

BACKGROUND NOTE ON ACTION PLANS

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

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

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

Use of Information

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

ACTION PLAN

IFAC Member/Associate: Institute of Authorized Public Accountants in Iceland (FLE)
Original Publish Date: February 2010
Last Updated: April 2015
Next Update: April 2017

GLOSSARY

CPD	Continuing Professional Development
ER	Endurskoðendaráð (The Auditors' Public Oversight Board)
EU	European Union
FLE	Félag löggiltra endurskoðenda (The Institute of Authorized Public Accountants in Iceland)
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IES	International Education Standard
IFRS	International Financial Reporting Standards
IPSASs	International Public Sector Accounting Standards
IPSASB	International Public Sector Accounting Standards Board
ISA	International Standard on Auditing
ISAE	International Standard on Audit Engagement
ISQC	International Standard on Quality Control
QA	Quality Assurance

Action Plan Subject: SMO 1–Quality Assurance

Action Plan Objective: Maintain FLE quality assurance review system and ensure it complies with SMO1 and the EU 8th Directive on Statutory Audit

Background:					
<p>Institute of Authorized Public Accountants in Iceland or Félag löggiltra endurskoðenda (FLE) has a mandatory Quality Assurance (QA) review program in place for all auditors and audit firms. This is according to the Icelandic Auditing Act (79/2008). The quality review system is on a three-year basis for public interest entities (PIE) and on six-year basis for other companies. The scheme is compliant with the European Communities (Eighth Directive Regulations) 2009 on statutory audits of annual accounts and consolidated accounts. The QA is under the supervision of Endurskoðendaráð or ER (The Auditors' Public Oversight Board) ER and FLE, which is the only body for auditors in Iceland, which reports on a yearly basis to ER. The QA system applies to all audits of financial statements.</p> <p>The Quality Assurance process ensures that all auditors of FLE maintain an appropriate level of professional standards in the performance of their duties and in the provision of services to clients.</p>					
#	Start Date	Actions	Completion Date	Responsibility	Resource
1.	August 2005	Adopt Quality Control for all members of FLE.	Complete	The Quality assurance committee of FLE	Technical staff and members of the committee
2.	January 2009	Ensure that Quality Assurance procedures for all auditors became mandatory as per Icelandic law.	2010 Complete	Performed by FLE under the supervision of ER	Technical staff and members of the quality and assurance committee of FLE
3.	2010	Develop new guidance on Quality Assurance based on ISQC1 and the 8 th directive of EU and publish ISQC1 on FLE website.	2010 Complete	FLE and ER	Professional Standards Technical staff
<i>Review of FLE's Compliance Information</i>					
4.	Ongoing	Perform periodic review of FLE response to the IFAC Compliance Self Assessment questionnaires and update sections relevant to SMO1 as necessary.	Ongoing	FLE	Technical staff

Action Plan Subject: SMO 2–International Education Standards for Professional Accountants and Other Pronouncements issued by the IAESB
Action Plan Objective: Continue to use the best endeavors to ensure that IES education and training complies with IES requirements

Background:

To qualify as a state authorized public accountant in Iceland, according to the Icelandic Auditing Act No. 79/2008, an individual must:

1. Be domiciled in Iceland or be a citizen of a member state of the European Economic Area (EEA), a state party to the Convention establishing the European Free Trade Association or the Faeroe Islands;
2. Be of legal age and have been competent to manage his or her estate for the preceding three years;
3. Have an unblemished reputation;
4. Have completed masters studies in auditing and accounting approved by the Public Auditors' Oversight Board;
5. Have passed an examination in accordance with Article 5;
6. Have worked for a minimum of three years under the guidance of an auditor on auditing annual accounts or other accounts at an audit firm;
7. Have professional indemnity insurance coverage, as provided in Article 6.

The certification and the education is under control of the Ministry of Finance and The Auditors' Public Oversight Board (ER). ER is responsible for the oversight of the certification process and the CPD and is required to do so according to IES requirements as issued by IESBA.

There are CPD requirements in the Icelandic Auditing Act (79/2008). FLE members are required to complete at least 120 monitored CPD hours over a three year period, and compliance is verified in the quality control process, and on FLE inner website. Members of FLE reports to FLE on their CPD and FLE reports for every three years period to ER.

By the Icelandic Auditing Act (effective since 2009) it is mandatory for all auditors to be members of FLE.

#	Start Date	Actions	Completion Date	Responsibility	Resource
5.	January 2004	Issuance of regulation on CPD based on Auditing Act. Required 90 monitored CPD hours.	2004	The authorities	The authorities
6.	January 2010	Issuance of regulation on CPD based on Auditing Act. Required 120 monitored CPD hours.	2010 Completed (Issued Jan 19th 2011)	The authorities and ER	The authorities and ER
<i>Maintaining Ongoing Processes</i>					
7.	2004	Developing software to monitor the CPD for members of FLE.	2004	FLE	Technical staff

#	Start Date	Actions	Completion Date	Responsibility	Resource
8.	2010	Developing software to monitor the CPD for all auditors and members of FLE.	Completed	FLE	Technical staff
<i>Review of FLE's Compliance Information</i>					
9.	Ongoing	Perform periodic review of FLE response to the IFAC Compliance Self- Assessment questionnaires and to update sections relevant to SMO2 as necessary.	Ongoing	FLE	Technical staff

Action Plan Subject: SMO 3–International Standards and Other Pronouncements Issued by the IAASB
Action Plan Objective: Continue to use best endeavor’s to maintain an ongoing process to adopt ISA’s and assist in the implementation of the adopted standards

Background:					
<p>FLE membership obligations as a member of IFAC are to achieve international convergence with the International Standards issued by IFAC’s constituent Boards and Committees, are reflected in the Institutes aims and work program.</p> <p>The Auditing Act (79/2008) requires that the auditor is to perform the audit in accordance with “good auditing practice” and it is also stated in the same act that it means that it is in accordance with ISAs implemented by IAASB (an independent standard setting board of IFAC, which FLE is a member of). When EU has finally implements the ISAs, the standards will be part of Icelandic laws once they are translated into Icelandic.</p> <p>ER will ensure that the auditing standards adopted by the European Commission in accordance with Article 26 of Directive 2006/43/EC and incorporated into the EEA Agreement, are adopted in Iceland. As the EEA rules that the IFAC standards will be transposed into Icelandic law or governmental regulations, the primary responsibility for the work undertaken to this effect lies with the Ministry of Industries.</p> <p>FLE has published the ISAs on its website. The Norwegian Institute - DnR - has a mentoring/pilot project in Iceland, which includes reproducing the English language ISAs/ISQC (based on formal agreement with IFAC) in their audit methodology software Descartes for testing/use in Iceland. Descartes is now already up and running for many small audit firms in the country.</p>					
#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>To translate, adopt and implement Clarity ISAs, issued by the IAASB</i>					
10.	Ongoing	Perform translation of the ISAs into Icelandic language after the adoption of the standards in the EU. -Facilitate establishing a direct contact between ER and the translation department of IFAC.	2010-2011 Completed	ER	Technical staff
	2009 2014	Implement the new EU directive 56/2014 in statutory audits of annual accounts and the new EU regulation 537/2014 on specific requirements regarding statutory audit of PIE,s before June 2016	2016	Ministry of Industries/FLE/ER	Working group/technical staff

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Providing Education and training products and services</i>					
11.	Ongoing	Deliver courses on audit (including refresher courses) as appropriate. FLE has already started courses on individual standards, and in April 2010 there will be a conference where the main speaker is a member of IAASB, and she will talk about the clarity project of ISAs.	Ongoing	FLE	Technical staff and the Audit committee of FLE
12.	2009	Provide a link on its member's webpage to IAASBA's webpage providing support and information on the ISA's clarity project.	Ongoing	FLE	Technical staff
<i>Review of FLE's Compliance Information</i>					
13.	Ongoing	Perform periodic review of FLE response to the IFAC Compliance Self-Assessment questionnaires and update sections relevant to SMO 3 as necessary. Once updated inform IFAC Compliance staff about the updates in order for them to republish updated information.	Ongoing	CEO/FLE	Technical staff

Action Plan Subject: SMO 4–IESBA Code of Ethics for Professional Accountants
Action Plan Objective: Ensure members comply with the FLE Code of Ethics

Background:					
<p>The FLE Code of Ethics is a translation of the IESBA's Code of Ethics according to a translation and publishing agreement with IFAC. The FLE Code of Ethics has been adopted without modifications and is part of the Icelandic Auditing Act (79/2008) According to the same act it is mandatory for FLE to adopt a code of ethics that should be confirmed by the ministry that was done in 2010.</p> <p>FLE is the only member body in Iceland for auditors that is also stated and confirmed in the auditing act (79/2008).</p>					
#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Maintaining Ongoing Processes</i>					
14.	2009	Translating the IESBA Code of Ethics.	Completed	FLE under the supervision of ER	Technical staff The Ethic committee of FLE
15.	2010	Implement and translate the IESBA's revised Code of Ethics (July 2009).	2010 Completed	FLE under the supervision of ER	Technical staff The Ethic committee of FLE
<i>Education and Training and Products</i>					
16.	Ongoing	Deliver courses on Code of Ethics (including refresher courses) as appropriate. FLE have already held courses on ethics, where the speakers come from the universities where IESBA IFAC Code of Ethics where compared with ethics in general. Discussions and courses on IESBA code have also been held on the behalf of FLE Ethic committee.	Ongoing	FLE	Technical staff and committees of FLE
17.	2010	Put on the members' website a link to the FLE Code of Ethics.	2010 Completed	FLE	Technical staff

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Review of FLE's Compliance Information</i>					
18.	Ongoing	Perform periodic review of FLE response to the IFAC Compliance Self-Assessment questionnaires and update sections relevant to SMO 4 as necessary. Once updated inform IFAC Compliance staff about the updates in order for them to republish updated information.	Ongoing	FLE	Technical staff and member of committees

Action Plan Subject: SMO 5—International Public Sector Accounting Standards and Other Pronouncements Issued by the IPSASB
Action Plan Objective: Continue to encourage the authorities in Iceland to adopt International Public Sector Accounting Standards

Background:					
Standards developed by IPSASB have not yet gained the support necessary for implementation within the Icelandic public sector.					
In 2014 a parliamentary bill has been put forward at the Icelandic parliament that states that IPSAS will be implemented in 2016. This is still in a process in the ministry and the parliament has not been voted for. Therefore, no process has been set up for translation or responsibility.					
#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Work on the adoption and development of International Public Sector Standards</i>					
19.	Ongoing	Continue to lobby in Iceland for the adoption of IPSASs.	Ongoing	FLE	Technical staff and member of committees
	2014	Support the authorities in implementing the IPSAS assuming it will be agreed on in the parliament.	2016	FLE	Technical staff and the accounting committee
<i>Maintaining Ongoing Processes</i>					
20.	Ongoing	Continue to identify opportunities to further assist in implementation of IPSASs. This includes review of the existing activities and preparation of the Action Plan for future activities where necessary.	Ongoing	FLE	
<i>Review of FLE's Compliance Information</i>					
21.	Ongoing	Continue to monitor the activities of the IPSASB and to promote the adoption of standards for all public sector entities of Iceland.	Ongoing	FLE	Technical staff and committees
22.	Ongoing	Perform periodic review of FLE response to the IFAC compliance self-assessment questionnaires and update sections relevant to SMO 5 as necessary.	Ongoing	FLE	Technical staff and committees

Action Plan Subject: SMO 6–Investigation and Discipline
Action Plan Objective: Improve and ensure ongoing maintenance of Investigation and Discipline System.

Background:					
The responsibility for investigation and discipline rests solely with the Supervisory Board of Authorized Public Accountants (ER) according to the Icelandic Auditing act (79/2008) FLE is not involved or responsible for the I&D system, only ER.					
#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Maintaining Ongoing Processes</i>					
23.	Ongoing	FLE does not undertake any special activity to promote these obligations, since investigations and disciplinary actions according to the Auditing act in Iceland are undertaken by ER. However FLE performs the Quality Control, and maintains a list of valid third party assurance for auditors, and maintain a list of CPD for its members, everything under the supervision of ER.	Ongoing	FLE and its Board	Technical staff and members of committees
<i>Review of FLE's Compliance Information</i>					
24.	Ongoing	Perform periodic review of FLE response to the IFAC Compliance Self-Assessment questionnaires and update sections relevant to SMO 6 as necessary. Once updated inform IFAC Compliance staff about the updates in order for them to republish updated information.	Ongoing	FLE and its Board	Technical staff and members of committees

Action Plan Subject: SMO 7–International Financial Reporting Standards and Other Pronouncements issued by the IASB
Action Plan Objective: Ensure ongoing convergence with International Financial Reporting Standards

Background:					
According to EU it is mandatory for Iceland to use IFRS in consolidated financial statements for companies listed on a regulated market. FLE has no direct responsibility for adoption or promulgation of IFRS in Iceland as it lies with the European Commission and relevant national regulator and the ministry. FLE provides, however, training and courses in IFRS.					
#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Maintaining Ongoing Processes</i>					
25.	Ongoing	Continue to encourage the national standard setter (the authorities) and provide it with a relevant assistance in order to establish the ongoing convergence process with IFRS, which includes ongoing review if IASB new and amended standards, publications, translation, adoption and implementation of the updated standards and raising awareness of updated and new standards such as IFRS for SMEs.	Ongoing	FLE	Technical staff and members of committees
<i>Review of FLE's Compliance Information</i>					
26.	Ongoing	Perform periodic review of FLE response to the IFAC Compliance Self-Assessment questionnaires and update sections relevant to SMO 7 as necessary. Once updated inform IFAC Compliance staff about the updates in order for them to republish updated information.	Ongoing	FLE	Technical staff and members of committees