

June 2019

IFAC Member Compliance  
Program—  
Working Procedures





**IFAC's Purpose:**

IFAC, with its member organizations, serves the public interest by enhancing the relevance, reputation, and value of the global accountancy profession.

**IFAC's Strategic Objectives:**

IFAC's purpose and public interest focus are achieved through three Strategic Objectives:

- Contributing to and promoting the development, adoption, and implementation of high-quality international standards;
- Preparing a future-ready profession; and
- Speaking out as the voice for the global profession.

Copyright © June 2019 by the International Federation of Accountants® (IFAC®). For copyright, trademark, and permissions information, please see [page 14](#).

---

## CONTENTS

---

Member Compliance Procedures .....	5
Introduction .....	5
Principles to Support Participation in the Program and SMO Fulfillment .....	5
Best Endeavors .....	5
Communication, Assistance, Review, and Enforcement (CARE) .....	6
Role of the CAP .....	6
Monitoring Participation in the Compliance Program .....	6
Update Cycles: Frequency and Criteria .....	7
Two-Year Update Cycle with Annual Monitoring Call .....	8
Three-Year Update Cycle with Annual Monitoring Call .....	8
Four-Year Update Cycle with Annual Monitoring Call .....	9
Monitoring SMO Fulfillment .....	9
Enforcement Procedures .....	10
Enforcement Considerations .....	10
Expulsion Considerations .....	12
Deferred Enforcement Considerations .....	13

---

## Member Compliance Procedures

### Introduction

1. The IFAC Member Compliance Program (Program) is the responsibility of the IFAC staff reporting to the Chief Executive Officer. The IFAC Board established the Compliance Advisory Panel (CAP)<sup>1</sup> to oversee the implementation and operation of the Program.
2. In accordance with the IFAC Bylaws, IFAC member organizations are required to fulfill the requirements specified in the Statements of Membership Obligations (*SMOs*) and participate in the Program to demonstrate that they are maintaining their good standing and addressing the requirements of IFAC membership.
3. The *SMOs* cover the obligations of IFAC member organizations 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 (IES), 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.
4. The IFAC staff follow a risk-based approach in monitoring IFAC member organizations' fulfillment of the *SMOs* and other IFAC membership criteria set out in the IFAC Bylaws, such as financial and operational viability and an appropriate governance structure.

### Principles to Support Participation in the Program and SMO Fulfillment

#### Best Endeavors

5. IFAC recognizes that its member organizations operate in different legal and regulatory environments, and are comprised of professionals working in different sectors of the accountancy profession. Accordingly, IFAC member organizations in different jurisdictions may have different degrees of responsibility for meeting the *SMO* requirements.
6. In accordance with the *applicability framework* of the *SMOs*, IFAC member organizations may be required 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*.<sup>2</sup>
7. An IFAC member organization 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*. Each *SMO* includes a section explaining the IFAC assessment process.

---

<sup>1</sup> Based on the IFAC Board approval on November 2018, effective January 1, 2020 the CAP would be replaced by the Membership Committee without oversight mandate and PIOB oversight.

<sup>2</sup> According to the *applicability framework* of the *SMOs*, IFAC member organizations are required to adopt and implement international standards and best practices where they have direct responsibility, and to promote to and support adoption by the responsible organizations where they do not have direct responsibility. Member organizations prepare, execute, and update their *SMO* Action Plans to demonstrate how they already fulfill *SMO* requirements or their plans to fulfill requirements.

### **Communication, Assistance, Review, and Enforcement (CARE)**

8. To guide the application of compliance procedures, the following four key pillars—Communication, Assistance, Review, and Enforcement (CARE)—form mainstays integral to all processes and actions carried out by the IFAC staff when working with the IFAC member organizations in the Program:
  - (a) **Communication** between the staff and the member organizations is essential to ensuring that member organizations understand the expectations of the Program, their obligations, and the potential consequences for failure to demonstrate the use of their best endeavors to address the SMO requirements.
  - (b) **Assistance** to member organizations is a key factor in the approach to working with member organizations struggling to progress addressing the SMO requirements. Assistance to member organizations, provided either by IFAC staff or other parties, is part of each step of the compliance procedures.
  - (c) **Review** of member organizations' ongoing progress in fulfilling the SMO requirements is an essential element of the framework, whereby staff monitor progress and provide timely feedback with a view to ensure appropriate responses and actions are being taken to encourage progress and improvement by the member organization.
  - (d) **Enforcement** actions are to be taken in cases where member organizations fail to participate in the Program or demonstrate progress. The potential for enforcement action, incremental and consistent dialogue, and follow-through are essential elements for motivating action by the member organizations and maintaining the credibility of the Program.

### **Role of the CAP**

9. During the CAP meetings, the staff regularly provide the CAP with an update on the status of the SMO Action Plan submissions and the performance of member organizations in addressing the SMO requirements. Any specific issue raised by the CAP in relation to an SMO Action Plan may be discussed with the member organization in question.
10. Should an IFAC member organization disagree with the IFAC staff's assessment of the status of adoption of the international standards or the degree of fulfillment of the SMO requirements as assessed in the DBR, the staff present the matter for the review of by the CAP. Following the CAP's decision, the member organization may request the IFAC Board to reconsider its request.

### **Monitoring Participation in the Compliance Program**

11. IFAC member organizations are required to participate in the Program by submitting regular updates of their self-assessment against the SMO requirements, identify areas where further actions are needed to achieve SMO fulfillment, and develop SMO Action Plans to present actions towards SMO fulfillment. Member organizations that demonstrate ongoing fulfillment of the SMO requirements, and have been rated at *Review & Improve* or above in the last iteration of the DBR, are required to submit an Ongoing SMO Compliance Statement confirming the existence of processes to maintain ongoing SMO fulfillment.
12. IFAC staff will provide IFAC member organizations with SMO Action Plan and Ongoing SMO Compliance Statement templates to ensure uniformity in reporting.

13. IFAC member organizations submit draft SMO Action Plan (for any SMO rated *Execute* or below) and/or Ongoing SMO Compliance Statement (for any SMO rated at *Review & Improve* or above) to IFAC staff in accordance with the applied update cycle for review. The first draft SMO Action Plans are usually prepared as part of the membership admission process.
14. Three months prior to the SMO Action Plan and/or Ongoing SMO Compliance Statement update due date, IFAC staff send an email to the IFAC member organization to remind them that they are scheduled for an update.
15. Upon receipt of the draft SMO Action Plan IFAC staff review the progress made in SMO fulfillment, provide feedback on the content, request clarifications as necessary, and present an assessment of the status of adoption and the SMO fulfillment in a DBR. The DBR and comments are shared with the IFAC member organization for review. In cases where the member organization submits only the Ongoing SMO Compliance Statement, IFAC staff update the assessment of the status of adoption and the SMO fulfillment in a DBR, and shared with the IFAC member organization for review.
16. IFAC staff work with the IFAC member organization to finalize the DBR and republish the SMO Action Plan and/or Ongoing SMO Compliance Statement on the IFAC website. Information from the DBR updates the jurisdiction and the member organization's profiles published on the IFAC website. IFAC staff often hold conference calls with key representatives of the member organization responsible for the SMO Action Plan and/or Ongoing SMO Compliance Statement execution as part of the update process.
17. The IFAC member organization owns the SMO Action Plan and/or Ongoing SMO Compliance Statement and, therefore, the agreement of the leadership (President or Board) of the organization of these documents is evidenced by a signed letter of confirmation to be received by IFAC staff prior to their publication on the IFAC website.
18. Upon publication of the SMO Action Plan and/or Ongoing SMO Compliance Statement and the jurisdiction and the member organization's profiles published on the IFAC website, IFAC staff notify the IFAC member organization and indicate the date of the next update.

### **Update Cycles: Frequency and Criteria**

19. The IFAC staff's assessment of an IFAC member organization's level of fulfillment of the SMOs, timely submission of the SMO Action Plan, and other factors such as regulatory and/or structural changes to the profession determines whether the organization would be on a four-year, three-year, or two-year update cycle.
20. In addition, all IFAC member organizations must participate in annual monitoring calls with IFAC staff. As part of these calls, staff seek updates on progress or change in relation to the organization's level of fulfillment of the SMOs, follow up on the recommendations included in the DBR, and explore recent developments that have occurred in the organizational ecosystem (regulatory, political, and organizational) that might affect the organization's ability to fulfill the SMOs and/or other IFAC admission criteria.
21. The criteria for each update cycle and frequency of monitoring calls are described below. An explanation of the ratings for SMO fulfillment is provided in the section on [Monitoring SMO Fulfillment](#).
22. IFAC staff may increase the frequency of an IFAC member organization's update cycle, at any point in time, when it becomes apparent that:

- (a) The organization no longer meets the criteria of the applied update cycle;
- (b) The regulatory or standard-setting framework in the jurisdiction is undergoing significant changes that may affect the organization's ability to fulfill the IFAC admission criteria, including the SMOs; and/or
- (c) The organization is part of a merger or restructuring that may affect its ability to fulfill the IFAC admission criteria, including the SMOs.

### **Two-Year Update Cycle with Annual Monitoring Call**

23. IFAC member organizations are required to submit written updates of their SMO Action Plans every two years when they meet any of the following criteria:
- (a) One or more of the SMO areas rated *Not Active* in DBR;
  - (b) Enforcement action<sup>3</sup> has been taken within the past two years;
  - (c) Became an Associate of IFAC within the last two years; or
  - (d) Failure to submit SMO Action Plan within six months of the update due date for two consecutive years.
24. Additionally, IFAC member organizations rated *Not Active* will be required to participate in a monitoring call with IFAC staff every six months.

### **Three-Year Update Cycle with Annual Monitoring Call**

25. IFAC member organizations are required to submit written updates of their SMO Action Plans (for any SMO rated *Execute* or below) and/or Ongoing SMO Compliance Statement (for any SMO rated at *Review & Improve* or above) every three years when they do not meet any of the criteria in paragraph 22 and 23, and they meet any of the following criteria:
- (a) Rated at *Review & Improve* or above in some SMO areas and *Execute* or below in other SMO areas in the DBR
  - (b) Rated at *Execute* or above in some SMO areas and *Consider and/or Plan* in other SMO areas in the DBR; or
  - (c) Failure to satisfy the *Minimum Threshold*.<sup>4</sup>

---

<sup>3</sup> Enforcement action includes either issuance of a suspension warning, a suspension recommendation, or suspension or expulsion from IFAC membership. Enforcement action may be taken for any cause cited within the IFAC Bylaws, whether related to participation in the Program, fulfillment of IFAC admission criteria (including the SMOs), payment of financial contributions to IFAC, or bringing the profession into disrepute.

<sup>4</sup> The *Minimum Threshold* is an additional qualitative benchmark to identify areas of risk related to SMO fulfillment. An IFAC member organization does not satisfy the minimum threshold when:

- (a) The jurisdiction adoption status is rated *Not Adopted* in the DBR, AND
- (b) The corresponding SMO rating in the DBR for the member organization is *Consider*.

**Four-Year Update Cycle with Annual Monitoring Call**

26. Member organizations are required to submit written updates of their Ongoing SMO Compliance Statement every four years when they do not meet any of the criteria in paragraphs 22, 23 and 24 and all SMO areas are rated at *Review & Improve* or above.

**Monitoring SMO Fulfillment**

27. Based on the information contained in the SMO Action Plan, additional research, and communications with the IFAC member organization, staff prepare a DBR that provides:

- (a) A description of the legal, regulatory, and standard-setting context in the jurisdiction;
- (b) A staff assessment of the status of adoption of international standards underlying the SMO areas in the jurisdiction; and
- (c) A staff assessment of the member organization’s fulfillment with the SMOs, and—where necessary—staff’s recommendations for further improvements to address SMO requirements.

28. The following criteria are used to establish the extent of fulfillment with each of the SMO areas:

<b>SMO Fulfillment Status</b>	<b>Definition</b>
 <b>Sustain</b>	The organization maintains well-established ongoing processes to fulfill its relevant obligations. The organization considers, plans, executes, reviews, and improves as part of an ongoing commitment to continuous improvement.  or  Given the nature of its mandate, membership composition, and the legal and regulatory environment, the organization is not involved in activities related to this area.
 <b>Review &amp; Improve</b>	The organization has recently fulfilled its relevant obligation and is reviewing the implemented plan to identify and apply improvements.
 <b>Execute</b>	The organization is executing its plan.
 <b>Plan</b>	The organization has a defined plan to fulfill the SMO requirements.
 <b>Consider</b>	The organization is considering how to fulfill the SMO requirements.
 <b>Not Active</b>	The organization is not actively addressing the SMO requirements.

29. Any organization rated *Not Active* in any SMO area is a potential enforcement risk concerning SMO fulfillment, which should be addressed according to the Enforcement Procedures described below.

## Enforcement Procedures

30. According to the IFAC Bylaws, IFAC member organizations are required to participate in the Program to demonstrate that they are maintaining their good standing and addressing the requirements of IFAC membership or association.<sup>5</sup>
31. An IFAC member organization may be suspended by the IFAC Board for failure to maintain fulfillment with the relevant admission criteria and obligations.<sup>6</sup>
32. An IFAC member organization is suspended for the period commencing with the IFAC Board's approval of the suspension and ending at the start of the following year's Ordinary meeting of the IFAC Council. At the end of the suspension period, and upon the recommendation of the IFAC Board, the IFAC Council will approve either the expulsion of such IFAC member organization or an extension of the suspension period.<sup>7</sup>
33. Lack of progress in addressing the SMO requirements is often associated with weak governance structures and lack of resources. Therefore, when an IFAC member organization does not demonstrate progress in addressing the SMO requirements, staff will undertake a review of the organization's fulfillment of the other membership criteria.
34. Enforcement actions may be triggered by the following events:
  - (a) Failure to participate in the Program;
  - (b) Failure to demonstrate progress in addressing the SMO requirements; and
  - (c) Failure to comply with the other IFAC membership criteria.
35. Each IFAC member organization's use of best endeavors, the applicability framework, and its context are taken into account when considering enforcement actions. As described above, IFAC staff use the CARE framework as an integral part of the engagement with a member organization in the Program.

## Enforcement Considerations

36. IFAC member organizations are required to:
  - (a) Participate in the Program by submitting of their self-assessment against the SMO requirements on a specified schedule described above.
  - (b) Use their best endeavors to address the SMO requirements, according to the applicability framework, and demonstrate progress in fulfilling the SMO requirements through their self-assessment against the SMO requirements.
  - (c) Comply with the other IFAC membership criteria.
37. IFAC staff continuously monitor submission deadlines, SMO fulfillment, and fulfillment of the other membership criteria, and proactively reaches out to IFAC member organizations to:
  - (a) Remind them of an approaching deadline; and

---

<sup>5</sup> IFAC Bylaws, Section XII, p. 24.

<sup>6</sup> IFAC Bylaws, Section IV, p. 7.

<sup>7</sup> IFAC Bylaws, Section IV, p. 8.

- (b) If the deadline has passed, contact them by email, phone, mail, and/or fax to understand the reasons for the delay.
  - (c) Address the recommendations included in the last iteration of the DBR; and
  - (d) Encourage them to contact staff with any concerns and/or questions related to fulfilling the SMOs.
38. IFAC member organizations that fail to address the SMO requirements and/or demonstrate progress in their SMO Action Plans are rated *Not Active*. Organizations rated *Not Active* in any SMO area are given two years to address IFAC staff's recommendations. Continuous failure to demonstrate progress in addressing the SMOs as evidenced by the existence of a *Not Active* assessment of any SMO area will trigger an assessment of the member organization's fulfillment of the other membership criteria.
39. As indicated previously, IFAC staff recognize that IFAC member organizations operate in different legal and regulatory environments, are comprised of professionals working in different sectors of the accountancy profession, and have different sizes and operating capacities. These factors may affect how membership criteria are fulfilled and are taken into consideration by staff as is the procedure for assessing new PAOs for admission to IFAC.
40. To initiate, and conduct the review of the other membership criteria, IFAC staff request the IFAC member organization to submit information necessary to establish the extent of its fulfillment of the other membership criteria. Specifically, the organization is required to submit:
- (a) Audited financial statements for the last three years;
  - (b) Information regarding its governance structure; and
  - (c) Information on staffing and its internal operating structure.
41. IFAC staff may seek assistance from relevant stakeholders such as a Regional Organization (RO), Accountancy Grouping (AG), mentor, former sponsor, and IFAC volunteers to understand the challenges of the IFAC member organization and potential options for seeking assistance.
42. IFAC member organizations that:
- (a) fail to submit meaningful updates to their SMO Action Plans in a timely manner; or,
  - (b) fail to be responsive to IFAC staff's communications; or,
  - (c) does not address IFAC staff's recommendations in the SMO area(s) rated at *Not Active* during the update two years later; or,
  - (d) IFAC staff conclude that the IFAC member organization does not continue to meet the other membership criteria,
- Staff communicates the possibility of consideration for suspension from IFAC membership to the organization.
43. IFAC member organizations may request extensions for the submission of the requested information if they present valid reasons for not meeting the agreed timeframes and maintain regular and open communication with IFAC staff.
44. If no meaningful response is received within two months of the deadline, the CAP is advised of a possible suspension, and an IFAC Director issues a Suspension Warning Letter, which

communicates the possibility of consideration for suspension from IFAC membership to the IFAC member organization.

45. The Suspension Warning Letter advises the non-respondent:
  - (a) It failed to meet the allocated timeframe and has not provided any reasonable explanation for not meeting the deadline;
  - (b) It failed to address IFAC staff's recommendations and sufficiently address the SMO requirements;
  - (c) It has failed to meet the other membership criteria;
  - (d) A Suspension recommendation will be made to the next IFAC Board meeting; and
  - (e) The IFAC member organization can avoid suspension by contacting the IFAC staff and providing an explanation of delay and/or evidence of progress made prior to the IFAC Board meeting at which the suspension recommendation will be considered.
46. If no meaningful response is received, IFAC staff make the suspension recommendation to the IFAC Board.
47. If the suspension is approved by the IFAC Board, an IFAC Director advises the relevant IFAC member organization about the following in an official letter:
  - (a) The fact of suspension for failure to participate in the Program, failure to address the SMO requirements, or failure to meet the relevant membership criteria;
  - (b) Steps that the suspended organization needs to take for the suspension to be removed; and
  - (c) Potential sources of assistance and/or guidance.

### **Expulsion Considerations**

48. According to the IFAC Bylaws, IFAC member organizations are suspended for the period commencing with the IFAC Board's approval of the suspension and ending at the start of the following year's Ordinary meeting of the IFAC Council. During the suspension period:
  - (a) IFAC staff proactively reach out to the organization, including seeking assistance from a relevant RO or AG and other contacts that can be of assistance;
  - (b) Staff in consultation with the CAP consider whether expulsion recommendations should be made to the IFAC Board;
  - (c) The organization is officially advised about the possibility of expulsion;
  - (d) An expulsion recommendation is considered by the IFAC Board;
  - (e) If approved, the IFAC Board makes an expulsion recommendation to the IFAC Council; and
  - (f) The organization is officially advised about the expulsion recommendation being made to the IFAC Council.
49. If no meaningful response is received and the cause is not resolved, the IFAC Council considers the expulsion recommendation.

50. If the IFAC Council approves the expulsion recommendation, the relevant IFAC Constitution and Bylaws provisions apply.
51. The IFAC member organization is advised about the expulsion from IFAC membership in an official letter and is encouraged to contact IFAC staff who can provide guidance and facilitate assistance in required developments.
52. Expelled organizations are included in the engagement process for non-member PAOs that are interested in seeking IFAC membership, and IFAC staff continue to apply the CARE framework.

**Deferred Enforcement Considerations**

53. In specific circumstances, IFAC member organizations may be considered for enforcement deferral in accordance with a specific process as described below:
  - (a) Organizations may be proposed for enforcement deferral in the case of political, military, humanitarian, or natural disaster reasons that are known from available public information;
  - (b) IFAC staff will attempt to contact relevant organizations to learn about the impact on the member organization. Other relevant sources (ROs, AGs, donor agencies, etc.) will also be consulted;
  - (c) All cases are to be agreed by the IFAC Chief Executive Officer in consultation with the CAP; and
  - (d) The deferral can be granted for up to two years.

Exposure Drafts, Consultation Papers, and other IFAC® publications are published by, and copyright of, IFAC.

IFAC does not accept responsibility for loss caused to any person who acts or refrains from acting in reliance on the material in this publication, whether such loss is caused by negligence or otherwise.

The IFAC logo, 'International Federation of Accountants®', and 'IFAC' are registered trademarks and service marks of IFAC.

Copyright © June 2019 by the International Federation of Accountants (IFAC). All rights reserved. Written permission from IFAC is required to reproduce, store or transmit, or to make other similar uses of, this document. Contact [permissions@ifac.org](mailto:permissions@ifac.org).

Published by:





529 Fifth Avenue, New York, NY 10017  
T + 1 (212) 286-9344 F +1 (212) 286-9570  
[www.ifac.org](http://www.ifac.org)