

September 2015

IFAC Member Compliance Program Strategy, 2016–2018



This Strategy is issued by the International Federation of Accountants® (IFAC®) with the advice and oversight of the Compliance Advisory Panel (CAP).

The mission of IFAC is to serve the public interest by: contributing to the development of high-quality standards and guidance; facilitating the adoption and implementation of high-quality standards and guidance; contributing to the development of strong professional accountancy organizations and accounting firms and to high-quality practices by professional accountants, and promoting the value of professional accountants worldwide; and speaking out on public interest issues.

Overview of the IFAC Member Compliance Program

The IFAC Member Compliance Program	
Structure and Oversight	<p>The IFAC Member Compliance Program (the Program) is the responsibility of the IFAC Quality & Membership (Q&M) staff reporting to the Chief Executive Officer. The IFAC Board established the Compliance Advisory Panel (CAP) to oversee the implementation and operation of the Program.</p> <p>In developing the strategy and work plan, as well as making recommendations to the IFAC Board for revisions to and issuance of the Statements of Membership Obligations (SMOs), the CAP and Q&M staff follow an agreed-upon due process, under the oversight of the Public Interest Oversight Board (PIOB).</p>
Mandate	<p>The Program serves the public interest by promoting the adoption and support for implementation of international standards on public and private sector accounting, auditing, ethics, and education as well as the establishment of related quality assurance review systems and enforcement mechanisms.</p> <p>The Program influences the actions and drives the behaviors of IFAC member bodies around the world by focusing attention and resources on the role of professional accountancy organizations (PAOs) in improving the quality of the accountancy profession, thereby supporting the IFAC mission and strengthening public confidence in the global profession.</p> <p>The Program's Strategy is aligned with IFAC's mission and strategy and benefits from the inputs received as part of IFAC's strategic planning process, including inputs received from member bodies and other stakeholders.</p>
Core Activities	<p>The Q&M staff and the CAP actively support the commitment of current and prospective member bodies to fulfill IFAC membership criteria, particularly the SMOs.</p> <p>A dedication to quality, commitment to transparency, and appreciation of diversity are the guiding values of the Program.</p> <p>The Program's primary activities are focused on:</p> <ul style="list-style-type: none">• Maintaining robust application and compliance processes;• Gathering and sharing knowledge about the adoption of international standards, practices, and fulfillment of the SMOs;• Maintaining the SMOs as a global benchmark for the accountancy profession; and• Developing assessment methodology, tools, and guidance to support the Program. <p>These activities fulfill the Program's mandate and are expected to remain valid over the long term.</p>

Introduction

1. The *IFAC Member Compliance Program Strategy, 2016-2018* (the Strategy) was prepared based on a review performed by the IFAC Q&M staff of the accomplishments of the Program through 2014; discussions with the CAP; comments and suggestions received from member bodies and other stakeholders during the revision of the SMOs in 2012; and observations made by the chief executives of IFAC member bodies and the IFAC Board with respect to IFAC's 2016-2018 Strategy.
2. Since its inception in 2004, the Program has accumulated a wealth of knowledge about requirements in the jurisdictions on financial reporting and auditing, education and certification of professional accountants, regulation of the accountancy profession, and the specific roles and responsibilities of IFAC member bodies.
3. This information proved to be instrumental in establishing collaboration and information exchange between IFAC, the international standard-setting boards, and other stakeholders on different approaches and ways to have international standards adopted or otherwise incorporated in different jurisdictions. In addition, it allows IFAC to authoritatively speak out on the status of adoption of international standards and the important role PAOs play in supporting implementation of the standards and establishing processes to monitor and regulate the work of professional accountants.
4. Initially developed by the IFAC Board as a set of requirements for IFAC membership, the SMOs are now globally recognized as the benchmarks for establishing strong PAOs and regulation of the accountancy profession. SMOs are being used, inter alia, by the World Bank in evaluating the state of the development of the accountancy profession as part of the Reports on Observance of Standards and Codes (ROSCs) on Accounting and Auditing.
5. The Program has brought attention to the capacity challenges and resources needed to strengthen and grow the profession, and serves as an information resource for PAO development initiatives.¹ [SMO Action Plans](#), prepared by IFAC member bodies as part of the Program, provide a basis for pragmatic discussions with donor agencies and have facilitated communication and mentoring relationships between PAOs.
6. The Program also highlights the processes and structures developed by more established PAOs and national authorities to address SMO challenges. In doing so, it provides useful information to those PAOs embarking on SMO-related initiatives. The Program thus serves as a platform for IFAC to effectively support its member bodies and other national stakeholders in addressing their challenges, consider public policy issues, and provide input to regulatory and policy consultations.
7. Regional Organizations (ROs) and Accountancy Groupings (AGs) have been essential in supporting the Compliance Program's implementation.² These organizations have undertaken a range of activities, including co-hosting workshops with IFAC staff to raise awareness about the SMOs and IFAC membership requirements, assisting with PAO follow up with respect to Program commitments, and providing feedback about the unique adoption and implementation challenges facing their

¹ Such as the [UK Department for International Development \(DFID\)'s 2014 grant](#) to IFAC for PAO capacity building initiatives and IFAC's commitment to collaborate with the donor community through the MOSAIC initiative. Additional information is available on the IFAC website.

² Complete listings of the [Recognized Regional Organizations](#) and [Acknowledged Accountancy Groupings](#) are available on the IFAC website. In addition, IFAC is considering conducting a review of the current RO/AG policy framework as part of IFAC's 2016-2018 strategic initiatives.

membership. The Program will continue to seek opportunities to work with regional organizations and accountancy groupings.

Our Strategic Objectives for 2016-2018

8. The CAP and Q&M staff believe that the Program’s mandate remains relevant based on the review of accomplishments to date and recognizing that some member bodies and aspiring PAOs will continue to require support in fulfilling the SMOs. Advancing the quality of the accountancy profession worldwide and supporting the adoption and implementation of international standards and best practices will continue to be a priority.
9. However, the strategic objectives, initiatives, and projects envisioned for 2016-2018 reflect a shift in emphasis. While the first 10 years of the Program focused on information gathering and development of SMO Action Plans, the next three years will focus more on monitoring and reporting activities with a view toward producing qualitative and quantitative analyses of the adoption of standards and quality and enforcement mechanisms, also included in the SMOs, and to enhance the quality of IFAC membership.
10. Consequently, more emphasis will be placed on the qualitative results of the member bodies’ activities, which will require a revision of the existing enforcement framework. The CAP and Q&M staff believe a fit-for-purpose enforcement framework will ensure that a member body makes measureable progress in each SMO Action Plan revision; this will complement the Program’s encouragement of PAOs to use their best endeavors to address the SMOs.
11. The strategic objectives for the IFAC Member Compliance Program are therefore as follows:

IFAC Member Compliance Program Strategic Objectives for 2016-2018	
A.	Enhancing monitoring of member bodies’ compliance with membership requirements, including the SMOs, and strengthening the Program’s enforcement framework
B.	Enhancing reporting on the status of adoption of international standards
C.	Increasing support for adoption and implementation efforts of member bodies and national authorities

Factors Considered in Developing Annual Work Plans

12. Articulating strategic objectives provides the basis for decisions about actions and projects to be undertaken, and for setting priorities, both in the near term and throughout the strategy period. The Appendix provides further guidance on factors that the Q&M staff, with advice and oversight by the CAP, consider in determining the initiatives in the Program’s Work Plan and their relative priority.
13. The shift in emphasis and the initiatives noted in this strategy do not anticipate a need for increased staff and IFAC resources for the 2016-2018 period.

Enhancing Monitoring of Member Bodies’ Compliance with Membership Requirements, including the SMOs, and Strengthening the Program’s Enforcement Framework

14. The Program to date has required Q&M staff to review individual member bodies’ SMO Action Plans as part of the publication process. However, less has been done to monitor the progress or lack thereof of member bodies in *implementing* their SMO Action Plans. Q&M staff believe that by monitoring member bodies progress in a comprehensive and systematic way will allow for appropriate

actions to be taken to assist those member bodies that require more support or address those that may not be prioritizing their SMO and other membership requirements.

15. To support the monitoring process as well as other reporting needs (discussed later in this strategy), the Q&M staff started the Dashboard Report (DBR) Initiative in 2011.³ The initiative currently encompasses the use of Dashboard Reports prepared by Q&M staff and related methodology to monitor and assess the status of adoption of international standards in specific jurisdictions as well as IFAC member bodies' compliance with the SMOs. DBRs will serve as a primary vehicle for delivering on the 2016-2018 strategic objectives, including enhancing monitoring with IFAC membership requirements.

Reducing the Reporting Burden on Member Bodies

The use of DBRs will permit the creation of efficiencies and making the Program more fit-for-purpose. The relevant information regarding the regulatory and standard-setting framework and responsibilities of the PAOs is recorded and assessed by Q&M staff within the DBR, making the extensive Part 1 and Part 2 questionnaires obsolete for existing IFAC Members and Associates participating in the Program. Staff have developed a more nimble web-based questionnaire to be used for prospective members only, which are required to provide more detailed and comprehensive information as part of the IFAC admission process.

A biennial reporting schedule for Members demonstrating ongoing commitment to the Program has also been introduced, which reduces the reporting burden of member bodies. Members that submit updated SMO Action Plans on time for two consecutive years are eligible for the biennial reporting cycle. Ninety-four (94) Members have been approved for biennial reporting since 2012. Members have the option of reporting annually or more frequently if so desired and Q&M staff may require Members to revert back to an annual reporting cycle where material changes in the Member responsibilities, structure or other key environmental changes warrant annual reporting.

16. The CAP and Q&M staff recognize that SMO progress is rarely made quickly or follows a set path due to national differences, PAO stage of development, and role of PAOs and other authorities. With this understanding, and building on experience working with IFAC's member bodies and aspiring member bodies, the Q&M staff have developed a system of high-level indicators to assess SMO fulfillment.⁴ By tracking and monitoring SMO fulfillment over time, the DBRs will allow the CAP and Q&M staff to more clearly identify areas where member bodies are not progressing.

³ Development of DBRs began in late 2011 following the approval of the revised SMOs. The first iterations of DBRs were prepared by staff to facilitate internal monitoring of member bodies' compliance with the SMOs. Since that time, the Q&M staff, in consultation with the CAP, have developed DBRs and a methodology for assessing information presented by member bodies in their SMO Action Plans. The form of DBRs and methodology have evolved over the last four years, and the CAP and staff have taken into consideration lessons learned in working with PAOs in all stages of development and in different legal and regulatory contexts. Since October 2014, staff have been preparing DBRs in their current format as part of the regular SMO Action Plan update process. The staff share the DBRs with the member bodies as feedback on their SMO Action Plans to verify staff's understanding of the status of adoption, level of PAO responsibility, and compliance with the SMOs.

⁴ *Not Active, Consider, Plan, Execute, Review & Improve, and Sustain* are the six categories used to assess PAO's SMO fulfillment. According to the applicability framework of the SMOs, member bodies are required to adopt and implement international standards and best practices where they have direct responsibility, and to promote and support adoption to the responsible organizations where they do not have direct responsibility. Member bodies prepare, execute, and update their SMO Action Plans to demonstrate how they already fulfill SMO requirements or their plans to fulfill requirements.

17. The Q&M staff have also developed guidelines and processes to ensure consistency in the application of the indicators, accuracy of information, and completeness of the DBRs. The DBRs are prepared by Q&M staff based on SMO Action Plan updates and shared with the member bodies as feedback to their SMO Action Plans to highlight missing relevant information, provide advice and guidance, and confirm the assessments made for the adoption status and compliance with the SMOs. DBRs will be uploaded into a secure web-based database, which will enable the information to be cross-referenced, collated, and extracted for analysis to provide highly relevant insights for IFAC and its stakeholders on the level of maturity of individual PAOs as well as the trends and challenges in the development of the global accountancy profession.
18. In addition to compliance with SMOs, the Q&M staff will monitor, on a risk basis, other IFAC membership requirements set out in the IFAC Bylaws, such as financial viability, governance, and organizational structures as well as technical, human, and other resources available to the organization. Often, SMO progress is associated with these factors and an understanding of the challenges they present will assist both Q&M staff and the member body in ensuring resources and assistance can be focused where needed.
19. Since the inception of the Program, its focus has been on ensuring member bodies' participation in the Program (first to complete Part 1 and Part 2 self-assessment questionnaires and then to develop SMO Action Plans based on the Q&M staff's policy recommendations). Since 2008, the focus of the Program has been the development and regular updates of the SMO Action Plans.
20. The Q&M staff will, in consultation with the CAP, suggest to those member bodies that are experiencing such challenges a modification of their SMO Action Plans and provide additional information on other membership criteria. The Q&M staff will also continue to recommend PAOs seek assistance from ROs, AGs, and the IFAC PAO Development Committee.
21. Member bodies that fail to effectively participate in the Program are subject to sanctions, as set out in the IFAC Bylaws. Failure to participate currently focuses on a failure to submit an SMO Action Plan accompanied by reminder and follow up processes initiated by Q&M staff. Current sanctions include suspensions (requiring IFAC Board approval) and expulsions (requiring IFAC Board and IFAC Council approval). Where member bodies have valid reasons for requiring an extension, the Q&M staff grant extensions to accommodate known challenges, such as turnover in member body leadership or regulatory changes that require the member body's attention.
22. The CAP and Q&M staff believe that the existing enforcement framework needs to shift from focusing on IFAC member bodies' compliance with the requirement to *participate* in the Program to include a focus on qualitative progress in the implementation of their SMO Action Plans, and, consequently, improved compliance with the requirements of SMOs. This will drive improvements to the quality of IFAC membership and increase the credibility of IFAC and the profession as a whole. Furthermore, an enhanced focus on the qualitative results of the PAOs' actions and gathering relevant information on the capacity of PAOs in a systemic way will also serve as valuable input into the global accountancy development and advocacy agendas.
23. As stated, the CAP and Q&M staff will monitor member bodies' SMO progress. In addition to a failure to participate as described above, where progress has not been made, the enforcement framework will require Q&M staff to give greater consideration for the reasons and the further actions required of the member body with respect to its SMO Action Plan. Lack of progress may be due to underlying issues or challenges related to other membership criteria, such as: governance, operational structure, financial viability, or capacity to participate in the Program.

24. The member bodies that do not demonstrate progress in the execution of SMO Action Plans, nor provide explanation for delays, will be prompted by Q&M staff to address concerns. Q&M staff will continue to provide recommendations and policy advice to member bodies with a view to addressing existing shortcomings and avoiding sanctions. Q&M staff will continue to work closely with member bodies; provide early, iterative suspension warnings; and seek the assistance of ROs, AGs, and other parties, such as the IFAC PAO Development Committee, to avoid the need for these sanctions. In doing, so, it is expected that this will continue to drive improvements to the quality of PAOs and IFAC membership.
25. The DBR categories for assessing SMO fulfillment will allow Q&M staff to signal enforcement risks to the CAP and the IFAC Board. When member bodies demonstrate an unwillingness to address Q&M staff recommendations, the body will be issued a warning. Bodies will be given an additional year to address recommendations and seek assistance. In some cases, lack of progress may be due to a lack of commitment to the Program on the part of the PAO—sometimes demonstrated by non-responsiveness to stated concerns. In such situations, after consultation with ROs and AGs, Q&M staff will consider, with the advice and oversight of the CAP, the need for suspension or other enforcement action.

Enhancing Reporting on the Status of Adoption of International Standards

26. Since the first publication of SMO Action Plans in 2008, the Q&M staff have received increasing inquiries about the status of adoption from international standard setters and the donor and development community as part of diagnostic assessments for accountancy or financial reform projects as well as from other users of the Program’s information such as academics, researchers, and the PIOB. The CAP and Q&M staff believe that monitoring and reporting on the status of adoption will remain a priority.

Reporting on Adoption of International Standards

In recent years, the Q&M staff have informed the IFAC Board and leadership of progress in adoption, as a means to track IFAC’s impact on supporting international standards and raising awareness of the work and role of IFAC member bodies, including:

- (a) Summary of adoption of the International Standards on Auditing™ (ISAs™) based on information submitted in SMO Action Plans and review of other publicly available sources;
- (b) Country or region briefing notes for IFAC leadership in support of IFAC’s advocacy and outreach activities;
- (c) G-20 country summaries prepared in 2012 and 2014 on the status of adoption of ISAs, International Education Standards™ (IESs™), the *Code of Ethics for Professional Accountants™*, and International Public Sector Accounting Standards™ (IPSASs™); and

Input into the International Auditing and Assurance Standards Board® (IAASB®) and International Ethics Standards Board for Accountants® (IESBA®) staff reports on the process progress of adoption, as well as the status in specific jurisdictions.

27. The development and the implementation of the Dashboard Report Initiative has been a major step toward improving the monitoring and reporting on the worldwide implementation of the international standards issued under the auspices of IFAC and by the IASB. DBRs will be instrumental in delivering on the Program’s objective to enhance reporting on adoption of the standards.

28. The use of sound methodology and consistent indicators will enable Q&M staff to identify trends in global adoption and implementation of international standards, approaches to the adoption, challenges to implementation, and success stories to be shared with the IFAC membership and other stakeholders.
29. Once entered into a secure web-based database, the information contained in the DBRs will be cross-referenced, collated, and extracted to be analyzed and provided as highly relevant insights for IFAC and its stakeholders. The DBRs and associated database will enable real-time reporting on the status of adoption and increase the accessibility of relevant, comparable, and up-to-date information. The information gathered and assessed through the DBR process will be made available through user-friendly reports, online tools, and publications.
30. The staff of the independent standard-setting boards⁵ will continue to be regularly consulted to confirm the approach to assessing adoption. In addition, Q&M staff will continue to regularly share status summaries with IFAC's Public Policy and Regulation and Global Accountancy Profession Development Departments and seek assistance from ROs and AGs to confirm the information.
31. Transparency has always been a core value of the Program. Publishing the self-assessments and SMO Action Plans on the IFAC website has provided donors, national standard setters with responsibility for SMO requirements, and other PAOs access to important, previously unavailable information. It has also increased the level of accountability by member bodies for the quality and relevance of the information provided, and in many instances has helped member bodies establish credibility with national standard setters and regulators, as well as regional and international donors.
32. The CAP and Q&M staff believe that publishing the DBRs is the next logical step. By making the DBRs publicly available on the IFAC website, the Program will continue to be transparent. It will continue to provide Members and Associates with strong incentive to make the information as complete and accurate as possible. In addition, the Program's data may be further validated by users who inform the Q&M staff about their observations and subsequent developments.
33. The CAP and Q&M staff are updating the Program Working Procedures to include the DBR preparation processes, as well as a policy and procedure to receive and address requests from member bodies for additional consideration regarding the assessment in DBRs and/or the publication of their DBRs. It is worth reiterating that DBRs are prepared by Q&M staff based on SMO Action Plan updates by member bodies and supplemental research. The DBRs are shared and discussed with all member bodies as part of the Action Plan update process.

⁵ International Auditing and Assurance Standards Board®, International Accounting Education Standards Board™, International Ethics Standards Board for Accountants®, International Public Sector Accounting Standards Board®, and the International Accounting Standards Board

Increasing Support for Adoption and Implementation Efforts of Member Bodies and National Authorities

34. Over the years, the Q&M staff have been asked to provide advice to PAOs, national standard setters, regulators, and other national authorities with adoption and implementation challenges. Providing encouragement and advice is a central part of the Program, and leads to successful delivery of planned actions. This technical support also includes discussions regarding the experiences of other PAOs; responding to requests from PAOs and regulators to comment on draft accountancy laws and regulations; contributing to terms of reference for PAO development and legal reforms projects; and, as previously mentioned, reviewing the World Bank ROSCs on Accounting and Auditing.

Natural Facilitators

The Q&M staff have built close working relationships with IFAC member bodies, and have gained solid understanding of their organizations, operating and regulatory environment, and strengths, challenges, and needs. The Q&M staff connect member bodies, the international standard-setting boards, and IFAC leadership, committees, and departments, such as Communications and Intellectual Property. While working with member bodies on SMO Action Plans, the Q&M staff is strategically positioned to identify member bodies' needs and direct them to available resources within and outside of IFAC. As key contacts within IFAC, Q&M staff receive requests for support for initiatives as well as speakers for events.

35. As indicated regarding monitoring of SMO compliance, there is currently a need to maintain an ongoing process for delivering updated recommendations to member bodies on areas requiring improvement based on their changing plans and initiatives or in response to changes in the member bodies' regulatory and standard-setting environment. The DBRs will include policy recommendations and technical advice on SMO fulfillment, which is provided by Q&M staff.
36. The CAP and the Q&M staff believe providing recommendations and follow-up support and advice is an essential part of the Program's evolution to ensure PAOs fulfill their SMO obligations. Consequently, these recommendations will be retained through the database to ensure follow up during annual and biennial updates. The recommendations also provide a useful source of information for IFAC's development and support functions to identify trends in issues, needs, and demand for assistance.
37. Additionally, by having access to relevant DBR information and a focus on "gaps" in compliance with the SMO requirements, the Q&M staff, in collaboration with IFAC's Public Policy and Regulation and Global Accountancy Profession Development Departments, will be better positioned for advocacy and advisory initiatives and to prioritize their efforts accordingly. The results of adoption monitoring and reporting will be used by IFAC in collaboration with its member bodies to engage relevant national, regional, and global stakeholders to identify and enable concrete and relevant actions.

Setting Compliance Program Annual Work Plan—Factors to Guide Staff and Priorities

Guiding Factors

Consistent with IFAC's strategy implementation, the Q&M staff, with the advice and oversight of the CAP, will prepare annual work plans to implement this 2016-2018 strategy. The Q&M staff will prepare work plans to advance the strategic objectives guided by three factors:

- greater emphasis on matters and initiatives that maintain the Program's relevance and advance IFAC's strategy;
- collaboration with other IFAC groups and stakeholders where their knowledge and expertise can contribute to meeting the Program's objectives; and
- maintaining resource use at current levels.

In addition, communication of Program initiatives and results will form part of regular reporting to the IFAC Board and updating members and stakeholders.

Ensuring Relevance and Delivery of IFAC Strategy

The environment in which IFAC and its member bodies operate can rapidly change, and new developments and other influences can affect IFAC and the Program's objectives and priorities. Accordingly, the CAP and Q&M staff will continue to actively monitor global developments, and review whether the identified objectives remain relevant, in particular as the CAP and Q&M staff determine the specific initiatives to be prioritized in 2017 and beyond. Due consideration of the potential impacts on the reputation and confidentiality of member bodies will be taken into account in the development and launch of initiatives. Mitigating actions will be developed and precede or accompany all new initiatives.

Resources and Efficiencies

The CAP and Q&M staff will continue to focus on creating efficiencies and contributing to improving the effective delivery of strategic objectives for the Program and IFAC, without increasing costs to IFAC or its member bodies. The Program will remain fit-for-purpose to achieve its mandate without creating undue burden on the IFAC member bodies. The impact of requests on member bodies will consistently be considered and taken into account.

Collaboration

The CAP and Q&M staff will identify opportunities to work with the World Bank (and other development agencies) to exchange information and collaborate on events that focus on SMO related issues. In addition, the CAP and Q&M staff will continue to work with Regional Organizations, Accountancy Groupings, and the PAO Development Committee to leverage complementary interests and efforts to assist IFAC member bodies. The CAP and Q&M staff will also continue to collaborate with the international standard-setting boards.

Outreach and Communication

Outreach to IFAC member bodies to provide assistance in addressing the SMOs and other membership criteria will be planned as a means to support sustained improvements. Regional workshops, webinars, and other efficiency creating activities in collaboration with partners will also be considered as cost effective means to collaborate in support of the Program's objectives.

Up-to-date information will be available via the IFAC website and sent to member bodies and stakeholders regarding the activities, methods, policies, and procedures of the Program.

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