

The Applicability Framework was clarified and expanded to better guide member bodies and associates on the actions that are required depending on their degree of responsibility for the SMO area.

Scope of Quality Assurance System

- Par. 15: Extension of the scope of the QA system to cover all audits of financial statements

In the previous version of the SMOs, the scope of the QA review systems must at least cover audits of financial statements of listed entities. The decision to extend the scope of quality assurance to all firms that perform audits of financial statements reflect the current practices in most IFAC member bodies and further ensure the quality of all audits.

Quality Control Standards

- Par. 19: Paragraph clarified

References to the International Standards on Auditing (ISA) 220 and the International Standard on Quality Control (ISQC) 1 have been clarified to facilitate a better understanding and distinction of the areas covered by each of the standards.

The Design of the Quality Assurance System

Subject of the Quality Assurance Review System

- Par. 26-28: Requirement clarified

Paragraphs clarify and simplify the subject of the QA review system.

Basis for Reaching an Overall Conclusion on a Quality Assurance Review

- Par. 29: New requirement

Paragraph requires the responsible body to establish suitable criteria to be able to assess suitability of QA review outcomes.

Review Cycle

Cycle approach

- Par. 34: Requirement revised

Paragraph introduces a distinction between the frequencies of the review cycles which apply to firms auditing financial statements of public interest entities and of the review cycles which apply to firms auditing non-public interest entities. Bodies responsible for QA systems are now requested to establish a maximum cycle of three years for firms performing audits of the financial statements of public interest entities, and a maximum cycle of six years for those performing audits of non-public interest entities.

- Par. 35: Guidance is now a requirement

Previous guidance converted into a requirement specifying the review cycle for partners is yet to be determined.

- Par. 37-40: Guidance expanded

The model for a risk-based approach was clarified and extended to assist member bodies and associates in developing a more flexible and risk—focused review systems.

Quality Assurance Team Procedures

- Par. 44: Requirement extended

Requirement has been extended to include an assessment of compliance with accounting and auditing framework.

Documentation

- Par. 48: Guidance is now a requirement

Previous guidance on maintaining documentation to support the work performed has been changed into a requirement.

The Quality Assurance Review Team

Resources

- Par. 51: New requirement

Paragraph has been incorporated to ensure that there are sufficient resources (expertise, financial, and other) to support the QA review system and that a suitably qualified senior member of staff with responsibility for managing QA reviews is appointed.

Skills and Competence

- Par. 53: Guidance is now a requirement
Previous guidance on selecting and approving the QA review team has been changed into a requirement.
- Par. 56: Requirement clarified
Requirement clarified to focus on the QA team leader and not the whole team.

Ethical Requirements

- Par. 61: Requirement clarified
Clarified to emphasize that objectivity (in addition to independence) of both team leader and team members is to be assessed and confirmed.
- Par. 62: Requirement clarified
Requirement clarified to take into account the nature of the principles contained in the IESBA *Code of Ethics for Professional Accountants* (the IESBA Code).
- Par. 65: Guidance is now a requirement
Previous guidance on appointment of an alternative QA review team where independence cannot be eliminated or reduced to acceptable levels has been changed into requirements.

Confidentiality

- Par. 66: Requirement clarified
Requirement clarified to refer to the IESBA Code.

Reporting

- Par. 70: Requirement clarified
Requirement clarified to indicate that the team leader shall be responsible for issuing the QA review report.
- Par. 72: Requirement clarified
Requirement clarified to refer to the firms as opposed to members of member bodies.

Corrective and Disciplinary Actions

- Par. 75: Requirement clarified.
A number of requirements have been consolidated into one paragraph.
- Par. 78: New requirement.
Initiation of disciplinary procedures is required where unsatisfactory conclusions of QA reviews represent serious failings and no mechanism is in place for corrective action. The SMO requires those member bodies and associates that do not have in place a mechanism for corrective action under the QA system to address unsatisfactory QA review results via the investigation and discipline requirements of SMO 6.

- Par. 79: New requirement.

The new requirement is included to reinforce cross reference between SMO 1 and SMO 6.

Considerations of Public Oversight

- Par. 80: New requirement.

Paragraph requires consideration of cooperation between the body responsible for QA and the oversight body on the proper function of the QA system as needed.

Review of the Implementation and Effectiveness

- Par. 82-83: New requirement and related guidance

Paragraphs now include a new requirement for review of implementation and effectiveness of QA review system, including a requirement to take action where issues affecting the proper functioning of the system are identified. Guidance is also included in the paragraphs.

Effective Date

- Par. 87:

SMO 1 is effective for quality assurance reviews commencing on or after January 1st, 2014, with early implementation permitted. The effective date allows more time for member bodies to address the new requirements.

SMO COMPARISON TABLE

SMO 1: Quality Assurance

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
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 (SMOs).	None	<p><i>New guidance</i></p> <p>This new paragraph has been included to highlight the core obligation of IFAC member bodies with respect to the SMO. A similar paragraph has been included at the beginning of each SMO.</p>
Scope			
2.	This SMO is issued by the IFAC Board and sets out requirements of an IFAC member body with respect to quality assurance review systems for firms performing certain audit, review, other assurance, and related services engagements. To understand and address the requirements, it is necessary to consider the entire text of the SMO.	Par. 1 and 3 of Introductory Box	<p><i>Revised guidance</i></p> <p>This paragraph was developed on the basis of former paragraphs 1 and 3 which have been revised to ease flow of reading.</p>
3.	Quality assurance is addressed at three levels: the engagement level, the firm level, and the body responsible for the quality assurance review system.	Par. 1	<p><i>Revised guidance</i></p> <p>Guidance has been revised to further clarify how QA should be structured. It now also refers to the body responsible for the QA review system to address a</p>

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
			situation where the member body does not have sole responsibility, or has no responsibility, for this activity. This should be understood in the context of the applicability framework.
4.	<p>The International Auditing and Assurance Standards Board (IAASB) establishes standards and provides guidance on quality control policies and procedures for:</p> <p>(a) specific types of engagements (for example, International Standard on Auditing (ISA) 220, <i>Quality Control For an Audit of Financial Statements</i>), and</p> <p>(b) 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, <i>Quality Controls for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements</i>).</p>	Par. 2	<i>No significant revision</i>
5.	Refer to Paragraphs 18–22 for more information about audits that are to be covered by the quality assurance review system.	None	<i>No significant revision</i> This new sentence refers to the section on the Scope of the Quality Assurance Review System.
6.	IFAC member bodies have responsibility for quality assurance review systems in respect of firms, but only to the extent that they are performing engagements in the jurisdiction or jurisdictions of the IFAC member body's domicile (as recorded in its application for admission to membership in IFAC).	Par. 8 of Introductory Box	<i>No significant revision</i> The paragraph has been moved to ease the flow of reading and follow an improved structure.
7.	In some jurisdictions, quality assurance review systems for firms performing	None	<i>New requirement</i>

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
	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, and for efficiency reasons, IFAC member bodies shall give due consideration to quality assurance systems operated by the other appointed authority to ensure there is no undue overlap between the systems.		A new requirement has been incorporated to take into account evolutions at the worldwide level, avoid duplications, and encourage synergies.
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.	None	<p><i>New guidance—Applicability Framework</i></p> <p>The Applicability Framework includes both new guidance sections and requirements. It was developed to clarify the expectations of member bodies depending on their degree of responsibility for the SMO area. It also acknowledges the diversity of member bodies as well as different circumstances and degrees of responsibility.</p>
9.	<p>Without prejudice to the existence of more complex national frameworks, IFAC member bodies may have:</p> <p>(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;</p> <p>(b) no responsibility for the area covered by this SMO. The IFAC member</p>	Par. 6 of Introductory Box	<p><i>Clarified guidance—Applicability Framework</i></p> <p>The Applicability Framework includes both new guidance sections and requirements. It was developed to clarify the expectations of member bodies</p>

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
	<p>body has no mandate, explicitly given or otherwise implied through general consensus, for any responsibility for setting the rules and operating the quality assurance review system as government, regulators, or other appointed authorities have direct responsibility for the area covered by this SMO; or</p> <p>(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.</p> <p><i>Direct Responsibility</i></p>		<p>depending on their degree of responsibility for the SMO area. It also acknowledges the diversity of member bodies as well as different circumstances and degrees of responsibility.</p>
10.	Where IFAC member bodies have direct responsibility they shall implement all the requirements of this SMO.	None	<p><i>Clarified requirement—Applicability Framework</i></p> <p>This new requirement of the Applicability Framework describes the activities which are expected from a member body with direct responsibility for the SMO area.</p>
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.	Par. 7 of Introductory Box	<p><i>Clarified requirement—Applicability Framework</i></p> <p>This section of the Applicability Framework describes the exceptional conditions under which a member body with direct responsibility for the SMO area may be allowed to <i>not</i> follow a requirement of the SMO.</p>

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
	<i>No Responsibility</i>		
	Where IFAC member bodies have no responsibility for this area they shall use their best endeavors to:		<i>Clarified requirement—Applicability Framework</i>
12.	(a) encourage those responsible for the requirements to follow this SMO in implementing them; and (b) assist in the implementation where appropriate.	Par. 2 of Introductory Box	This section of the Applicability Framework describes the actions expected from a member body with no responsibility for an area covered by the SMO.
			<i>Clarified guidance—Best Endeavors</i>
13.	An IFAC member body will have been considered to have used its best endeavors if it could not reasonably do more than it has done and is doing to meet the requirements of this SMO.	Par. 5 of Preface	This revised paragraph clarifies the concept of “Best Endeavors”, which is applicable where a member body has no responsibility for an SMO area.
	<i>Shared Responsibility</i>		
	Where IFAC member bodies have shared responsibility for this area they shall:		<i>Clarified requirement—Applicability Framework</i>
14.	(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.	None	This revised paragraph provides an explanation of the concept of “Best Endeavors”, which is applicable where a member body has no responsibility for an SMO area.

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
Requirements and Application Guidance			
Scope of Quality Assurance Review System			
15.	In accordance with the applicability framework, a mandatory quality assurance review system shall be in place for firms performing audits of financial statements. In jurisdictions where coverage of all audits of financial statements (in accordance with paragraphs 34 through 41) creates an undue burden, priority shall be given to statutory audits and audits of financial statements of public interest entities. Nevertheless, all firms performing audits of financial statements shall be subject to the possibility of selection for quality assurance review.	Par. 5	<p><i>Revised requirement—Scope of QA</i></p> <p>The requirement has been revised as the scope of the QA review system established by member bodies shall be extended to cover all audits of financial statements, with priority to specific audits under certain conditions.</p>
16.	Because the public places greater interest in audits of financial statements, it is appropriate for mandatory quality assurance review systems to apply to at least 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 system are encouraged to extend their scope to cover as many professional services as possible, including, for example, other assurance engagements, preparation of financial statements, or internal audit services.	Par. 8	<p><i>Expanded guidance</i></p> <p>The guidance section has been clarified to provide further explanation about the scope of the QA review system and the priority for the member body.</p> <p>Please also see second note on Paragraph 3 of SMO 1 regarding reference to “parties responsible for the quality assurance review system.”</p>

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
17.	Criteria, or risk factors, 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.	Par. 8	<i>Expanded guidance</i> The guidance section has been extended to provide clarification on the other engagements which may be included in the scope of the QA review system.
18.	<p>Criteria for extending the scope of engagements that will be subject to a quality assurance review include:</p> <ul style="list-style-type: none"> (a) the number and range of stakeholders who may make decisions based on the engagement result; (b) 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; (c) the identification of unusual circumstances or risks in an engagement or class of engagement; and (d) laws and regulations requiring inclusion of specific engagements in the scope of the quality assurance review system. 	Par. 9	<i>No significant revision</i> The guidance section has been clarified to provide additional information on the engagements that may covered by the extended scope of the QA review system.
Quality Control Standards			
19.	<p>In accordance with the applicability framework, IFAC member bodies shall identify and undertake actions to: (a) have ISQC 1 and other relevant standards adopted and implemented as required by SMO 3—International Standards on Auditing and Other IAASB Pronouncements; and (b) requirements established for firms to implement a system of quality control in their jurisdictions.</p> <ul style="list-style-type: none"> (a) <i>Adoption</i> is concerned with the decision that international standards are appropriate for use in specific national financial reporting environments and with the actions necessary to effect those decisions, including 	Par. 11	<i>Requirement clarified to introduce concept of adoption and implementation</i> The requirement has been clarified to be read in the context of the Applicability Framework and requires adoption and implementation of ISQC 1. It is

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
	incorporation into national requirements or requiring the use of international standards through law. Adoption may include a process to review draft international standards, translation, public exposure of proposed standards, approval, incorporation into national requirements as necessary, and promulgation of final standards, and, where applicable, a convergence process to eliminate or minimize differences between international and national standards.		followed by a new guidance section that aims to facilitate understanding of the concept of adoption and implementation of international standards. It also acknowledges the diversity of processes which may be followed by member bodies in this respect.
	(b) <i>Implementation</i> may include a process to build awareness of the adopted standards, provide relevant education and training, develop or disseminate implementation guidance, and any other activities that promote proper understanding and use of the standards in practice.		
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 Code of Ethics for Professional Accountants [IESBA Code of Ethics] issued by the International Ethics Standards Board for Accountants), and (b) to implement a system of quality control for the performance of audit, review, other assurance, and related services engagements in accordance with applicable standards (ISQC 1, ISA 220, etc.) adopted in a jurisdiction.	Par. 10	<p><i>New requirement</i></p> <p>The former guidance section has been changed into a requirement and clarified to provide more information about the responsibility of firms in the implementation of the QA review system.</p>
21.	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.	Par. 12	<p><i>Guidance clarified</i></p> <p>This guidance section has been clarified and refers to the responsibilities of firms as opposed to the responsibilities of member bodies. It also includes new information about the nature of ISQC 1.</p>

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
22.	A quality assurance review system monitors compliance with those policies and procedures.	Par. 10	The guidance section has been revised to further clarify the link between the QA review system and the quality control system.
Other Quality Control Guidance			
23.	<p>IFAC member bodies shall assist firms in:</p> <p>(a) understanding the objectives of quality control; and</p> <p>(b) implementing and maintaining appropriate systems of quality control.</p> <p>Assistance may take various forms, depending upon the needs within a jurisdiction, including:</p> <ul style="list-style-type: none"> 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; 	Par. 13	
24.	<ul style="list-style-type: none"> 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 toward 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. 	Par. 14	<p><i>No significant revision</i></p> <p>The guidance section has been expanded to incorporate an additional example of member bodies' activities that may assist them in meeting the related requirement.</p>

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
	Potential sources to perform the assessment include a firm, IFAC member body's employees, or individuals recommended by the IFAC member body.		
25.	In setting up these CPD programs, the IFAC member body may refer to SMO 2—International Education Standards (IESs) for Professional Accountants and Other Pronouncements Issued by the IAESB, and ensure that such programs and other training activities are established and maintained in compliance with the IESs and other relevant standards and guidance.	None	<p><i>New guidance</i></p> <p>This new guidance section is related to new paragraph. 24 and indicates how member bodies and audit firms may arrange their Continuous Professional Development (CPD) on quality control.</p>

The Design of the Quality Assurance Review System

<i>Subject of the Quality Assurance Review System</i>			
The subject of the quality assurance review system shall be either a firm or a partner, as determined at the national level by the responsible party. In both cases, the quality assurance review system shall be designed to obtain reasonable assurance that:			
26.	<p>(a) the firm has or the partner is subject to an adequate system of quality control for the practice relating to audits of financial statements (and other engagements that the body responsible for the quality assurance review system includes as part of its scope);</p> <p>(b) the firm or the partner complies with that system of quality control;</p> <p>(c) the firm, or 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 the quality assurance review system includes as part of its scope).</p>	Par. 15	<p><i>Guidance clarified</i></p> <p>The requirement related to the subject of the QA review system has been clarified and simplified.</p> <p>Please also see note on Paragraph 3 of SMO 1.</p>

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
27.	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.	Par. 16	<i>New requirement</i> The previous guidance section has been changed into a requirement.
28.	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.	Par. 17	No significant revisions except for the reference to the new scope of the QA review system.
	<i>Basis for Reaching an Overall Conclusion on a Quality Assurance Review</i>		
29.	Suitable criteria for determining whether the overall outcome of a quality assurance review can be considered to be satisfactory shall be developed and published.	None	<i>New requirement</i> The new requirement covers the criteria that member bodies should establish in order to adequately assess QA review outcomes.
30.	In developing these criteria, paragraphs 25, 27, and 57 of this SMO may be referenced to obtain further guidance on this topic.	None	<i>New guidance</i> The new guidance section refers to other paragraphs providing information on how to meet the related requirement.
	<i>Description of the Scope and Design of the Quality Assurance Review System</i>		
31.	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	Par. 19	<i>No significant revision</i>

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
	be published.		
	Examples of procedures that may be considered in the quality assurance review system guidelines include:		
32.	<ul style="list-style-type: none"> (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) evaluating corrective actions taken by the firm with regard to the results of previous quality assurance reviews; (e) 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; (f) 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; (g) imposing, where applicable, added corrective, educational, or monitoring procedures that provide for fair and consistent treatment of each firm; and (h) maintaining the confidentiality of client information. 	Par. 19	<p><i>Guidance clarified</i></p> <p>The guidance section has been simplified and the content of some of its sections have been incorporated in more appropriate parts of the revised SMO.</p>
	Review Cycle		
33.	A cycle-based, risk-based, or mixed approach for selecting firms for quality assurance review shall be used. All firms or partners performing audits of	Par. 20	<i>No significant revision</i>

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
	financial statements shall be considered in the selection process.		
	<i>Cycle Approach</i>		
	Jurisdictions that select a cycle approach shall:		<i>Requirement clarified</i>
34.	<ul style="list-style-type: none"> (a) adopt a cycle of a maximum of three years when a firm performs audits of financial statements of public interest entities; (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 quality control system of a partner's firm when a partner is the subject of the quality assurance review. 	Par. 21	The requirement has been introducing a distinction between the frequencies of the review cycles that apply to firms auditing financial statements of public interest entities and the review cycles that apply to firms auditing non-public interest entities.
35.	The quality assurance review cycle for partners shall be determined. The length of the quality assurance review cycle takes into consideration the frequency of review of the partner under the firm's quality control system, as well as the procedures performed.	Par. 22	<i>New requirement</i> The guidance section has been changed into a new requirement.
36.	It may be appropriate to review some firms more frequently. For example, the quality assurance review cycle may be shortened if the results of the previous quality assurance review were less than satisfactory. Additional appropriate reasons for conducting quality assurance reviews more frequently may be identified.	Par. 23	<i>No significant revision</i>
	<i>Risk-Based Approach</i>		
37.	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 quality assurance review based on risk factors.	Par. 24	<i>No significant revision</i>

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
38.	<p>Examples of risk factors include:</p> <ul style="list-style-type: none"> the number of entities considered to be of public interest; past investigations and disciplinary procedures against the firm; the number of years of experience of the partners or the number of years of existence of the firm; and past results of quality assurance reviews, including: <ul style="list-style-type: none"> a failure to meet CPD requirements; independence violations; or deficiencies in the design of, or compliance with, the firm's system of quality control. 	Par. 25	<p><i>Guidance expanded</i></p> <p>The guidance section has been extended to include additional examples of risk factors to be considered in selecting the firms and the partners under the QA review system. It also now specifically refers to the number of entities considered to be of public interest due to the revision of the scope of the QA review system.</p>
39.	<p>For efficiency and effectiveness, a mixed approach that includes cycle- and risk-based elements for selecting firms for quality assurance review may be developed.</p>	None	<p><i>New guidance</i></p> <p>The new guidance section has been included to explicitly state that a mixed approach to a QA review system can be followed.</p>
40.	<p>In defining the exact mixed approach for the quality assurance review, additional factors may also be considered, including:</p> <ul style="list-style-type: none"> (a) specific risk elements in defining the length of the quality assurance review cycle; and (b) past results of quality assurance reviews and awareness of non-compliance with quality control standards or other professional standards. (c) The assessment of risk factors may result in quality assurance reviews taking place earlier than otherwise planned for firms performing audits of 	None	<p><i>New guidance</i></p> <p>The new guidance section provides additional information on the factors that may be considered in following a mixed approach.</p>

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
	financial statements.		
	<i>Other Considerations</i>		
41.	Audits of financial statements subject to selection for quality assurance review are ordinarily completed and issued audits of financial statements with fiscal-year periods ending during the quality assurance review period. If a more recent auditor's report has been issued during the quality assurance review, consideration is given to reviewing that audit.	Par. 26	<i>No significant revision</i>
42.	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 quality assurance 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.	Par. 27	<i>No significant revision</i> Please also see note on Paragraph 3 of SMO 1.
Quality Assurance Review Team Procedures			
43.	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.	Par. 28	<i>No significant revision</i>
	The procedures performed during the quality assurance review shall include:		<i>Requirement extended</i>
44.	(a) an assessment of the system of quality control relating to audits of financial statements;		The requirement has been extended to include the assessment of compliance with accounting and auditing framework as part of the procedures performed during the QA review.
	(b) a review of the quality control policies and procedures and reviews of audit working papers to evaluate:	Par. 29	
	i. the functioning of the system of quality control and compliance with it; and		
	ii. the compliance with professional standards and regulatory and		

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
	<p>legal requirements in respect of audits of financial statements; and</p> <p>(c) an assessment of compliance with accounting and auditing framework, including an assessment of compliance with international accounting standards (either International Financial Reporting Standards [IFRSs] or International Public Sector Accounting Standards [IPSASs]) and International Standards on Auditing (ISAs), to the extent that such standards are used in the engagements included in the scope of the review.</p> <p>The review of audit working papers shall include evaluating:</p> <p>(a) the existence and effectiveness of the system of quality control implemented by the firm, and the performance of the audit;</p> <p>(b) compliance with professional standards and regulatory and legal requirements related to the engagement;</p> <p>(c) the sufficiency and appropriateness of evidence documented in the working papers; and</p> <p>(d) based on the above, whether the audit reports are appropriate in the circumstances.</p> <p>Procedures the quality assurance review team may consider when performing the quality assurance review include:</p> <ul style="list-style-type: none"> • obtaining a sufficient understanding of: <ul style="list-style-type: none"> ◦ the nature and extent of the firm's audit practice and the methodologies used; ◦ the design of the system of quality control of the firm; ◦ the firm's ethical and independence policies and procedures; and ◦ the firm's training policies and procedures; • determining whether the quality assurance reviewer can rely on the 	Par. 30	No significant revision
46.		Par. 31	Guidance clarified

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
	<p>effectiveness of the firm's monitoring processes in place for the period under review by testing the effectiveness of the firm's monitoring procedures and 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 firm's monitoring procedures;</p> <ul style="list-style-type: none"> • 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. <p><i>Documentation</i></p> <p>The quality assurance review team shall document matters that:</p> <p>(a) provide evidence supporting the quality assurance review report; and</p> <p>(b) establish that the quality assurance review was carried out in accordance with the guidelines established by the body responsible for the quality assurance review system.</p>		
47.		Par. 32	<p><i>No significant revision</i></p> <p>Please also see note on Paragraph 3 of SMO 1.</p>
48.	<p>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,</p>	Par. 33	<p><i>New requirement</i></p> <p>The guidance section has been changed into a requirement.</p>

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
	etc.).		
	During the quality assurance review, the quality assurance review team:		
49.	(a) documents the planning of the quality assurance 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;	Par. 34	No significant revision
	(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.		
50.	The length of the period for retaining documentation after completion of the quality assurance review shall be determined. The timeframe 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.	Par. 35	No significant revision
The Quality Assurance Review Team			
<i>Resources</i>			
51.	The body responsible for the quality assurance review system shall ensure the availability of appropriate expertise and adequate financial and other resources to enable timely and effective quality assurance reviews. A suitably qualified, senior member of staff shall be given the responsibility for managing quality assurance reviews, to ensure that all quality assurance reviews are consistent with applicable laws and regulations.	None	<p><i>New requirement</i></p> <p>This new requirement has been incorporated to ensure that there are sufficient resources to support the QA review system.</p> <p>Please also see note on Paragraph 3 of SMO 1.</p>

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
	<i>Skills and Competence</i>		
	Members of the quality assurance review team shall have the necessary competencies to perform the work expected of them. These competencies include:		
52.	(a) appropriate professional education; (b) relevant professional experience; and (c) specific training on performing quality assurance reviews.	Par. 36	No significant revision
	In selecting and approving the quality assurance review team, consideration shall be given to the following competencies and areas of expertise:		
53.	(a) understanding professional standards and regulatory and legal requirements; (b) understanding the guidelines established for performing quality assurance reviews; (c) understanding and practical experience of audit engagements and quality assurance reviews through appropriate training and participation; (d) appropriate technical knowledge, including knowledge of relevant information technology; (e) knowledge of specific industries; and (f) ability to apply professional judgment.	Par. 38	<i>New requirement</i> This guidance section has been changed into a requirement. There are no other significant changes.
54.	The quality assurance review team shall consist of an appropriate number of reviewers to accomplish the review within a reasonable time.	Par. 40	No significant revision
	<i>The Quality Assurance Review Team Leader</i>		
55.	A quality assurance review team leader shall be assigned for each quality assurance review assignment. The quality assurance review team leader shall:	Par. 41	No significant revision

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
	<ul style="list-style-type: none"> (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. 		
56.	The quality assurance team leader shall possess certification or credentials required by the body responsible for the quality assurance review system.	None	<p><i>Requirement clarified</i></p> <p>This requirement was formerly applicable to all team members. It is now restricted to the QA team leader for cost-effectiveness reasons.</p> <p>Please also see note on Paragraph 3 of SMO 1.</p> <p><i>Guidance revised</i></p> <p>This guidance section was formerly directed to both the team members and the team leader. It is now restricted to the team leader for the same reasons as above.</p>
57.	Individuals selected as quality assurance review team leaders are members in good standing in the profession. Individuals may not serve as quality assurance team leaders if their ability to practice public accountancy has been limited in any way by a regulatory or profession-wide monitoring organization or an enforcement body, until the limitation or restriction has been removed.	Par. 39	
58.	The quality assurance review team leader has significant involvement in the planning of the quality assurance review, and at the firm's closing meeting. The quality assurance review team leader is involved in discussing significant conclusions with the firm and the quality assurance review team, and interacts with the firm and the quality assurance review team during the quality assurance review.	Par. 42	<i>No revision</i>

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
59.	<p>The quality assurance review team leader attends quality assurance 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.</p> <p><i>Ethical Requirements</i></p>	Par. 43	<p>Please see note on Paragraph 3 of SMO 1</p> <p><i>Requirement clarified</i></p>
60.	<p>In conducting a quality assurance review, the quality assurance review team shall comply with the objectivity and confidentiality principles of the IESBA Code of Ethics or applicable national ethical requirements.</p>	Par. 44	<p>The requirement is now more precise. It refers to specific principles of the IESBA <i>Code of Ethics for Professional Accountants</i> and to national ethical standards.</p> <p><i>Requirement clarified</i></p>
61.	<p>When selecting a quality assurance 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 firm and the firm's clients selected for review.</p>	Par. 45	<p>The requirement has been revised. The objectivity (as opposed to the independence) of team leader and team members must now be assessed and confirmed. The requirement also refers specifically to the firm, as opposed to the member of the member body. This allows the guidance to be applied to other institutions in the context of the applicability framework.</p>
62.	<p>Objectivity and confidentiality are addressed by the IESBA Code of Ethics. The</p>	Par. 46	<i>Requirement clarified</i>

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
	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 does not need to be an assurance report, this SMO requires objectivity of quality assurance review team members with respect to the professional services they deliver.		<p>The requirement has been revised to take into account the nature of the principles contained in the IESBA Code of Ethics (formerly known as IFAC Code of Ethics).</p> <p>Please also see note on Paragraph 3 of SMO 1.</p> <p><i>Requirement clarified</i></p>
63.	Firms and their peers shall not perform reciprocal quality assurance reviews where peer reviews are authorized by law.	Par. 47	<p>The requirement and related guidance section have been broken into two paragraphs (current paragraphs 63 and 64).</p>
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.	Par. 47	<p>No significant change except for the one noted above.</p> <p><i>New requirement</i></p>
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 shall be appointed.	Par. 48	<p>The former guidance section has been changed into a requirement.</p>
	<i>Confidentiality</i>		
66.	As stated in the IESBA Code of Ethics or relevant national ethical requirements, and where not forbidden by law, individuals or firms under review shall be	Par. 49	<i>Requirement clarified</i>

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
	exempted from professional client confidentiality requirements concerning audit engagement working papers for the purpose of quality assurance reviews.		The requirement has been revised to refer to the IESBA Code of Ethics and the national ethical requirements.
67.	The quality assurance review team shall follow confidentiality requirements similar to those established for professional accountants performing audits of financial statements.	Par. 50	<i>No significant revision</i>
68.	In accordance with the legislative framework, consent of the client may be required to exempt individuals or firms under review from professional client confidentiality requirements concerning audit engagement working papers for the purpose of quality assurance reviews.	None	<i>New guidance</i> A new guidance section has been included to acknowledge the general evolution of regulation around client confidentiality requirements.
69.	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.	Par. 51	<i>No significant revision</i>
Reporting			
70.	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. (d) Where the subject of the quality assurance review system is a firm, a conclusion on:	Par. 52	<i>Requirement clarified</i> The requirement has been slightly revised to clarify that the team leader shall be responsible for issuing the QA review report (the former requirement indicated that the QA team

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
	<ul style="list-style-type: none"> i. whether the firm's system of quality control has been designed to meet the requirements of the quality control standards described in paragraph 21; and ii. whether the firm has complied with its system of quality control during the quality assurance review period. 		should issue this report). This revision was brought for cost-effectiveness reasons.
	(e) Where the subject of the quality assurance review system is a partner, a conclusion on: <ul style="list-style-type: none"> i. 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 21; and ii. whether the partner, through the firm, has complied with the firm's system of quality control during the quality assurance review period. 		
	(f) Reasons for negative conclusions on the above.		
	(g) Recommendations for improvement at both the firm-wide and engagement level.		
71.	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).	Par. 53	Please see note on Paragraph 3 of SMO 1.
72.	The reviewed firm shall provide a timely written response to the recommendations and conclusions of the quality assurance review report, including planned actions and expected timeframe for 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 timeframe for completion shall be reasonable and agreed to by	Par. 54	<p><i>Requirement clarified</i></p> <p>The requirement now refers specifically to firms, as opposed to members of the member body, and to the body responsible for the quality assurance review</p>

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
	the firm, the quality assurance review team, and the body responsible for the quality assurance review system.		system for the reasons mentioned above (please see note on Paragraph 3 of SMO 1). <i>Requirement clarified</i>
73.	Subject to local laws and regulations, 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.	Par. 55	Reference to local and national laws has been included in the requirement, which now also refers to public oversight authorities.
74	For confidentiality purposes, the annual report may not include detail regarding specific partners, firms, or clients.	Par. 56	<i>Guidance clarified</i> The purpose of the guidance section has been clarified.
Corrective and Disciplinary Actions			
			<i>Requirement clarified</i>
75.	The conclusions of each quality assurance review report shall be considered by the body responsible for the quality assurance review system. When a quality assurance review report includes an unsatisfactory conclusion, the firm to which that conclusion applies shall be required to take appropriate corrective action.	Par. 58 Par. 59 Par. 60	Various former requirements and guidance sections have been included in this requirement for clarity. Please also see note on Paragraph 3 of SMO 1.
76.	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	Par. 60 Par. 61	<i>Guidance expanded</i> The guidance section has been expanded to provide information about the purpose of corrective actions and the approach to be

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
	<p>educative purpose of the quality assurance review system, and the level of seriousness of the failure of the firm or partner. Corrective actions may include:</p> <ul style="list-style-type: none"> • requiring revisions or additions to quality control policies and procedures or audit methodology; • requiring additional CPD; • requiring additional quality assurance reviews; • restrictions on the type of work a firm can perform or for taking on new assignments; • admonishments, censures, and reprimands; • fines/payments of costs; and • suspension of membership or expulsion. 		<p>followed in cases where they are necessary. Additional examples of corrective actions have also been included.</p> <p>Please also see note on Paragraph 3 of SMO 1.</p>
77.	<p>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.</p>	Par. 62	<p><i>Guidance expanded</i></p> <p>The guidance section has been expanded for clarification reasons.</p> <p>Please also see note on Paragraph 3 of SMO 1.</p>
78.	<p>Where (a) the body responsible for the quality assurance review system (or its committee with appropriately 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 in place 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.</p>	Par. 61	<p><i>New requirement</i></p> <p>This new requirement addresses the situation where unsatisfactory conclusions of QA review that represent serious failings by the firm or partner are not addressed under the QA review system. This requirement</p>

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
			<p>was included to provide flexibility around dealing with such failings and to acknowledge the various structures and processes in this area that have been established around the world.</p> <p>Please also note on Paragraph 3 of SMO 1.</p> <p><i>New requirement</i></p> <p>This new requirement has been included to reinforce the cross reference between SMO 1 and 6.</p>
79.	<p>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.</p> <p>Considerations of Public Oversight</p>	Par. 61	
80.	The body responsible for the quality assurance review system shall consider closely cooperating with its oversight body, if any, and sharing information about the functioning of the quality assurance review system, as needed.	None	<p><i>Requirement clarified</i></p> <p>The requirements and guidance sections included under the subhead represent a new sub-part of SMO 1. This new section emphasizes the need for cooperation between the body responsible for the QA review system and any existing public oversight body.</p>
81.	The body responsible for the quality assurance review system 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 Paper,	None	<p><i>New guidance</i></p> <p>The new guidance section refers to the IFAC Policy Position</p>

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
	<i>Regulation of the Accountancy Profession.</i>		Paper #1, <i>Regulation of the Accountancy Profession</i> , which provides related information on this topic.
Review of Implementation and Effectiveness			
82.	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 and effectiveness 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. Performing the review of the proper implementation and effectiveness of the quality assurance review system is recommended every two years to ensure the system functions as intended and in accordance with this SMO. However, the cycle of the review may need to be shortened for recently established quality assurance review systems.	None	<p><i>New requirement</i></p> <p>This new requirement and its related guidance constitute a new sub-part of SMO 1. Review of the implementation and effectiveness of the QA review system to ensure it continues to function as intended and in accordance with SMO 1 requirements, is required.</p> <p><i>New guidance</i></p> <p>This new guidance section has been included to facilitate the coordination of activities between the body responsible for the QA review system and the public oversight body, and to avoid overlap and ensure cost effectiveness.</p>
83.	An IFAC member body responsible for the quality assurance review system is not required to perform any implementation and effectiveness reviews when they are undertaken at least every two years by the public oversight body, if any, or another equivalent organization.	None	

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
IFAC Compliance Assessment			
84.	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.	Par. 8 of Preface	<p><i>Clarified guidance</i></p> <p>This clarified guidance section, which includes some elements of the former Preface, provides an explanation of how IFAC assesses compliance with the requirements of the SMO. It indicates that IFAC takes into consideration various elements, including the applicability framework and best endeavors concept. An identical section has been included in all SMOs.</p>
85.	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.	Par. 6 of Introductory Box	<p><i>Guidance clarified</i></p> <p>The guidance section has been amended for clarification purpose.</p>
86.	In addressing the requirements of this SMO, IFAC member bodies are encouraged 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	Par. 7 of Introductory Box	<p><i>New guidance</i></p> <p>This new guidance section explains the approach IFAC member bodies should follow to address the requirements of the SMOs</p>

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
	for non-compliance.		and includes information about their IFAC Compliance Program obligations.
Effective Date			
87.	This SMO is effective for quality assurance reviews commencing on or after January 1st, 2014, with early implementation permitted, and was last amended as of November 2012.	Effective date	<p>The effective date of SMO 1 has been revised to January 1st, 2014.</p> <p>SMO 1 is the only SMO with this effective date (the effective date for the other SMOs is January 1, 2013) to facilitate the implementation of its requirements according to reasonable timeframe.</p>
Definitions			
In this SMO, the following terms have the definitions attributed below.			
88.	<p>(a) Firm—a sole practitioner, partnership, or corporation, or other entity of professional accountants, as defined in ISQC 1.</p> <p>(b) Partner—any individual with authority to bind the firm with respect to the performance of a professional services engagement, as defined in ISQC 1.</p> <p>(c) Public Interest Entities—as defined in the IESBA Code of Ethics.</p> <p>(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</p>	Par. 4	<p><i>No significant revision</i></p> <p>The definitions have been moved to the end of the SMO for clarity. The definition of “listed entities” has been replaced with the definition of “public interest entities” due to the modification of the QA review system scope.</p>

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
	comprise the IESBA Code of Ethics and relevant national ethical requirements.		
(e)	Quality assurance review—a review to determine whether the partner is subject to, or the firm has, (i) an adequate system of quality control, (ii) is in compliance with such system, and (iii) has adhered to professional standards and regulatory and legal requirements in performing engagements.		
(f)	Quality assurance review team—individual(s), 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 applicable legal and regulatory requirements, and (ii) reports issued by the firm or engagement partners are appropriate in the circumstances, as defined in ISQC 1.		

SMO 2: International Education Standards for Professional Accountants and Other Pronouncements Issued by the IAESB

SMO 2 Summary

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.

Revisions to SMO 2 include changes to clarify the best endeavors concept (par. 10) and the applicability framework (par. 5-11); to clearly define requirements relating to adoption and implementation of international standards issued by the IAESB (par. 12); and add the requirement to consider a need for translation (par. 13).

The following index lists key paragraphs of focus to assist member bodies, associates, and other interested parties in understanding the revisions to SMO 2. A review of the entire SMO is required to fully understand all the requirements and related guidance.

Scope

- Par. 4: Paragraph revised

Revised guidance section and additional information on the nature and authority of IAESB

Applicability Framework

- Par. 5-11: Clarified Applicability Framework

The Applicability Framework was clarified and expanded to better guide member bodies and associates on the actions that are required depending on their degree of responsibility for the SMO area.

Requirements and Application Guidance

- Par. 12: Requirement clarified

The requirement was clarified to require the adoption and implementation of the international standards issued by the IAESB. Further clarification was added to specify that this requirement needs to be considered in the context of the Applicability Framework.

- Par. 13: New requirement

Member bodies whose official language is not English are required to consider the need for a translation to facilitate adoption and implementation. This revision is designed not to place undue burden on IFAC members, acknowledging that the need for and priority around the translation of a particular group of international standards may vary.

- Par. 14: Requirement clarified

The requirement was clarified to require member bodies to notify their members of all new, proposed, and revised international standards and other pronouncements issued by the IAESB.

- Par. 15: Guidance clarified

Clarified guidance now encourages member bodies to comment on IAESB Exposure Drafts.

SMO COMPARISON TABLE

SMO 2: International Education Standards for Professional Accountants and Other Pronouncements Issued by the IAESB

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
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 (SMOs).	None	This new paragraph is included to highlight the core obligation of IFAC member bodies with respect to the SMO.
Scope			
2.	This SMO is issued by the IFAC Board and sets out requirements for IFAC member bodies with respect to international standards 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.	Par. 1 and 3 of Introductory Box	<i>No significant revision</i> This paragraph has been developed on the basis of former paragraphs 1 and 3, now revised to ease the flow of reading. It has also been revised to reflect the new title of SMO 2.
3.	International standards issued by the IAESB comprise International Education Standards (IESs). The IAESB also issues International Education Practice Statements (IEPSs) and International Education Information Papers (IEIPs), which provide guidance and assistance to IFAC member bodies in implementing international standards, and promote good practice.	Par. 3 of Introductory Box	<i>No significant revision</i> This paragraph has been revised to provide information about the nature and purpose of the pronouncements issued by the International Accounting Education Standards Board (IAESB).

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
4.	A description of, and the authority attached to, IESs, IEPs, and IEIPs are contained in the Framework for International Education Statements issued by the IAESB.	None	<p><i>New guidance</i></p> <p>The new guidance section directs users to additional information regarding the nature and authority of IAESB pronouncements.</p>
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.	Par. 6 of Introductory Box	<p><i>Clarified guidance—Applicability Framework</i></p> <p>The Applicability Framework includes both new guidance sections and requirements. It was developed to clarify the expectations of member bodies depending on their degree of responsibility for the SMO area. It also acknowledges the diversity of member bodies as well as different circumstances and degrees of responsibility.</p>

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
	Without prejudice to the existence of more complex national frameworks, IFAC member bodies may 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 professional accountancy education standards and guidance;		<i>New guidance—Applicability Framework</i>
6.	(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, for any responsibility for adopting and implementing professional accountancy education standards and guidance as government, regulators, or other appointed authorities have direct responsibility for the area covered by this SMO; or	None	This guidance section of the Applicability Framework describes the different degrees of responsibility member bodies may have for the SMO area.
	(c) shared responsibility with government, regulators, educational institutions, 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.		
	<i>Direct Responsibility</i>		
			<i>Clarified requirement—Applicability Framework</i>
7.	Where IFAC member bodies have direct responsibility they shall implement all the requirements of this SMO.	None	This new requirement of the Applicability Framework describes the activities which are expected from a member body with direct responsibility for the

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
			SMO area.
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.	Par. 7 of Introductory Box	<p><i>Clarified requirement—Applicability Framework</i></p> <p>This section of the Applicability Framework describes the exceptional conditions under which a member body with direct responsibility for the SMO area may be allowed to <i>not</i> follow a requirement of the SMO.</p>
<i>No Responsibility</i>			
9.	<p>Where IFAC member bodies have no responsibility for this area they shall use their best endeavors to:</p> <p>(a) encourage those responsible for the requirements to follow this SMO in implementing them; and</p> <p>(b) assist in the implementation where appropriate.</p>	Par. 2 of Introductory Box	<p><i>Clarified requirement—Applicability Framework</i></p> <p>This section of the Applicability Framework describes the actions expected from a member body with no responsibility for an area covered by the SMO.</p> <p><i>Clarified guidance—Best Endeavors</i></p>
10.	An IFAC member body will have been considered to have used its best endeavors if it could not reasonably do more than it has done and is doing to meet the requirements of this SMO.	Par. 5 of Preface	This revised paragraph clarifies the concept of “Best Endeavors”, which is applicable where a member body has no responsibility for an SMO area.

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
<i>Shared Responsibility</i>			
11.	<p>Where IFAC member bodies have shared responsibility for this area they shall:</p> <p>(a) implement those requirements for which they have direct responsibility in accordance with paragraphs 7 and 8; and</p> <p>(b) take actions specified in paragraphs 9 and 10 for those requirements where they have no responsibility.</p>	None	<p><i>Clarified requirement—Applicability Framework</i></p> <p>This revised paragraph provides an explanation of the concept of “Best Endeavors”, which is applicable where a member body has no responsibility for an SMO area.</p>
Requirements and Application Guidance			
12.	<p>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.</p> <p>(a) Adoption is concerned with the decision that international standards are appropriate for use in specific national financial reporting environments and with the actions necessary to effect those decisions, including incorporation into national requirements or requiring the use of international standards through law. Adoption may include a process to review draft international standards, translation, public exposure of proposed standards, approval, incorporation into national requirements as necessary, and promulgation of final standards, and, where applicable, a convergence process to eliminate or minimize differences between international and national standards.</p> <p>Implementation may include a process to build awareness of the adopted standards, provide relevant education and training, develop or disseminate implementation guidance and any other activities that</p>	Par. 3	<p><i>Requirement clarified</i></p> <p>The requirement has been clarified to be read in the context of the Applicability Framework and requires adoption and implementation of the international standards issued by the IAESB. It is followed by a new guidance section which aims to assist with the adoption and implementation of international standards. It also acknowledges the diversity of the approaches that may be followed by member bodies in this respect.</p>

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
	promote proper understanding and use of the standards in practice.		
13.	In jurisdictions where English is not an official or widely used language, and where international standards have not been translated, IFAC member bodies shall assess their priorities and challenges and consider whether there is a need for translation of these standards to ensure their proper adoption and implementation. Where such a need exists, IFAC member bodies shall use their 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.	None	<p><i>New requirement</i></p> <p>The new requirement requires member bodies in countries where English is not an official language to consider the need for a translation to facilitate the adoption and the implementation of the standards when it is needed. This revision ensures that there is no undue burden on IFAC members and acknowledges that the priority and need for translation of a particular group of international standards may vary.</p>
14.	IFAC member bodies shall notify their members of all new, proposed, and revised international standards and other pronouncements issued by the IAESB.	Par. 1	<p><i>Requirement clarified</i></p> <p>The requirement has been slightly revised to further ensure that all members of IFAC member bodies are notified of the standards and pronouncements issued by the IAESB.</p>
15.	IFAC member bodies are encouraged to comment on IAESB exposure drafts.	Par. 2	<p><i>Guidance clarified</i></p> <p>The clarified guidance section</p>

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
			now encourages member bodies (as opposed to their members) to comment on IAESB Exposure Drafts. This further reinforces the representation of member bodies and their involvement in international standard setting.
IFAC Compliance Assessment			
			<i>Clarified guidance</i>
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.	Par. 8 of Preface	This clarified guidance section, which includes some elements of the former Preface, provides an explanation of how IFAC assesses compliance with the requirements of the SMO. It indicates that IFAC takes into consideration various elements, including the applicability framework and best endeavors concept. An identical section has been included in all SMOs.
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.	Par. 6 of Introductory Box None	<i>Guidance clarified</i> The guidance section has been amended for clarity.

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
			<i>New guidance</i>
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.	Par. 7 of Introductory Box	This new guidance section explains the approach IFAC member bodies should follow to address the requirements of the SMOs and includes information about their IFAC Compliance Program obligations.
	Effective Date		
19.	This SMO is effective as of January 1st, 2013 and was last amended as of November 2012.	Par. 8	The effective date of SMO 2 has been revised to January 1st, 2013.

SMO 3: International Standards and Other Pronouncements Issued by the IAASB

SMO 3 Summary

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

Revisions to SMO 3 include changes to clarify the best endeavors concepts (par. 10) and the applicability framework (par. 5-11) and to clearly define requirements relating to the adoption and implementation of international standards issued by the IAASB (par. 12). The translation requirement previously existed in SMO 3 and has now been clarified to require member bodies to consider a need for translation.

The following index lists key paragraphs of focus to assist member bodies, associates, and other interested parties in understanding the revisions to SMO 3. A review of the entire SMO is required to fully understand all the requirements and related guidance.

Scope

- Par. 2: Paragraph revised
Revised paragraph now refers to the international standards and other pronouncements issued by the IAASB to ensure that all authoritative pronouncements are covered.
- Par. 3: Paragraph revised
Revised paragraph now reflects the nature of the current pronouncements issued by the IAASB.
- Par. 4: Paragraph revised
The paragraph now further clarifies the scope of the SMO.

Applicability Framework

- Par. 5-11: Clarified Applicability Framework
The Applicability Framework was clarified and expanded to better guide member bodies and associates on the actions that are required depending on their degree of responsibility for the SMO area.

Requirements and Application Guidance

- Par. 12: Requirement clarified
The requirement was clarified to require the adoption and implementation of the international standards issued by the IAASB. Further clarification added to specify that this requirement needs to be considered in the context of the Applicability Framework.
- Par. 13: Requirement clarified
Member bodies whose official language is not English are required to consider the need for a translation to facilitate adoption and implementation. This revision is designed not to place undue burden on IFAC members, acknowledging that the need for and priority around the translation of a particular group of international standards may vary.
- Par. 14: Requirement clarified

The paragraph was clarified to require member bodies to notify their members of all new, proposed, and revised international standards and other pronouncements issued by the IAASB.

- Par 15: Requirement clarified

The paragraph was clarified to ensure IFAC members bodies are aware of and use practical guidance issued by the IAASB.

- Par. 16: Guidance clarified

The paragraph now encourages IFAC member bodies to comment on IAASB Exposure Drafts.

SMO COMPARISON TABLE

SMO 3: INTERNATIONAL STANDARDS AND OTHER PRONOUNCEMENTS ISSUED BY THE IAASB

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
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 (SMOs).	None	This new paragraph has been included to highlight the core obligation of IFAC member bodies with respect to the SMO.
Scope			
2.	This SMO is issued by the IFAC Board and sets out requirements for IFAC member bodies with respect to international standards and other pronouncements 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.	Par. 1 and 3 of Introductory Box	<i>No significant revision</i> The paragraphs have been revised to ease the flow of reading and follow a more logical structure. The revised SMO now refers to the international standards and other pronouncements issued by the IAASB to ensure that all authoritative pronouncements are covered.
3.	The Preface to the International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements (Preface) facilitates understanding of the scope and authority of the pronouncements the IAASB	Par. 2	<i>No significant revision</i> The paragraph has been amended to reflect the

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
	issues, as set forth in the IAASB's Terms of Reference.		nature of the current pronouncements issued by the IAASB.
4.	In accordance with the Preface, non-authoritative material, like Practice Notes issued by the IAASB and staff publications is not part of the IAASB's International Standards.	None	<i>Guidance clarified</i> The paragraph has been revised to further clarify the scope of the SMO.
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.	Par. 6 of Introductory Box	<i>Clarified guidance—Applicability Framework</i> The Applicability Framework includes both new guidance sections and requirements. It was developed to clarify the expectations of member bodies depending on their degree of responsibility for the SMO area. It also acknowledges the diversity of member bodies as well as different circumstances and degrees of responsibility.
6.	Without prejudice to the existence of more complex national frameworks, IFAC member bodies may have: (a) direct responsibility for the area covered by this SMO. The mandate, explicitly given to the IFAC member body or otherwise implied through	None	<i>New guidance—Applicability Framework</i> This guidance section of the Applicability Framework

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
	<p>general consensus, specifies that it is responsible for adopting and implementing auditing standards and guidance;</p> <p>(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, for any responsibility for adopting and implementing auditing standards and guidance as government, regulators, or other appointed authorities have direct responsibility for the area covered by this SMO; or</p> <p>(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.</p>		describes the different degrees of responsibility member bodies may have for the SMO area.
	<i>Direct Responsibility</i>		
7.	Where IFAC member bodies have direct responsibility they shall implement all the requirements of this SMO.	None	<p><i>Clarified requirement—Applicability Framework</i></p> <p>This new requirement of the Applicability Framework describes the activities which are expected from a member body with direct responsibility for the SMO area.</p>
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	Par. 7 of Introductory Box	<p><i>Clarified requirement—Applicability Framework</i></p> <p>This section of the Applicability Framework describes the exceptional</p>

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
	has departed from it, may be suspended or removed from membership.		conditions under which a member body with direct responsibility for the SMO area may be allowed to <i>not</i> follow a requirement of the SMO.
	<i>No Responsibility</i>		
	Where IFAC member bodies have no responsibility for this area they shall use their best endeavors to:		<i>Clarified requirement—Applicability Framework</i> This section of the Applicability Framework describes the actions expected from a member body with no responsibility for an area covered by the SMO.
9.	(a) encourage those responsible for the requirements to follow this SMO in implementing them; and (b) assist in the implementation where appropriate.	Par. 2 of Introductory Box	
	An IFAC member body will have been considered to have used its best endeavors if it could not reasonably do more than it has done and is doing to meet the requirements of this SMO.		<i>Clarified guidance—Best Endeavors</i> This revised paragraph clarifies the concept of “Best Endeavors”, which is applicable where a member body has no responsibility for an SMO area.
	<i>Shared Responsibility</i>		
11.	Where IFAC member bodies have shared responsibility for this area they shall:	None	<i>Clarified requirement—</i>

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
	<p>(a) implement those requirements for which they have direct responsibility in accordance with paragraphs 7 and 8; and</p> <p>(b) take actions specified in paragraphs 9 and 10 for those requirements where they have no responsibility.</p>		<p><i>Applicability Framework</i></p> <p>This revised paragraph provides an explanation of the concept of “Best Endeavors”, which is applicable where a member body has no responsibility for an SMO area.</p>
Requirements and Application Guidance			
12.	<p>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.</p> <p>(a) <i>Adoption</i> is concerned with the decision that international standards are appropriate for use in specific national financial reporting environments and with the actions necessary to effect those decisions, including incorporation into national requirements or requiring the use of international standards through law. Adoption may include a process to review draft international standards, translation, public exposure of proposed standards, approval, incorporation into national requirements as necessary, and promulgation of final standards, and, where applicable, a convergence process to eliminate or minimize differences between international and national standards.</p> <p>(b) <i>Implementation</i> may include a process to build awareness of the adopted standards, provide relevant education and training, develop or disseminate implementation guidance and any other activities that promote proper understanding and use of the standards in practice.</p>	Par. 4	<p><i>Requirement clarified</i></p> <p>The requirement has been clarified to be read in the context of the Applicability Framework and requires adoption and implementation of the international standards issued by the IAASB. It is followed by a new guidance section which aims to assist with the adoption and implementation of international standards. It also acknowledges the diversity of the approaches that may be followed by member bodies in this respect.</p>

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
13.	In jurisdictions where English is not an official or widely used language, and where international standards have not been translated, IFAC member bodies shall assess their priorities and challenges and consider whether there is a need for translation of these standards to ensure their proper adoption and implementation. Where such a need exists, IFAC member bodies shall use their 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.	Par. 5	<p><i>New requirement</i></p> <p>The new requirement requires member bodies in countries where English is not an official language to consider the need for a translation to facilitate the adoption and the implementation of the standards when it is needed. This revision ensures that there is no undue burden on IFAC members and acknowledges that the priority and need for translation of a particular group of international standards may vary.</p>
14.	IFAC member bodies shall notify their members of all new, proposed, and revised international standards and other pronouncements issued by the IAASB.	Par. 1	Please see note on Paragraph 14 of SMO 1.
15.	IFAC member bodies shall promote the use of IAASB practice notes and other non-authoritative material to provide guidance and practical assistance.	Par. 1	<p><i>Requirement clarified</i></p> <p>This previous guidance has been changed to a requirement and clarified to further ensure that members of IFAC member bodies are aware and promote the use</p>

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
			of practical guidance issued by the IAASB.
			<i>Guidance clarified</i>
16.	IFAC member bodies are encouraged to comment on IAASB exposure drafts.	Par. 3	The guidance section is clarified and now encourages member bodies (as opposed to their members) to comment on IAASB Exposure Drafts. This further reinforces the role of representation of member bodies and their involvement in international standard-setting.
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.	Par. 8 of Preface	<i>Clarified guidance</i> This clarified guidance section, which includes some elements of the former Preface, provides an explanation of how IFAC assesses compliance with the requirements of the SMO. It indicates that IFAC takes into consideration various elements, including the applicability framework

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
			and best endeavors concept. An identical section has been included in all SMOs.
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 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.	Par. 6 of Introductory Box	<i>Guidance clarified</i> The guidance section has been amended for clarity.
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.	Par. 7 of Introductory Box	<i>New guidance</i> This new guidance section explains the approach IFAC member bodies should follow to address the requirements of the SMOs and includes information about their IFAC Compliance Program obligations.
Effective Date			
20.	This SMO is effective as of January 1 st , 2013 and was last amended as of November 2012.	Par. 7	Please see note on Paragraph 87 of SMO 1.

SMO 4: IESBA Code of Ethics for Professional Accountants

SMO 4 Summary

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, a requirement that has been retained.

Revisions to SMO 4 include changes to clarify the best endeavors concept (par. 10) and the applicability framework (par. 5 to 11); to clearly define requirements relating to the adoption and implementation of international standards issued by the IESBA (par. 12); and to include a requirement to consider a need for translation (par. 13).

The following index lists key paragraphs of focus to assist member bodies, associates, and other interested parties in understanding the revisions to SMO 2. A review of the entire SMO is required to fully understand all the requirements and related guidance.

Scope

- Par. 2: Paragraph revised

The paragraph now takes into account the current title of the *Code of Ethics for Professional Accountants*, issued by the International Ethics Standards Board for Accountants (IESBA).

- Par. 3: New paragraph

A new paragraph has been included to provide additional information about the activities of the IESBA.

Applicability Framework

- Par. 5-11: Clarified Applicability Framework

The Applicability Framework was clarified and expanded to better guide member bodies and associates on the actions that are required depending on their degree of responsibility for the SMO area.

Requirements and Application Guidance

- Par. 12: Requirement clarified

The paragraph was clarified to require the adoption and implementation of the international standards issued by the IESBA. Further additional clarification also specifies that this requirement needs to be considered in the context of the Applicability Framework.

- Par. 13: New requirement

The new paragraph requires member bodies whose official language is not English to consider the need for translation to facilitate adoption and implementation. This revision ensures that there is no undue burden on IFAC members and acknowledges that the priority and need for translation of a particular group of international standards may vary.

- Par. 14: Requirement extended

The new paragraph now requires member bodies notify their members of all new, proposed, and revised provisions of the IESBA Code of Ethics and other pronouncements issued by the IESBA.

- Par. 15: Guidance clarified

The paragraph encourages member bodies to comment on IESBA Exposure Drafts.

SMO COMPARISON TABLE

SMO 4: IESBA CODE OF ETHICS FOR PROFESSIONAL ACCOUNTANTS

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
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 (SMOs).	None	<p><i>New guidance</i></p> <p>This new paragraph has been included to highlight the core obligation of IFAC member bodies with respect to the SMO.</p>
Scope			
2.	This SMO is issued by the IFAC Board and sets out requirements for IFAC member bodies with respect to the <i>Code of Ethics for Professional Accountants</i> (IESBA <i>Code of Ethics</i>) 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.	Par. 1 and 3 of Introductory Box	<p><i>No significant revision</i></p> <p>The paragraphs have been revised to ease the flow of reading and follow a more logical structure. The revised SMO has also been updated to take into account the current title of the <i>Code of Ethics for Professional Accountants</i> issued by the International Ethics Standards Board for Accountants (IESBA).</p>
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.	None	<p><i>Editorial</i></p> <p>This new paragraph has been included to provide additional information regarding the activities of the IESBA.</p>

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
4.	The IESBA <i>Code of Ethics</i> establishes the fundamental principles of professional ethics for professional accountants, and provides a conceptual framework and guidance for applying those principles.	Par. 3	<i>No significant revision</i>
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.	Par. 6 of Introductory Box	<p><i>Clarified guidance—Applicability Framework</i></p> <p>The Applicability Framework includes both new guidance sections and requirements. It was developed to clarify the expectations of member bodies depending on their degree of responsibility for the SMO area. It also acknowledges the diversity of member bodies as well as different circumstances and degrees of responsibility.</p>
6.	<p>Without prejudice to the existence of more complex national frameworks, IFAC member bodies may have:</p> <p>(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 ethical requirements for its members;</p> <p>(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, for any responsibility for adopting and implementing ethical requirements for its members as government, regulators, or other appointed authorities have direct responsibility for the area covered by</p>	None	<p><i>New guidance—Applicability Framework</i></p> <p>This guidance section of the Applicability Framework describes the different degrees of responsibility member bodies may have for the SMO area.</p>

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
	<p>this SMO; or</p> <p>(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.</p> <p><i>Direct Responsibility</i></p>		
7.	Where IFAC member bodies have direct responsibility they shall implement all the requirements of this SMO.	None	<p><i>Clarified requirement—Applicability Framework</i></p> <p>This new requirement of the Applicability Framework describes the activities which are expected from a member body with direct responsibility for the SMO area.</p>
8.	<p>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.</p> <p><i>No Responsibility</i></p>	Par. 7 of Introductory Box	<p><i>Clarified requirement—Applicability Framework</i></p> <p>This section of the Applicability Framework describes the exceptional conditions under which a member body with direct responsibility for the SMO area may be allowed to <i>not</i> follow a requirement of the SMO.</p>
9.	<p>Where IFAC member bodies have no responsibility for this area they shall use their best endeavors to:</p> <p>(a) encourage those responsible for the requirements to follow this SMO in implementing them; and</p>	Par. 2 of Introductory Box	<p><i>Clarified requirement—Applicability Framework</i></p> <p>This section of the Applicability Framework describes the actions expected from a</p>

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
	(b) assist in the implementation where appropriate.		member body with no responsibility for an area covered by the SMO.
10.	An IFAC member body will have been considered to have used its best endeavors if it could not reasonably do more than it has done and is doing to meet the requirements of this SMO.	Par. 5 of Preface	<i>Clarified guidance—Best Endeavors</i> This revised paragraph clarifies the concept of “Best Endeavors”, which is applicable where a member body has no responsibility for an SMO area.
	<i>Shared Responsibility</i>		
	Where IFAC member bodies have shared responsibility for this area they shall:		<i>Clarified requirement—Applicability Framework</i>
11.	(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.	None	This section of the Applicability Framework describes the actions expected from a member body that has shared responsibility for an area covered by the SMO.
Requirements and Application Guidance			
12.	In accordance with the applicability framework, IFAC member bodies shall identify and undertake actions to have the IESBA <i>Code of Ethics</i> adopted and implemented in their jurisdictions. Given the importance of consistent, high-quality ethical standards, IFAC member bodies should not apply less stringent standards than those stated in the IESBA <i>Code of Ethics</i> . (a) <i>Adoption</i> is concerned with the decision that international standards are appropriate for use in specific national financial reporting environments and with the actions necessary to effect those decisions, including incorporation into national requirements or requiring the use of international standards through law. Adoption may include a process to	Par. 4 and 5	<i>Requirement clarified</i> The requirement has been clarified to be read in the context of the Applicability Framework and requires adoption and implementation of the IESBA Code of Ethics. The requirement related to not applying less stringent standards than those of the IESBA Code has been retained, considering the nature of ethical

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
	<p>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.</p> <p>(b) <i>Implementation</i> may include a process to build awareness of the adopted standards, provide relevant education and training, develop or disseminate implementation guidance and any other activities that promote proper understanding and use of the standards in practice.</p>		<p>requirements. It is followed by the new guidance section that aims to assist with the adoption and implementation of international standards. This guidance section also acknowledges the diversity of the approaches that may be followed by member bodies in this respect.</p> <p><i>New requirement</i></p> <p>The new requirement requires member bodies in countries where English is not an official language to consider the need for a translation to facilitate the adoption and the implementation of the standards when it is needed. This revision ensures that there is no undue burden on IFAC members and acknowledges that the priority and need for translation of a particular group of international standards may vary.</p> <p><i>Requirement clarified</i></p> <p>The requirement has been extended to require notification of new, proposed, and revised provisions of the IESBA Code of Ethics and other pronouncements issued by the IESBA.</p>
13.	<p>In jurisdictions where English is not an official or widely used language, and where international standards have not been translated, IFAC member bodies shall assess their priorities and challenges and consider whether there is a need for translation of these standards to ensure their proper adoption and implementation. Where such a need exists, IFAC member bodies shall use their 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.</p>	None	
14.	<p>IFAC member bodies shall notify their members of the new, proposed, and revised provisions of the IESBA <i>Code of Ethics</i> and other pronouncements issued by the IESBA.</p>	Par. 1	

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
15.	IFAC member bodies are encouraged to comment on IESBA exposure drafts.	Par. 2	<p><i>Guidance clarified</i></p> <p>The guidance section is clarified and now encourages member bodies (as opposed to their members) to comment on IESBA Exposure Drafts. This further reinforces the role of representation of member bodies and their involvement in international standard-setting.</p>
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.	Par. 8 of Preface	<p><i>New guidance</i></p> <p>This new guidance section, which includes some elements of the former Preface, provides an explanation of how IFAC assesses compliance with the requirements of the SMO. It indicates that IFAC takes into consideration various elements, including the applicability framework and best endeavors concept. An identical section has been included in all SMOs.</p>
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.	Par. 6 of Introductory Box	<p><i>Guidance clarified</i></p> <p>The guidance section has been amended for clarity.</p>
18.	In addressing the requirements of this SMO, IFAC member bodies need to	Par. 7 of	<p><i>New guidance</i></p>

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
	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.	Introductory Box	This new guidance section provides an explanation regarding the approach IFAC member bodies should follow to address the requirements of the SMOs and includes information about their IFAC Compliance Program obligations.
Effective Date			
19.	This SMO is effective as of January 1 st , 2013 and was last amended as of November 2012.	Par. 10	Please see note on Paragraph 87 of SMO 1.

SMO 5: International Public Sector Standards and Other Pronouncements Issued by the IPSASB

SMO 5 Summary

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 Standard Board (IPSASB), an independent standard-setting body.

Revisions to SMO 5 include changes to clarify the best endeavors concept (par. 9) and the applicability framework (par. 4-10); to clearly define requirements relating to the adoption and implementation of international standards issued by the IPSASB (par. 11); and the addition of the requirement to consider a need for translation (par. 12).

Although a relatively small number of IFAC member bodies and associates have the direct responsibility for public sector standards, the SMO has the same structure as the other SMOs that relate to international standards. The applicability framework allows the SMO to sufficiently reflect the fact that most of IFAC member bodies and associates do not have the responsibility in this area.

The following index lists key paragraphs of focus to assist member bodies, associates, and other interested parties in understanding the revisions to SMO 5. A review of the entire SMO is required to fully understand all the requirements and related guidance.

Scope

- Par. 2: Paragraph revised

The paragraph was revised to reflect the changes in the title of SMO 5 to refer to International Public Sector Accounting Standards and other pronouncements issued by the International Public Sector Accounting Standards Board (IPSASB).

Applicability Framework

- Par. 4-10: Clarified Applicability Framework

The Applicability Framework was clarified and expanded to better guide member bodies and associates on the actions that are required depending on their degree of responsibility for the SMO area.

Requirements and Application Guidance

- Par. 11: Requirement clarified

The requirement was clarified to require the adoption and implementation of the international standards issued by the IPSASB. Further clarification was also added to specify that this requirement needs to be considered in the context of the Applicability Framework.

- Par. 12: New requirement

Member bodies whose official language is not English are required to consider the need for a translation to facilitate adoption and implementation. This revision is designed not to place undue burden on IFAC members, acknowledging that the need for and priority around the translation of a particular group of international standards may vary.

Par. 13: Requirement clarified

The paragraph was clarified to require member bodies to notify their members of all new, proposed, and revised international standards and other pronouncements issued by the IPSASB.

- Par. 14: Guidance clarified

The paragraph encourages member bodies to comment on IPSASB Exposure Drafts.

SMO COMPARISON TABLE

SMO 5: INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS AND OTHER PRONOUNCEMENTS ISSUED BY THE IPSASB

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
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 (SMOs).	None	<p><i>New guidance</i></p> <p>This new paragraph has been included to highlight the core obligation of IFAC member bodies with respect to the SMO</p>
Scope			
2.	This 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.	Par. 1 and 3 of Introductory Box	<p><i>Editorial</i></p> <p>The paragraphs have been revised to ease the flow of reading and follow a more logical structure. The paragraphs also been updated to reflect the change of title of SMO 5, which now refers to International Public Sector Accounting Standards and other pronouncements issued by the International Public Sector Accounting Standards Board (IPSASB).</p>

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
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.	None	<i>Editorial</i> The paragraph has been included to provide information regarding the activities of the IPSASB.
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.	Par. 6 of Introductory Box	<i>Clarified guidance—Applicability Framework</i> The Applicability Framework includes both new guidance sections and requirements. It was developed to clarify the expectations of member bodies depending on their degree of responsibility for the SMO area. It also acknowledges the diversity of member bodies as well as different circumstances and degrees of responsibility.

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
	Without prejudice to the existence of more complex national frameworks, IFAC member bodies may have:		
5.	<p>(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;</p> <p>(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, for any responsibility for adopting and implementing public sector accounting standards as government, regulators, or other appointed authorities have direct responsibility for the area covered by this SMO; or</p> <p>(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.</p> <p><i>Direct Responsibility</i></p>	None	<p><i>New guidance—Applicability Framework</i></p> <p>This guidance section of the Applicability Framework describes the different degrees of responsibility member bodies may have for the SMO area.</p>
6.	Where IFAC member bodies have direct responsibility they shall implement all the requirements of this SMO.	None	<p><i>Clarified requirement—Applicability Framework</i></p> <p>This new requirement of the Applicability Framework describes the activities that are expected from a member body that has direct responsibility for an area covered by the SMO.</p>
7.	In exceptional circumstances, an IFAC member body may depart from a	Par. 7 of	<i>Clarified requirement—</i>

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
	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.	Introductory Box	<i>Applicability Framework</i> This section of the Applicability Framework describes the exceptional conditions under which a member body with direct responsibility for the SMO area may be allowed to <i>not</i> follow a requirement of the SMO.
	<i>No Responsibility</i>		
8.	Where IFAC member bodies have no responsibility for this area they shall use their 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.	Par. 2 of Introductory Box	<i>Clarified requirement—Applicability Framework</i> This section of the Applicability Framework describes the actions expected from a member body with no responsibility for an area covered by the SMO.
9.	An IFAC member body will have been considered to have used its best endeavors if it could not reasonably do more than it has done and is doing to meet the requirements of this SMO.	Par. 5 of Preface	<i>Clarified guidance—Best Endeavors</i> This revised paragraph clarifies the concept of “Best Endeavors”, which is applicable where a member body has no responsibility for an SMO area.
	<i>Shared Responsibility</i>		

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
10.	<p>Where IFAC member bodies have shared responsibility for this area they shall:</p> <p>(a) implement those requirements for which they have direct responsibility in accordance with paragraphs 7 and 8; and</p> <p>(b) take actions specified in paragraphs 9 and 10 for those requirements where they have no responsibility.</p>	None	<p><i>Clarified requirement—Applicability Framework</i></p> <p>This revised paragraph provides an explanation of the concept of “Best Endeavors”, which is applicable where a member body has no responsibility for an SMO area.</p>
Requirements and Application Guidance			
11.	<p>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.</p> <p>(a) <i>Adoption</i> is concerned with the decision that international standards are appropriate for use in specific national financial reporting environments and with the actions necessary to effect those decisions, including incorporation into national requirements or requiring the use of international standards through law. Adoption may include a process to review draft international standards, translation, public exposure of proposed standards, approval, incorporation into national requirements as necessary, and promulgation of final standards, and, where applicable, a convergence process to eliminate or minimize differences between international and national standards.</p> <p>(b) <i>Implementation</i> may include a process to build awareness of the adopted standards, provide relevant education and training, develop or disseminate implementation guidance and any other activities that promote proper understanding and use of the standards in practice.</p>	Par. 3	<p><i>Requirement clarified</i></p> <p>The requirement has been clarified to be read in the context of the Applicability Framework and requires adoption and implementation of the international standards issued by the IPSASB. It is followed by a new guidance section that aims to assist with the adoption and implementation of these international standards. It also acknowledges the diversity of the approaches that may be followed by member bodies in this</p>

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
			respect.
			<i>New requirement</i>
12.	In jurisdictions where English is not an official or widely used language, and where international standards have not been translated, IFAC member bodies shall assess their priorities and challenges and consider whether there is a need for translation of these standards to ensure their proper adoption and implementation. Where such a need exists, IFAC member bodies shall use their 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.	None	The new requirement requires member bodies in countries where English is not an official language to consider the need for a translation to facilitate the adoption and the implementation of the standards when it is needed. This revision ensures that there is no undue burden on IFAC members and acknowledges that the priority and need for translation of a particular group of international standards may vary.
			<i>Requirement clarified</i>
13.	IFAC member bodies shall notify their members of all new, proposed, and revised IPSAS and other pronouncements issued by the IPSASB.	Par. 1	The requirement has been extended to require notification of new, proposed, and revised IPSASs to increase professionals' awareness of IPSASB's activities.

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
14.	IFAC member bodies are encouraged to comment on IPSASB exposure drafts.	Par. 2	<p><i>Guidance clarified</i></p> <p>The guidance section is clarified to now encourages member bodies (as opposed to their members) to comment on IPSASB Exposure Drafts. This further reinforces the role of representation of member bodies and their involvement in international standard-setting.</p>
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.	Par. 8 of Preface	<p><i>Clarified guidance</i></p> <p>This clarified guidance section, which includes some elements of the former Preface, provides an explanation of how IFAC assesses compliance with the requirements of the SMO. It indicates that IFAC takes into consideration various elements, including the applicability framework and best endeavors concept.</p>
16.	IFAC will take into account the relevance of individual SMO requirements to	Par. 6 of	<p><i>Guidance clarified</i></p>

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
	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.	Introductory Box	The guidance section has been amended for clarification purpose. <i>New guidance</i>
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.	Par. 7 of Introductory Box	This new guidance section explains the approach IFAC member bodies should follow to address the requirements of the SMOs and includes information about their IFAC Compliance Program obligations.
Effective Date			
18.	This SMO is effective as of January 1 st , 2013 and was last amended as of November 2012.	Par. 5	The effective date of SMO 1 has been revised to January 1, 2013.

SMO 6: Investigation and Discipline

SMO 6 Summary

The revised SMO 6 contains some new requirements as well as enhanced or expanded guidance relating to the requirement of an IFAC member body with respect to mechanisms of the investigation and discipline (I&D) of those who fail to exercise and maintain professional standards and related obligations of an IFAC member body. The revised SMO 6 acknowledges that other bodies may have responsibility for aspects of the I&D process and employs the term “responsible bodies” where member bodies was previously used. The SMO was also restructured to add clarity and facilitate a more logical flow. The revised SMO groups all references to public interest considerations in one place and expands the related guidance.

The following index lists key paragraphs of focus to assist member bodies, associates, and other interested parties in understanding the revisions to SMO 6. A review of the entire SMO is required to fully understand all the requirements and related guidance.

Applicability Framework

- Par. 3-9: Clarified Applicability Framework

The Applicability Framework was clarified and expanded to better guide member bodies and associates on the actions that are required depending on their degree of responsibility for the SMO area.

Scope of the Investigative and Disciplinary System

- Par. 12: Requirement clarified in light of the applicability framework

The clarified paragraph now speaks to responsible bodies (that is, those responsible for the investigation and disciplinary system) to address the situation where the member body does not have sole responsibility for this activity or has no responsibility for this activity. This clarification is also included in paragraphs 17-18.

Investigative and Disciplinary Powers

- Par. 17-18 Requirements clarified

The paragraph now speaks to responsible bodies (that is, those responsible for the investigation and disciplinary system). This change reflects the revision in paragraph 12.

- Par. 20: Guidance now a requirement

The guidance was converted into a requirement that member bodies adopt both a complaints-based and information-based approach to initiating proceedings.

- Par. 23: New Requirement

The linkage between SMO 1 and SMO 6 was clarified. The new, revised approach requires member bodies and associates to address an unsatisfactory quality assurance (QA) review result under SMO 6 when the QA system in place is not designed to take corrective measures.

The Investigative Process

- Par. 25: Requirement expanded and clarified
The paragraph now states that professional charges shall be brought to the extent national laws permit due to the specific regulatory environment of various jurisdictions.
- Par. 26: Guidance expanded
The guidance now clarifies for cost-effectiveness reasons that specific cases can be handled by the investigation committee without the need for a full tribunal hearing.

Proportionality of Sanctions

- Par. 33-34: New requirement and guidance
The section now requires member bodies to weigh the interest of the member and the public interest. A 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.

Public Interest Considerations

- Par. 47-51: New requirements
The paragraphs require addressing public interest considerations, including building awareness about the existence of the system, transparency, and reporting to the public on the results of investigation and disciplinary proceedings.

Liaison with Outside Bodies

- Par. 52: Clarified requirement and expanded guidance
The clarified requirement and expanded guidance address the need for liaisons with appropriate public authorities and other external bodies. New guidance encourages member bodies and associates to consider addressing situations when their individual members also hold memberships with other professional accountancy organizations.
- Par. 53: New requirement
The paragraph now requires member bodies consider informing other professional organizations about the outcome of the disciplinary proceedings when the subject of the proceedings is also a member of an additional professional organization.

Review of the Implementation and Effectiveness

- Par. 54: New requirement
Member bodies are required to review implementation and effectiveness of I&D to ensure that their systems will continue to function as intended and in accordance with SMO 6 requirements.

SMO COMPARISON TABLE

SMO 6: INVESTIGATION AND DISCIPLINE

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
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 (SMOs).	None	<p><i>New guidance</i></p> <p>This new paragraph has been included to highlight the core obligation of IFAC member bodies with respect to the SMO.</p>
Scope			
2.	This 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. To understand and address the requirements, it is necessary to consider the entire text of the SMO.	Par. 1 and 3 of Introductory Box	<p><i>No significant revision</i></p> <p>The paragraph has been revised to ease flow of reading and follow a more logical structure.</p>
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.	Par. 3 and Par. 6 of Introductory Box	<p><i>Clarified guidance—Applicability Framework</i></p> <p>The Applicability Framework includes both new guidance sections and requirements. It was developed to clarify the expectations of member</p>

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
			bodies depending on their degree of responsibility for the SMO area. It also acknowledges the diversity of member bodies as well as different circumstances and degrees of responsibility.
	Without prejudice to the existence of more complex national frameworks, IFAC member bodies may have:		
4.	<p>(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;</p> <p>(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, for any responsibility for setting the rules and operating the investigation and disciplinary system as government, regulators, or other appointed authorities have direct responsibility for the area covered by this SMO; or</p> <p>(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.</p> <p><i>Direct Responsibility</i></p>	None	<p><i>New guidance—Applicability Framework</i></p> <p>This guidance section of the Applicability Framework describes the different degrees of responsibility member bodies may have for the SMO area.</p>
5.	Where IFAC member bodies have direct responsibility they shall implement all the requirements of this SMO.	None	<p><i>Clarified requirement—Applicability Framework</i></p> <p>This new requirement of the</p>

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
6.	<p>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.</p> <p><i>No Responsibility</i></p> <p>Where IFAC member bodies have no responsibility for this area they shall use their best endeavors to:</p> <p>(a) encourage those responsible for the requirements to follow this SMO in implementing them; and</p> <p>(b) assist in the implementation where appropriate.</p>	Par. 7 of Introductory Box	<p>Applicability Framework describes the activities which are expected from a member body with direct responsibility for the SMO area.</p> <p><i>Clarified requirement—Applicability Framework</i></p> <p>This section of the Applicability Framework describes the exceptional conditions under which a member body with direct responsibility for the SMO area may be allowed to <i>not</i> follow a requirement of the SMO.</p> <p><i>Clarified requirement—Applicability Framework</i></p> <p>This section of the Applicability Framework describes the actions expected from a member body with no responsibility for an area covered by the SMO.</p>
7.		Par. 2 of Introductory Box	
8.	An IFAC member body will have been considered to have used its best	Par. 5 of	<i>Clarified guidance—Best</i>

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
	endeavors if it could not reasonably do more than it has done and is doing to meet the requirements of this SMO.	Preface	<i>Endeavors</i> This revised paragraph clarifies the concept of “Best Endeavors”, which is applicable where a member body has no responsibility for an SMO area.
	<i>Shared Responsibility</i>		
9.	Where IFAC member bodies have shared responsibility for this area 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.	None	<i>Clarified requirement—Applicability Framework</i> This revised paragraph provides an explanation of the concept of “Best Endeavors”, which is applicable where a member body has no responsibility for an SMO area.
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.	Par. 7	<i>Requirement clarified</i> Requirement clarified to refer to the Applicability Framework.
11.	Each member shall be made aware of: (a) all provisions of the code of ethics and other applicable professional	Par. 9	<i>Requirement clarified</i> The requirement has been

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
	standards, rules, and requirements (and any amendments), whether issued by the International Ethics Standards Board for Accountants or by the responsible body at the national level; and (b) the consequences of non-compliance with these codes, standards, rules, and requirements.		clarified and updated to take into account the current title of the IESBA Code of Ethics. <i>Requirement clarified</i> The requirement has been revised to refer to the bodies responsible for the investigation and disciplinary system to address the situation where the member body does not have sole responsibility, or has no responsibility, for this activity. This should be understood in the context of the applicability framework.
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).	Par. 4	
13.	Misconduct includes any and all of the following: <ul style="list-style-type: none"> • 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 	Par. 4	<i>Guidance clarified</i> For clarity, former paragraph 4 was split into the current requirement and its related guidance section on what constitutes misconduct.

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
	<ul style="list-style-type: none"> unsatisfactory work. <p>Each jurisdiction is free to decide if “misconduct” also includes other instances of professional misconduct.</p>		
14.	<p>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 include evaluating if:</p> <ul style="list-style-type: none"> the failures were systemic; the firm leadership was complicit in the misconduct; it forms part of a pattern of failures that have not been corrected in due time; and it represents a sufficient public concern. 	None	<p><i>New guidance</i></p> <p>The new guidance section has been developed to encourage responsible parties to consider distinguishing the responsibility of an individual versus the responsibility of a firm, and to take into account the various factors that may assist them in this respect.</p>
15.	<p>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.</p>	Par. 5	<i>No significant revision</i>
16.	<p>Where the law or practice in the jurisdiction does not consider regulatory breaches as “misconduct,” the responsible body shall ensure that the sanctions include restriction or removal of practicing rights.</p>	Par. 6	<i>No significant revision</i>

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
Investigative and Disciplinary Powers			
17.	<p>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 authorities to effectively administer the investigative and disciplinary processes.</p>	Par. 12	<i>No significant revision</i>
18.	<p>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 investigative and disciplinary processes, to ensure that all investigative and disciplinary processes are consistent with the rules of natural justice and other applicable laws.</p>	Par. 13	<i>No significant revision</i>
<i>Composition of Investigative and Disciplinary Teams and Committees</i>			
19.	<p>Subject to the preceding paragraph, 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</p>	Par. 14	<p><i>New requirement</i></p> <p>The guidance section has been changed into a requirement.</p>

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
	investigation of a particular case.		
	Initiation of Proceedings		
20.	The body responsible for the investigation and disciplinary system shall adopt both a “complaints-based” and an “information-based” approach to investigation and discipline.	Par. 11	<i>New requirement</i> The first sentence of the former guidance section has been changed into a requirement.
21.	<i>Complaints-Based Approach</i> 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. Such complaints may come from a client or regulatory agency.	Par. 11	<i>No significant revision</i>
22.	<i>Information-Based Approach</i> 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: <ul style="list-style-type: none"> • 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 provide additional assurance to outside stakeholders that the profession is actively concerned with protecting the public interest and 	Par. 11	<i>No significant revision</i>

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
	maintaining the highest possible standards within the profession.		
23.	As required by SMO 1— <i>Quality Assurance</i> , 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 in place to take corrective action under the quality assurance review system to address this unsatisfactory conclusion, a link shall be established between an unsatisfactory conclusion of quality assurance reviews and the initiation of disciplinary proceedings.	None	<p><i>New guidance</i></p> <p>The new guidance section establishes the link between the unsatisfactory conclusion of a quality assurance review and the initiation of disciplinary proceedings and reflects the existing requirement in SMO 1. Cross references between SMO 1 and SMO 6 has been reinforced.</p>
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 withdraw from the case. Similar considerations apply equally to anyone connected with the investigation and hearing of cases.	Par. 15	<i>No significant revision</i>
25.	On completion of the investigation process, the investigation committee shall review the evidence and decide whether there appears to be a case to pursue. If the investigation committee is satisfied that there is a case to pursue, the matter shall be referred to a disciplinary tribunal or similar grouping, and professional charges shall be brought to the extent local laws permit. The investigative process may be placed on hold if the matter being investigated	Par. 16	<p><i>Requirement clarified</i></p> <p>The requirement has been expanded and clarified. The revised requirement now states that professional charges shall be brought to</p>

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
	comes or is currently before a court or regulatory authority.		the extent local laws permit, in acknowledgement of the specific regulatory environment of various jurisdictions. The requirement also includes a guidance section that clarifies that the case may be placed on hold if it is before another court to avoid contradictory conclusions and disruption of related processes.
26.	Many cases can be handled by the investigation committee without the need for a full tribunal hearing if the parties agree on an alternative dispute resolution, or if the defendant admits the charge or charges.	Par. 17	<i>Guidance expanded</i> The section has been revised to provide more detailed guidance. It now clarifies for cost-effectiveness reasons that specific cases can be handled by the investigation committee without the need for a full tribunal hearing.
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 bring professional charges. To avoid delay, a panel or similar grouping shall be	Par. 19	<i>Guidance clarified</i> The last sentence of the requirement has been

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
	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 specific case be subsequently appointed to the disciplinary tribunal to hear the same case.		clarified.
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 an appropriate test(s).	Par. 20	<i>No significant revision</i>
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.	Par. 21	<i>Guidance revised</i> The guidance section has been revised to include a requirement regarding the need for disciplinary tribunals to include legally qualified personnel or advisors in cases where complex legal matters are involved. A sentence referring to possible presentations to disciplinary tribunal has been deleted for clarity.
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	Par. 22	<i>No significant revision</i>

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
	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.	<p>The system shall allow those who judge such issues to impose a range of penalties, including, if local laws permit:</p> <ul style="list-style-type: none"> • reprimands; • fine/payment of costs; • loss or restriction of practice rights; • loss of professional title (designation); • suspension from membership; and • exclusion from membership. 	Par. 7	<p><i>Requirement clarified</i></p> <p>The requirement has been revised, following the structure of the revised SMO. A new example of sanction has also been included.</p>
32.	<p>It is particularly important that, if local laws permit, 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.</p> <p><i>Proportionality of Sanctions</i></p>	Par. 8	<p><i>No significant revision</i></p> <p>Guidance now refers to local laws.</p>
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.	None	<p><i>New requirement</i></p> <p>A new requirement and guidance has been included on the core elements that should be taken into account in deciding sanctions.</p>
34.	To ensure (a) consistency in the sanctioning process, and (b) that any sanction	None	<i>New requirement</i>

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
	<p>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 use a set of guiding principles when imposing sanctions. The tribunal shall also take into account all the circumstances of the case, including:</p> <ul style="list-style-type: none"> • 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, e.g., 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. <p>Rights of Representation and Appeal</p>		The new requirement and guidance section provides additional information regarding the process to be used to ensure that sanctions imposed are proportionate and consistent.
35.	<p>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 findings 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 found against 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 findings. The appeal process shall include the same procedures as apply to hearings before the disciplinary tribunal.</p>	Par. 23	<p><i>Requirement clarified</i></p> <p>The requirement has been revised to refer to "findings" as opposed to "conviction," considering that conviction is more related to the decision of the investigation and disciplinary system to start an investigation and disciplinary process.</p>
36.	<p>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.</p>	Par. 24	<p><i>No significant revision</i></p>

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
Administrative Processes			
37.	The body responsible for the investigation and disciplinary system shall establish timeframe targets for disposal of all cases, and shall aim to meet them whenever possible. Normally, any timeframe set for disposal shall begin on the date information that was sufficient to justify commencing an investigation was received.	Par. 25	<i>No significant revision</i>
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. They 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 chief executive officer of the responsible body, the chair of the investigation committee, or an equivalent person.	Par. 28	<i>No significant revision</i>
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 timeframe 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.	Par. 27	<i>Guidance clarified</i> The guidance section has been slightly revised to improve accuracy. The requirement has been revised to refer to the bodies responsible for the investigation and disciplinary system to address the situation where the member body does not have sole responsibility, or has no responsibility, for this activity.

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
			This should be understood in the context of the applicability framework.
40.	Tracking mechanisms are designed to monitor progress in investigations and prosecutions, and to prompt those involved to take timely action to minimize delay.	Par .28	<i>No significant revision</i>
41.	In many jurisdictions, confidentiality of proceedings contributes to the good standing of the investigative and disciplinary process. However, due consideration shall be 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 in releasing to third parties only that information the law permits to be made public, or that is authorized for release by those responsible for such decisions.	Par. 29	<i>No significant revision</i>
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 by all relevant parties.	Par. 30	<i>Requirement clarified</i> The requirement had been clarified and revised to refer to the bodies responsible for the investigation and disciplinary system to address the situation where the member body does not have sole responsibility, or has no responsibility, for this activity. This should be understood in the context of the applicability framework.

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
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.	Par. 31 and 32	<i>Requirement clarified</i> The former requirement and related guidance section have been restructured to ease the flow of reading.
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.	Par. 33	<i>No significant revision</i>
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 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 that each body responsible for the investigation and disciplinary system refer to legislation in their jurisdictions that relates to the handling, storage, and use of data and confidential information.	Par. 34	<i>No significant revision</i>
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. Therefore, publishing case reports and encouraging students and qualified members to study them can provide a valuable opportunity for	Par. 35	<i>Guidance clarified</i> The guidance section has been clarified.

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
	education. Case reports are useful whether or not they identify the names of individuals and third parties involved. In all circumstances, the timing of publication or content of such reports shall not adversely affect the right of those involved in related civil or criminal cases. 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. To the extent local laws permit, the public shall be made aware of disciplinary action against members.	None	<i>New requirement</i> This new requirement has been incorporated to create awareness of the investigation and disciplinary system and to increase its the transparency.
48.	The body responsible for the investigation and disciplinary system shall establish and maintain a process for the independent review of complaints by clients and others in cases where it has been decided, following investigation, that the matter will not be referred to a disciplinary hearing.	Par. 18	<i>No significant revision</i>
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 a 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 and natural justice and effectively serve the public interest. This is important not only to the defendant, the complainant, and others involved in the investigative	Par. 18	<i>New requirement</i> The guidance section that was attached to the former requirement has been included as a paragraph to follow a more logical structure.

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
	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.	None	<p><i>New requirement</i></p> <p>The new requirement ensures disclosure of information related to the investigation and disciplinary system to increase transparency and effectiveness. It is based on the wording of a similar requirement in SMO 1.</p>
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.	None	<p><i>New guidance</i></p> <p>The new guidance section clarifies that possible disclosure of specific information in the annual report is governed by national regulations.</p>
Liaison with Outside Bodies			
52.	<p>To the extent that local laws permit, the body responsible for the investigation and disciplinary system shall ensure that it:</p> <p>(a) reports possible involvement in serious crimes and offences by members to the appropriate public authority; and</p> <p>(b) discloses related information to that authority.</p>	Par. 10	<p><i>Requirement clarified</i></p> <p>The requirement has been clarified and is set in the context of local laws.</p>

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
53.	To the extent that local laws permit, and IFAC member bodies are aware that members subject to disciplinary proceedings belong to other professional accountancy organizations or other professional organizations, member bodies shall consider informing such organizations regarding the outcome of disciplinary proceedings.	None	<p><i>New requirement</i></p> <p>The new requirement has been included to facilitate information sharing about outcomes of disciplinary proceedings where members belong to more than one professional organization.</p>
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 and effectiveness 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 and effectiveness reviews when they are undertaken at least annually by an external organization.	None	<p><i>New requirement</i></p> <p>This new requirement and its related guidance constitute a new sub-part of SMO 6. Review of the implementation and effectiveness of the I&D system to ensure it continues to function as intended and in accordance with SMO 6 requirements, is required.</p>
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.	Par. 8 of Preface	<p><i>Clarified guidance</i></p> <p>This clarified guidance section, which includes some elements of the former Preface, provides an</p>

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
			<p>explanation of how IFAC assesses compliance with the requirements of the SMO. It indicates that IFAC takes into consideration various elements, including the applicability framework and best endeavors concept.</p>
56.	<p>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.</p>	Par. 6 of Introductory Box	<p><i>Guidance clarified</i></p> <p>The guidance section has been amended for clarity.</p>
57.	<p>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.</p>	Par. 7 of Introductory Box	<p><i>New guidance</i></p> <p>This new guidance section explains the approach IFAC member bodies should follow to address the requirements of the SMOs and includes information about their IFAC Compliance Program obligations.</p>
Effective Date			
58.	<p>This SMO is effective as of January 1st, 2013 and was last amended as of November 2012.</p>	Par. 36	<p>The effective date of SMO 1 has been revised to January 1, 2013.</p>

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
Definitions			
	In this SMO, the following terms have the definitions attributed below:		
59.	<p>(a) <i>Professional standards</i>—For the purpose of this SMO, a range of applicable international standards or the equivalent standards of the jurisdiction 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 <i>Preface to the International Standards on Quality Control, Auditing, Review, Other Assurance, and Related Services</i>; (b) ethical requirements, which ordinarily comprise the <i>Code of Ethics</i> for Professional Accountants of the International Ethics Standards Board for Accountants; (c) International Educational Standards (IESs), issued by the International Accounting Education Standards Board; (d) International Financial Reporting Standards issued by the International Accounting Standards Board; and (d) International Public Sector Accounting Standards issued by the International Public Sector Accounting Standards Board. Each IFAC member body is free to incorporate additional relevant standards into the above list.</p>	None	<p><i>New guidance</i></p> <p>The new guidance section provides the definition of <i>professional standards</i>, which are covered by the scope of the investigation and discipline system.</p>

SMO 7: International Financial Reporting Standards and Other Pronouncements Issued by the IASB

SMO 7 Summary

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.

Revisions to SMO 7 include changes to clarify the best endeavors concept (par. 9) and the applicability framework (par. 4 to 10); to clearly define requirements relating to adoption and implementation of international standards issued by the IASB (par. 11); and the addition of the requirement to consider a need for translation (par. 13). 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 (small- and medium-sized entities) as a possible standard for non-public interest entities (par. 12). The following index lists key paragraphs of focus when reviewing the revised SMO 7 and has been prepared to assist member bodies, associates, and other interested parties in understanding the revisions. A review of the full SMOs is required to understand all the requirements and related guidance.

Scope

- Par. 2: Paragraph revised

The revision reflects the change of title of SMO 7.

Applicability Framework

- Par. 3-9: Clarified Applicability Framework

The Applicability Framework was clarified and expanded to better guide member bodies and associates on the actions that are required depending on their degree of responsibility for the SMO area.

Requirements and Application Guidance

- Par. 11: Requirement revised

The revised paragraph requires the adoption and implementation of the international standards issued by the IASB. Further clarification added that this requirement needs to be considered in the context of the Applicability Framework.

- Par. 12: New guidance

The paragraph now encourages responsible bodies to consider the use of IFRS for SMEs in relation to non-public interest entities.

- Par. 13: New requirement

Member bodies whose official language is not English are required to consider the need for a translation to facilitate adoption and implementation. This revision is designed not to place undue burden on IFAC members, acknowledging that the need for and priority around the translation of a particular group of international standards may vary.

SMO COMPARISON TABLE

SMO 7: INTERNATIONAL FINANCIAL REPORTING STANDARDS AND OTHER PRONOUNCEMENTS ISSUED BY THE IASB

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
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 (SMOs).	None	<p><i>New guidance</i></p> <p>This new paragraph has been included to highlight the core obligation of IFAC member bodies with respect to the SMO. A similar paragraph has been included at the beginning of each SMO.</p>
Scope			
2.	This SMO is issued by the IFAC Board and sets out requirements for IFAC member bodies with respect to International Financial Reporting Standards (IFRSs) and other pronouncements 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.	Par. 1 and 3 of Introductory Box	<p><i>No significant revision</i></p> <p>The paragraphs have been revised to ease the flow of reading and follow a more logical structure. The paragraph also been updated to reflect the change of title of SMO 7, which now refers to International Financial Reporting Standards (IFRSs) and other pronouncements issued by the International Accounting Standards Board (IASB).</p>
3.	The IASB is the independent standard-setting body of the IFRS Foundation. The IASB is responsible for developing and publishing IFRSs and <i>IFRS for SMEs</i> , and for approving interpretations of IFRSs developed by the IFRS	None	<p><i>No significant revision</i></p> <p>The paragraph has been included to provide information about the activities</p>

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
	Interpretations Committee.		of the IASB.
	Applicability Framework		
4.	<p>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.</p>	Par. 6 of Introductory Box	<p><i>Clarified guidance—Applicability Framework</i></p> <p>The Applicability Framework includes both new guidance sections and requirements. It was developed to clarify the expectations of member bodies depending on their degree of responsibility for the SMO area. It also acknowledges the diversity of member bodies as well as different circumstances and degrees of responsibility.</p>
5.	<p>Without prejudice to the existence of more complex national frameworks, IFAC member bodies can have:</p> <p>(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;</p> <p>(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, for any responsibility for adopting and implementing accounting standards as government, regulators, or other appointed authorities have direct responsibility for the area covered by this SMO; or</p>	None	<p><i>New guidance—Applicability Framework</i></p> <p>This guidance section of the Applicability Framework describes the different degrees of responsibility member bodies may have for the SMO area.</p>

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
	<p>(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.</p> <p><i>Direct Responsibility</i></p>		<p><i>Clarified requirement—Applicability Framework</i></p>
6.	<p>Where IFAC member bodies have direct responsibility they shall implement all the requirements of this SMO.</p>	None	<p>This new requirement of the Applicability Framework describes the activities which are expected from a member body with direct responsibility for the SMO area.</p>
7.	<p>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.</p> <p><i>No Responsibility</i></p>	Par. 7 of Introductory Box	<p><i>Clarified requirement—Applicability Framework</i></p> <p>This section of the Applicability Framework describes the exceptional conditions under which a member body with direct responsibility for the SMO area may be allowed to <i>not</i> follow a requirement of the SMO.</p>
8.	<p>Where IFAC member bodies have no responsibility for this area they shall use their best endeavors to:</p> <p>(a) encourage those responsible for the requirements to follow this SMO in implementing them; and</p> <p>(b) assist in the implementation where appropriate.</p>	Par. 2 of Introductory Box	<p><i>Clarified requirement—Applicability Framework</i></p> <p>This section of the Applicability Framework describes the actions expected from a member body with no</p>

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
9.	<p>An IFAC member body will have been considered to have used its best endeavors if it could not reasonably do more than it has done and is doing to meet the requirements of this SMO in.</p> <p><i>Shared Responsibility</i></p> <p>Where IFAC member bodies have shared responsibility for this area they shall:</p> <p>(a) implement those requirements for which they have direct responsibility in accordance with paragraphs 6 and 7; and</p> <p>(b) take actions specified in paragraphs 8 and 9 for those requirements where they have no responsibility.</p>	Par. 5 of Preface	<p>responsibility for an area covered by the SMO.</p> <p><i>Clarified guidance—Best Endeavors</i></p> <p>This revised paragraph clarifies the concept of “Best Endeavors”, which is applicable where a member body has no responsibility for an SMO area.</p>
10.	<p>Where IFAC member bodies have shared responsibility for this area they shall:</p> <p>(a) implement those requirements for which they have direct responsibility in accordance with paragraphs 6 and 7; and</p> <p>(b) take actions specified in paragraphs 8 and 9 for those requirements where they have no responsibility.</p>	None	<p><i>Clarified requirement—Applicability Framework</i></p> <p>This revised paragraph provides an explanation of the concept of “Best Endeavors”, which is applicable where a member body has no responsibility for an SMO area.</p>
Requirements and Application Guidance			
11.	<p>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 entities in their jurisdictions.</p> <p>(a) <i>Adoption</i> is concerned with the decision that international standards are appropriate for use in specific national financial reporting environments and with the actions necessary to effect those decisions, including incorporation into national requirements or requiring the use of international standards through</p>	Par. 3	<p><i>Requirement clarified</i></p> <p>The requirement has been clarified to be read in the context of the Applicability Framework and requires adoption and implementation of the international standards issued by the IASB at least for public interest entities. It is followed by a new guidance section which aims to assist with the adoption and implementation of international</p>

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
	<p>law. Adoption may include a process to review draft international standards, translation, public exposure of proposed standards, approval, incorporation into national requirements as necessary, and promulgation of final standards, and, where applicable, a convergence process to eliminate or minimize differences between international and national standards.</p> <p>(b) <i>Implementation</i> may include a process to build awareness of the adopted standards, provide relevant education and training, develop or disseminate implementation guidance and any other activities that promote proper understanding and use of the standards in practice.</p>		standards. It also acknowledges the diversity of the approaches that may be followed by member bodies in this respect.
12.	Responsible parties are encouraged to consider the use of IFRS for SMEs in relation to non-public interest entities.	None	<p><i>New guidance</i></p> <p>This new guidance section encourages responsible parties to adopt the IFRS for SMEs for non-public interest entities. This standard had been issued after the former version of the SMOs.</p>
13.	In jurisdictions where English is not an official or widely used language and where international standards have not been translated, IFAC member bodies shall assess their priorities and challenges and consider whether there is a need for translation of these standards to ensure their proper adoption and implementation. Where such a need exists, IFAC member bodies shall use their best endeavors to have a process established, or otherwise support a process to provide for the timely, accurate, and complete	None	<p><i>New requirement</i></p> <p>Please see note on Paragraph 13 of SMO 2. The paragraph also encourages member bodies to support or collaborate with the IFRS Foundation in the translation process considering that translation of the IFRS and IFRS for SMEs is centralized by this institution.</p>

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
	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 translation into the national language of the IFAC member body.		
14.	IFAC member bodies are encouraged to comment on IASB Exposure Drafts.	Par. 2	<p><i>Guidance clarified</i></p> <p>The guidance section is clarified and now requires member bodies (as opposed to their members) to comment on IASB Exposure Drafts. This further reinforces the role of representation of member bodies and their involvement in international standard-setting.</p>
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.	Par. 8 of Preface	<p><i>Clarified guidance</i></p> <p>This clarified guidance section, which includes some elements of the former Preface, provides an explanation of how IFAC assesses compliance with the requirements of the SMO. It indicates that IFAC takes into consideration various elements, including the applicability framework and best endeavors concept.</p>
16.	IFAC will take into account the relevance of individual SMO requirements to each IFAC member body in assessing its	Par. 6 of Introductory	<i>Guidance clarified</i>

New Paragraph Number	Revised Paragraph	Former Paragraph	Notes
17.	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.	Box	The guidance section has been amended for clarity.
	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.	Par. 7 of Introductory Box	<i>New guidance</i> This new guidance section explains the approach IFAC member bodies should follow to address the requirements of the SMOs and includes information about their IFAC Compliance Program obligations.
Effective Date			
18.	This SMO is effective as of January 1 st , 2013 and was last amended as of November 2012.	Par. 5	The effective date of SMO 1 has been revised to January 1, 2013.

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