

## **BACKGROUND NOTE ON ACTION PLANS**

SMO Action Plans are developed by IFAC Members and Associates to demonstrate fulfillment of IFAC Statements of Membership Obligations (SMOs). SMOs require IFAC Members and Associates to support the adoption<sup>1</sup> and implementation<sup>2</sup> of international standards and other pronouncements issued by independent standard-setting boards under the auspices of IFAC as well as by the International Accounting Standards Board (IASB); and to establish a Quality Assurance (QA) review and Investigation and Disciplinary (I&D) systems.

IFAC Members and Associates conduct a self-assessment against the requirements of SMOs and identify areas where improvements are needed. Based on the results of the assessment, Members and Associates develop an SMO Action Plan to (a) demonstrate how they fulfill the requirements of the SMOs and (b) where some requirements are not yet addressed, to present plans towards their fulfillment.

SMO Action Plans are designed to be ever-green documents that provide a comprehensive description of the accountancy profession and its legislative and regulatory environment in the jurisdiction as well as the actions undertaken by IFAC Members or Associates to support adoption and implementation of international standards and best practices.

Regular updates of the SMO Action Plans are required as part of the IFAC Member Compliance Program.

### **Use of Information**

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

## **ACTION PLAN**

<b>IFAC Member:</b>	The Indonesian Institute of CPA (Institut Akuntan Publik Indonesia–IAPI)
<b>Approved by Governing Body:</b>	National Council of IAPI
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<sup>1</sup> *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.

<sup>2</sup> *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 promote proper understanding and use of the standards in practice.

## **GLOSSARY**

<b>BPK</b>	Badan Pemeriksa Keuangan (The Supreme Auditor Board)
<b>CPAs</b>	Certified Public Accountants
<b>CPD</b>	Continuing Professional Development
<b>CPE</b>	Continuing Professional Education
<b>DDI</b>	Divisi Disiplin & Investigasi (Investigation & Discipline Division)
<b>DSAK</b>	Dewan Standar Akuntansi Keuangan (Indonesian Financial Accounting Standards Board)
<b>DSPAP</b>	Dewan Standar Profesi Akuntan Publik (Public Accountant Profession Standard Board)
<b>GAAP</b>	Generally Accepted Accounting Principle
<b>I&amp;D</b>	Investigation and Discipline
<b>IAASB</b>	International Auditing and Assurance Standards Board
<b>IAI</b>	Ikatan Akuntan Indonesia (The Indonesian Institute of Accountants)
<b>IAESB</b>	International Accounting Education Standards Board
<b>IAPI</b>	Institut Akuntan Publik Indonesia (The Indonesian Institute of CPA)
<b>IESs</b>	International Education Standards
<b>IESBAs</b>	International Ethics Standards Board for Accountants
<b>IFAC</b>	International Federation of Accountants
<b>IFRSs</b>	International Financial Reporting Standards
<b>IPSASs</b>	International Public Sector Accounting Standards
<b>ISAs</b>	International Auditing Standards
<b>ISQC</b>	International Standards on Quality Control
<b>KDI</b>	Komite Disiplin & Investigasi (Investigation & Discipline Committee)
<b>KERPPA</b>	Committee on Evaluation and Recommendation of Professional Accounting Education
<b>KKP</b>	Komite Kehormatan Profesi (Appeal Committee)
<b>KSAP</b>	Komite Standar Akuntansi Pemerintah (The Indonesian Government Accounting Standards Committee)
<b>MoF</b>	Ministry of Finance
<b>OJK</b>	Otoritas Jasa Keuangan (Finance Service Authority)
<b>PPPK</b>	Center for Supervision of Financial Profession under the Ministry of Finance (replacing PPAJP)
<b>PPAK</b>	Professional Accounting Education
<b>PMK</b>	The Minister of Finance Regulation
<b>PSAK</b>	Pernyataan Standar Akuntansi Keuangan (Indonesian Financial Accounting Standards)
<b>SPMs</b>	Quality Assurance Standards
<b>SRA</b>	State Registered Accountant
<b>QR</b>	Quality Review

**Action Plan Subject:** SMO 1–Quality Assurance  
**Action Plan Objective:** Further Development of the Quality Assurance Review System

**Background:**

The mandatory QA review system in place by IAPI covers all practising public accountants. It is aimed to ensure that all members of IAPI have complied with professional standards; and all members have designed and operated (implemented) systems of quality assurance which meet the Indonesian regulator’s minimum requirement. Under Article 44 of the Public Accountant Law No. 5 Year 2011, IAPI (Indonesian Institute of CPA) and the PPPK (under the Minister of Finance) are responsible for conducting mandatory QA reviews on public accountants. QA review activities performed by PPPK are mainly performed for monitoring and supervisory purposes. The focus of the activities is the working papers related to audit engagements done by the public accountants who are being reviewed, whether or not they support the engagements and comply with the professional (auditing and accounting) standards.

Whereas, the activities performed by IAPI are mainly done for constructive development purposes on the quality of the audit engagement system performed by members of IAPI. The QA review activities then, are focused on the design and on the implementation of quality assurance guidance developed by each member’s firm. The audit engagement’s working papers are reviewed, on sample basis, to see their level of implementation of the QA guidance (Quality Assurance Standards (SPM) established by the firm. The objectives for both systems are different.

Besides the Public Accountant Law No. 5 Year 2011, QA reviews are also regulated in the Decree of Minister of Finance (PMK) No. 17/2008. Certain things, such as the obligation for each firm to develop its own QA guidance, recording audit hours and so on are included in the regulation. Under PMK 17/2008, specific to IAPI members whose firms are members of or affiliated with international or foreign firms/organizations, there is a requirement for members to be subject to QA reviews by their head offices/principal firms/organizations at least once every 4 (four) years.

Based on the Capital Market Law No 8/1995, specific IAPI members who have performed audit engagements for listed companies are also subject to be QA-reviewed by the Finance Service Authority (OJK).

Likewise, the Supreme Audit Board (BPK) has been given an authority by the State Finance Law No. 17/2003 and by the BPK Regulation No. 1/2008, to review the works performed by IAPI members if those members conduct audit engagements, on behalf of BPK, on public sector entities (state-owned enterprises for instance).

Referring to the QA review system with the requirements of SMO 1 (revised 2012), we acknowledge that we have complied with the following requirements in full:

- Scope of QA review sytem;
- Quality control standards and other quality control guidance;
- Review cycle;
- QA review team;
- Reporting;

- Corrective and disciplinary actions;
- Regular review of implementation and effectiveness.

The area of less than full compliance would then fall on consideration of public oversight. However, several plans are being arranged to address this area. The overview of past and planned actions undertaken is elaborated below.

#	Starting Date	Actions	Completion Date	Responsibility	Resource
<i>Review and Update Quality Review (QR) Guidelines</i>					
1.	September 2007	<p>KDI/DDI shall review QR Guidelines to amend/update them in order to comply with the requirement(s) from IFAC.</p> <p>The revised QR Guidelines comprises of the following:</p> <ul style="list-style-type: none"> <li>- Objectives;</li> <li>- Timing and Scope;</li> <li>- Coverage;</li> <li>- Selection and Composition of Review Team;</li> <li>- The Approach to be Taken by QR;</li> <li>- QR checklists and forms;</li> <li>- Others.</li> </ul> <p>Important revisions made on QR guidelines:</p> <ul style="list-style-type: none"> <li>- Change in the review cycle period, from 4 years to 3 years (to try to conform with the IFAC policy).</li> <li>- Risk assessment is included in the selection of the firm and in the engagement to be reviewed, considering inherent risk, previous review risks and the involvement of an expert or a specialist in reviewing a high-risk or very specialized area.</li> </ul> <p>In case IAPI uses outside advisors or an ad-hoc team to perform all or part of the QR tasks, IAPI shall take overall responsibility for the program and will ensure it meets the requirement of the QR Guidelines.</p> <p>IAPI shall recruit 2 (two) additional reviewers with qualifications equal to an experienced audit manager to strengthen the Quality Review Task Force.</p>	April 2015 Completed	Direct KDI/DDI	

#	Starting Date	Actions	Completion Date	Responsibility	Resource
2.	December 2008	The IAPI caretakers shall approve the revised guidelines in their meeting.	December 2008 Completed	Direct IAPI Caretakers and KDI	Meetings
3.	December 2008	IAPI shall enhance and update the reviewers' skill and knowledge by having them participate in appropriate and relevant training programs.	Ongoing	Direct Head of DDI	Training & development costs. Human resources (internal resources included in the Investigation & Discipline Committee (KDI) budget and extra internal resources that are necessary to be obtained from alternative sources such as from the World Bank or Asian Development Bank).
4.	April 2011	Map the differences and the similarities of QR Guidance, ISQC, Quality Assurance Standards (SPM).	April 2015 Completed	Direct Head of DDI	Internal Resources, including KDI, DDI
5.	May 2011	Participate in revising IAPI articles of association in relation to Quality Review to comply with the new Public Accountants Law No. 5 Year 2011.	November 2012 Completed	Direct KDI	KDI, DDI, IAPI Ad Hoc Team
6.	June 2011	Review the current QR Guidance and Procedures. Revise the guidance and procedures as necessary to accommodate the revised articles of association.	Ongoing	Direct Head of DDI	Internal Resources, including KDI, DDI
7.	October 2013	Update the existing billing rate for QA activities and propose development/disciplinary actions for the members of IAPI.	Ongoing	Direct KDI and DDI	Internal Resources

#	Starting Date	Actions	Completion Date	Responsibility	Resource
<i>Maintaining Ongoing Processes</i>					
8.	December 2008	Start the recruitment and selection process for the Head and members of DDI. Since March 2009, IAPI has recruited the Head of DDI, an experienced audit partner with CPA qualification.	March 2009 Completed	Direct KDI	Human Resources. (internal resources included in the KDI budget and extra internal resources that are necessary to be obtained from alternative sources such as from the World Bank or Asian Development Bank).
9.	February 2009	Begin regular quality review process using an ad-hoc review team consisting of partners and managers from reputable accounting firms (member of the widely known international firms).	Ongoing	Direct Head of DDI	Review Team. Human resources (internal resources included in the KDI budget and extra internal resources that are necessary to be obtained from alternative sources such as from the World Bank or Asian Development Bank).
10.	March 2009	Continue to ensure that the IAPI QR program operates effectively and is consistently in line with IFAC requirements (SMO1). This includes periodic reviews on the operations of the QR system and updating the Action Plan for future activities where necessary.	Ongoing	Direct KDI and Head of DDI	Review Team, Meetings

#	Starting Date	Actions	Completion Date	Responsibility	Resource
11.	June 2011	Cooperate with the Ministry of Finance (PPPK division) and OJK to share database regarding the current profiles of practicing public accountants in Indonesia and to avoid overlapping reviews. The data shared with both government institutions especially about members of IAPI who are also listed in Financial Service Authority (FSA) as Supporting Professional of Capital Market and they should submit annual report to either PPPK and OJK.	Ongoing	Shared KDI	KDI, DDI and PPPK
12.	July 2011	Develop our own database of public accountants profile in Indonesia for quality review sampling purposes.	Ongoing	Direct Head of DDI	Internal Resources, including KDI, DDI
13.	July 2011	Communicate with the IAPI Board of Professional Standards (DSPAP) in order to ensure the quality assurance standards (SPM) to be in line with quality review guidance and procedures.	Ongoing	Direct KDI	KDI, DDI and DSPAP
14.	January 2012	Recruit more professional reviewers.	Ongoing	Direct Head of DDI	Internal Resources, including KDI, DDI
15.	May 2011	Enhance and update the reviewers' skill and knowledge.	Ongoing	Direct Head of DDI	Internal and external training
16.	February 2009	Promote the quality assurance objectives and results to the members of IAPI.	Ongoing	Shared KDI	KDI, DDI and IAPI Education & Training Division
17.	April 2015	Develop minimum criteria for members of IAPI to pass QR.	May 2015	Direct KDI/DDI	Internal
18.	June 2015	Discuss and encourage possible ways with other regulators (PPPK and OJK) to form a tri-partit (three-party) review system/task-force comprising of three regulators (PPPK, OJK and IAPI). With this, IAPI will expectedly be encouraged to use its best efforts to put consideration of public oversight as required by IFAC.	Ongoing	Shared	Shared among Regulators (including IAPI)

#	Starting Date	Actions	Completion Date	Responsibility	Resource
19.	December 2015	<p>Contribute to the revision/ reconstruction of IAPI's website, namely <a href="http://www.iapi.or.id">www.iapi.or.id</a>. In the new website, there will be columns provided for QA activities, including announcements about those that have been reviewed, sanctions etc, open for public view/acknowledgement.</p> <p>With this, IAPI will expectedly be encouraged to use its best efforts to put consideration of public oversight as required by IFAC.</p>	Ongoing	Direct	Internal Resources of IAPI
20.	December 2015	In cooperation with IAPI's CPE Division, perform CPEs (Continuing Professional Education) in cities/provinces throughout Indonesia raising topics concerning QA review and its results.	Ongoing	Direct	Internal Resources of IAPI
21.	March 2016	Develop a new approach in QA review. It will replace the approach from the officer-assessment (present practice) towards the self-assessment by KAP/AP/reviewee. Consequently, new guidelines, system etc will also be replaced with the aim of having a more effective and efficient QA review system in the mid-term future.	Ongoing	Direct	Internal Resources of IAPI



**Action Plan Subject:** SMO 2–International Education Standards for Professional Accountants and Other Pronouncements Issued by the IAESB

**Action Plan Objective:** Ensure that IAPI Education Requirements Meet the Obligations of SMO 2

**Background:**

The Indonesian Institute of Certified Public Accountants (IAPI), has a vision that Indonesian public accountants shall have integrity, quality, competency for international standards to promote growth, independence, conducive business environment, and dignity of the CPA profession. IAPI's final aims would then be maintaining public trust, protecting public interest and accountability, as well as encouraging good governance in Indonesia.

Accordingly, the Public Accountant Law No. 5 Year 2011 regulates that public accountants shall maintain their professional competence through continuing professional education. On the other hand, the Minister of Finance Regulation states that IAPI is the only Professional Association of Certified Public Accountants.

IAPI's articles of association mentions that each IAPI member shall be responsible and liable for following Continuing Professional Development (CPD). The credit unit of CPD activities that must be acquired by every IAPI member is at least 40 (forty) per year, covering several areas of competence, namely:

- a. professional knowledge;
- b. professional expertise;
- c. values, ethics, and professional behavior;
- d. competencies acquired during the professional development and education programs.

Every public accountant must submit a report regarding his/her CPD credits acquired during a certain year to the Ministry of Finance before the end of January of the subsequent year. IAPI organizes training programs to enable its members to comply with the CPD requirements.

A person who may wish to get CPA designation through CPA Exam (partner level), then firstly he/she should take and pass the basic level of exam and will get designation of Associate Certified Professional Auditor of Indonesia (ACPAI) in which the materials of exam are based on or comply with The International Education Standards (IES) 1-5. Then he/she can continue to take and pass Certified Professional Auditor of Indonesia (CPAI) Exams in which the exam materials are based on or comply with the International Education Standards (IES) 6. This is the professional level of the exam prior to take the Partner Level of the Exam to get a designation of Certified Public Accountant based on or comply with The International Education Standards (IES) 8. After he/she completes the three levels of exams plus 1000 hours of jobs experiences with at least 500 hours as Team Leader in Audit Firm then he /she can get the license of Public Accountant issued by the Ministry of Finance.

#	Starting Date	Actions	Completion Date	Responsibility	Resource
<i>Continue to Ensure Compliance with SMO 2 Requirements</i>					
22.	Ongoing	Adopt IES (International Education Standard) for Certified Public Accountants in accordance with the International and Indonesian situation, as well as the needs of Members.	Ongoing	Board of Management – Head of CPD	IAPI Staff
23.	Ongoing	Complete Policy and procedures manual for Continuing Professional Development (CPD) Division, which include: <ul style="list-style-type: none"> <li>- Standard Operating Procedures;</li> <li>- Job description for CPD staff;</li> <li>- Key performance indicators for CPD;</li> <li>- CPD staff recruitment procedures;</li> <li>- Procedure of cooperation with third parties;</li> <li>- Documentation procedure;</li> <li>- Other necessary procedures.</li> </ul>	Ongoing	Board of Management – Head of CPD	IAPI Staff
24.	Ongoing	Review the existing curriculum & syllabus for Public accountant education program for responding to IES, International Auditing Standards (ISA), and updating on issuance of new standards, ethical standards, etc.	Ongoing	Board of Management – Head of CPD and Academics	IAPI Staff
25.	Ongoing	Conducting accreditation (in terms of the competencies of auditing and accounting) for the CPA. Provide training to academics in relation to ISA, theory and application and case study learning. Cooperation with universities and other institutions for conducting education, training, instructors or shared facilities.	Ongoing	Board of Management – Head of CPD and Academics	IAPI Staff
<i>Promotion of Lifelong Learning</i>					
26.	Ongoing	Conduct various technical and non technical CPD relevant to the public accountant profession. CPD events are organized in forms of seminars, workshops, short courses, and conferences.	Ongoing	Director of CPD	IAPI Staff

#	Starting Date	Actions	Completion Date	Responsibility	Resource
27.	Ongoing	Communicate regularly with members about the CPD requirements and the CPD courses via website, email campaign, IAPI Magazine, brochures and periodical Catalog of training.	Ongoing	Director of CPD	IAPI Staff
28.	Ongoing	Facilitate access to CPD opportunities and resources for public accountants, which include organize CPD program throughout the country with the support of IAPI branches.	Ongoing	Director of CPD	IAPI Staff
29.	Ongoing	Continue to monitor new and revised standards and incorporate them into public accountant education requirements and timely update education course and content to reflect new requirement.	Ongoing	Board of Management – Head of CPD and Audit Standard Board	IAPI Staff
<i>Review of IAPI Compliance Information</i>					
30.	Ongoing	Perform periodic review of IAPI SMO Action Plan and update section relevant to SMO2 as necessary. Once updated inform IFAC Compliance staff about the updates in order for the Compliance staff to publish the updated information.	Ongoing	Board of Management – Head of CPD	IAPI Staff

**Action Plan Subject:** SMO 3–International Standards and other Pronouncements Issued by the IAASB

**Action Plan Objective:** Establishing and Implementing an Ongoing Convergence Process with IAASB Pronouncements

**Background:**

The Indonesian Institute of Certified Public Accountants (“IAPI”) is an association that represents public accountants in Indonesia. IAPI develops professional standards for public accountants in Indonesia (including establishing and implementing the convergence process with IAASB pronouncements) through one of its bodies called Public Accountant Profession Standard Board (“DSPAP”), as governed by Public Accountants Law No. 5 of 2011.

IAPI is authorized to set and issue auditing standards for the accountants in public practice. In February 2008, through MoF regulation, IAPI is recognized as the professional public accountant organization. Auditors are required to comply with the Indonesian Public Accountant Professional Standards (*SPAP*) set by the IAPI.

If there is a necessity to modify the international professional standards based on local professional and regulatory requirements, DSPAP will do so by following IFAC Policy Position (2006) regarding “A Guide for National Standards Setters that Adopt IAASB International Standards but Find it Necessary to Make Limited Modifications” (“IFAC Modifying Policy”).

IAPI Plan is to adopt international professional standards by translating the standards, and if necessary, modifying some of provisions in the standards to comply with local professional and regulatory requirements. IFAC Modification Policy will be followed.

The followings are the expected completion dates of the following international professional standards that the DSPAP of IAPI plans to adopt and update:

- a. ISQCs – completed and will be update which is expected to be completed by 2015;
- b. IFAEs – completed and will be update which is expected to be completed by 2016;
- c. ISAs and IAPSSs – completed and will be update which is expected to be completed by 2016;
- d. ISREs and IREPSs (if already issued by IAASB) – completed and will be update which is expected to be completed by 2016;
- e. ISAEs and IAEPSs (if already issued by IAASB) – completion date: 2015;
- f. ISRSs and IRSPSSs (if already issued by IAASB) – completion date: 2015.

#	Starting Date	Actions	Completion Date	Responsibility	Resource
<i>Ongoing Adoption and Implementation of IAASB Pronouncements</i>					
31.	January 2009	Hire professional translators to assist in translating the standards.	Ongoing	DSP IAPI	DSP IAPI

#	Starting Date	Actions	Completion Date	Responsibility	Resource
32.	May 2009	DSP discuss and review the translation of the professional.	Ongoing	DSP IAPI	DSP IAPI
33.	Starting July 2009 for ISQC	The final version of the exposure drafts of translated standards are discussed by DSP and submitted to a consultative board within IAPI called Supervisory Board for comments and inputs.	Ongoing	DSP IAPI	DSP IAPI
34.	Starting July 2009 for ISQC	DSP discuss comments and inputs received from Supervisory Board and make necessary amendments, if any, to the exposure draft.	Ongoing	DSP IAPI	DSP IAPI
35.	Starting August 2009 for ISQC	Conduct public exposure of the exposure draft to the professional standards. Public exposure period should be no longer than 60 days according to DSP due procedures.	Ongoing Comments	DSP IAPI	DSP IAPI
36.	Starting August 2009 for ISQC	DSP discusses comments and inputs received from public exposure and make necessary amendments, if any, to the exposure draft.	Ongoing	DSP IAPI	DSP IAPI
37.	Starting August 2009 for ISQC	If necessary, conduct a public hearing or a limited hearing after the exposure period is over.	Ongoing	DSP IAPI	DSP IAPI
38.	Starting October 2009 for ISQC	Final standards are ratified and issued by DSP. IAPI Plan is to adopt international professional standards by translating the standards, and if necessary, modifying some of provisions in standards to comply with local professional and regulatory requirements. Therefore, we will follow IFAC Modification Policy.	Ongoing	DSP IAPI	DSP IAPI

#	Starting Date	Actions	Completion Date	Responsibility	Resource
39.	Starting October 2009 for ISQC	Disseminate the professional standards to public, including members of IAPI. We have done series of training (CPD) for IAPI members and auditing lecturers from university all over Indonesia.	Ongoing	DSP IAPI	DSP IAPI
40.	Starting November 2009 for ISQC	Once the standards are issued, the education division of IAPI will conduct socialization program through continued professional education programs to its members.	Ongoing	DSP IAPI	DSP IAPI
<i>Maintaining Ongoing Processes</i>					
41.	Ongoing	Continue to use best endeavors to maintain ongoing process to adopt and implement IAASB Pronouncements. This includes updating the Action Plan for future activities where necessary. This process also includes disseminating IAASB publications to IAPI members and encourage members to respond to drafts.	Ongoing	DSP IAPI	DSP IAPI
<i>Review of IAPI Compliance Information</i>					
42.	Ongoing	Perform periodic review of IAPI SMO Action Plan and update section relevant to SMO 3 as necessary. Once updated, inform IFAC Compliance staff about the updates in order for the Compliance Staff to publish the updated information.	Ongoing	DSP IAPI	DSP IAPI

**Action Plan Subject:** SMO 4–IESBA Code of Ethics for Professional Accountants  
**Action Plan Objective:** Align the IAPI Code with the IESBA Code of Ethics

**Background:**

IAPI develops professional standards for public accountants (including the Code of Ethics for Public Accountants - the “Code of Ethics”) in Indonesia (including establishing and implementing the convergence process with IAASB pronouncements) through one of its bodies called the Professional Standards Board (“DSP”), as governed by Public Accountants Law No. 5 of 2011.

In October 2008, IAPI issued the new Code of Ethics, which is effective as of January 1, 2011 and published in Indonesian language. This Code of Ethics was prepared based on the Code of Ethics for Professional Accountants issued by IESBA, as stated in IFAC Handbook – 2008 Edition. The Code of Ethics differs from the IESBA Code in that it covers only public accountants and not professional accountants in business. It also includes a clause related to re-audit.

DSP plans to amend the existing Code of Ethics in order to align it with the existing Code of Ethics for Professional Accountants as issued by IESBA (as stated in IFAC Handbook – 2014 Edition). As of 2016, IAPI is still in process to update the existing IAPI’s Code of Ethics to align with the latest IFAC Publication.

#	Starting Date	Actions	Completion Date	Responsibility	Resource
<i>Maintaining Ongoing Processes</i>					
43.	Ongoing	Updating the IESBA Code of Ethics based on IESBA Code of Ethics version 2014.	Ongoing	DSP IAPI	DSP IAPI
<i>Review of IAPI Compliance Information</i>					
44.	Ongoing	Perform periodic review of IAPI SMO Action Plan and update sessions relevant to SMO 4 as necessary. Once updated, inform IFAC Compliance staff about the updates in order for the Compliance staff to publish the updated information.	Ongoing	DSP IAPI	DSP IAPI

**Action Plan Subject:** SMO 5–International Public Sector Accounting Standards and Other Pronouncements Issued by the IPSASB  
**Action Plan Objective:** Use Best Endeavors to Encourage the Introduction of IPSAS in Indonesia

**Background:**

The Government of the Republic of Indonesia introduced laws affecting state financial reform, i.e Law No. 17 year 2003 on State Finance, Law No. 1 year 2004 on State Treasury, Law No. 15 year 2004 on Audit of State Financial Management and Accountability, and Law No. 32 year 2004 on Local Government. Major changes introduced by these laws are, amongst others, the obligation of the central as well as local government to present financial statements and consequently, the need of Indonesian Government Accounting Standards as a basis for preparing and presenting such statement.

The standards are prepared by the Indonesian Government Accounting Standards Committee (Komite Standar Akuntansi Pemerintah - KSAP), an independent committee that comprises accounting experts from accounting practioners, academics, government practitioners, and so forth. In drafting the standards, the KSAP refers to the International Public Sector Accounting Standards (IPSAS) and adapts them notably to the specific needs and peculiarities of the Government of The Republic of Indonesia in which the accounting basis is adapted from accrual basis to cash towards accrual basis.

The Standards are promulgated under Government Regulation No. 24 year 2005, which was revised under Government Regulation No.77 year 2010.

IAPI has no responsibility regarding IPSASs/SAPs and their implementation in Indonesia, but since its members varied not only from public accounting firms but also from private and government institutions, IAPI uses best endeavors to promoting IPSASs/SAPs to its members.

#	Starting Date	Actions	Completion Date	Responsibility	Resource
<i>Promote the Use of IPSAS</i>					
45.	1st Semester 2015	Profile all IAPI's members or graduated CPA of Indonesia which worked in Government Institution to promote IPSAS's/SAPs.	End of Year 2015	Executive Director	IAPI Membership & IAPI Certification Division
46.	Ongoing	Notify members of IPSASs/SAPs document, including exposure drafts and encourage comments.	Ongoing	Executive Director	IAPI Staff
47.	Ongoing	Publish IPSASs/SAPs on the IAPI's website to promote IPSASs/SPAs.	Ongoing	Executive Director	IAPI Staff
48.	Ongoing	Conduct CPD related to Public Sector Accounting Standards (IPSASs/SAPs) and its implementation through seminars, dialogues and workshops.	Ongoing	Executive Director	IAPI Professional Development Division



#	Starting Date	Actions	Completion Date	Responsibility	Resource
<i>Review of IAPI Compliance Information</i>					
49.	Ongoing	Perform periodic review of IAPI SMO Action Plan and update section relevant to SMO 5 and when necessary. Once updated inform IFAC compliance staff about the updates in order for the compliance staff to publish the updated information.	Ongoing	Executive Director	IAPI Staff

**Action Plan Subject:** SMO 6–Investigation and Discipline

**Action Plan Objective:** Strengthen Investigation and Discipline Systems to Meet the Requirements of SMO 6

**Background:**

Article 52 of IAPI's articles of association provides KDI responsibility to conduct investigation and disciplinary actions necessary for the purposes to maintain public trust and to protect both public and members of IAPI (or IAPI members) from non-standard practices. This includes professional sanctions that may be charged by KDI to the related IAPI's members pursuant to their significant non-compliance with professional standards. This same article also gives rights to IAPI members to appeal to KKP (a committee within IAPI that is separated and independent from KDI) if they object to the sanctions issued by KDI.

With the above, it is obvious that there are 2 bodies involved in I&D system within IAPI's jurisdictions, namely KDI and KKP. Their areas of responsibilities are also described in the previous paragraph. There is no overlap between those two as KKP's responsibility or function is limited only to handle appeals raised by members of IAPI pursuant to the sanctions issued by KDI.

Besides IAPI, PPPK also performs I&D activities. In terms of I&D activities, both IAPI and PPPK have the same objectives as described earlier.

In terms of I&D system, we believe that IAPI has implemented an I&D system that is in line with the following requirements of SMO 6:

- Scope of the system;
- Initiation of proceedings;
- Investigative process;
- Disciplinary process;
- Sanctions;
- Rights of representation and appeal;
- Administrative process;
- Regular review of implementation and effectiveness.

Whereas, areas of less than full compliance may fall on the following requirements:

- Reporting and public interest considerations;
- Liaison with outside bodies.

However, several action plans are being arranged to cope with the above less than full compliance areas.

#	Starting Date	Actions	Completion Date	Responsibility	Resource
<i>Updating Investigation and Discipline System</i>					
50.	1Q 2009	Review SMO6 and determine the aspects of SMO6 which are absent in I&D programs. Develop a paper proposing the changes to be made in DK.	June 2009 Completed	Direct DKP	DKP
51.	2Q 2009	Promote the changes to the IAPI members and follow up this process.	June 2009 Completed	Direct DKP	DKP
52.	3Q 2009	Implementing the adopted policies.	Ongoing	Direct DKP	DKP
53.	May 2011	Participate in revising IAPI articles of association in relation to I&D to comply with the Public Accountants Law No. 5 Year 2011.	June 2013 Completed	Direct DKP	DKP
54.	August 2013	Review and update the existing mechanisms and or procedures as well as related sanctions to comply with the Public Accountant Law No. 5 year 2011 and with the new IAPI's articles of association.	December 2014 Completed	Direct KDI and KKP	Internal Resources
<i>Maintaining Ongoing Processes</i>					
55.	August 2013	KDI shall continue handling the complaints reported by the public/society regarding the services rendered by certain practising public accountants and making proper (corrective/defensive) actions for the conducts reported.	Ongoing	Direct KDI	Internal Resources
56.	August 2013	KDI shall continue handling the results of QA review performed by DDI (an internal division of IAPI) and the non-compliance conducts of the IAPI members with the IAPI's administrative regulations (articles of association etc).	Ongoing	Direct KDI	Internal Resources
57.	August 2013	KDI will make new SOP to handle complaints from parties outside IAPI.	January 2015 Completed	Direct KDI	Internal Resources

#	Starting Date	Actions	Completion Date	Responsibility	Resource
58.	August 2013	KKP shall make new association regulations regarding ways/procedures to appeal, raised by members of IAPI to KKP.	Completed December 2014	Direct KKP	Internal Resources
59.	June 2015	Discuss and encourage possible ways with other regulators (PPPK and OJK) to form a tri-partit (three-party) review system/task-force comprising of three regulators (PPPK, OJK and IAPI). With this, IAPI will expectedly be encouraged to use its best efforts to promote reporting and public interest considerations as well as liasoning with outside bodies, as required by IFAC.	Ongoing	Shared	Shared among Regulators (including IAPI)
60.	December 2015	Contribute to the revision/reconstruction of IAPI's website, namely <a href="http://www.iapi.or.id">www.iapi.or.id</a> . In the new website, there will be columns provided for QA activities, including announcements about those that have been reviewed, sanctions etc, open for public view/acknowledgement. With this, IAPI will expectedly be encouraged to use its best efforts to promote reporting and public interest considerations as well as liasoning with outside bodies, as required by IFAC.	Ongoing	Direct	Internal Resources of IAPI

**Action Plan Subject:** SMO 7–International Financial Reporting Standards and Other Pronouncements issued by the IASB  
**Action Plan Objective:** Encourage and Assist (Where Possible) the Adoption and Implementation of IFRSs by the Indonesian Accounting Standards Board (IAI's Board)

**Background:**

In Indonesia, IAI is responsible for setting accounting standards.

IAI is responsible for setting financial reporting standards in Indonesia. IAI has established the Financial Accounting Standard Board (DSAK-IAI) with members representing the accountancy profession and various regulatory bodies in the country. The board is also developing financial reporting standards for non public entities. The Indonesian financial accounting standards or Pernyataan Standar Akuntansi Keuangan (PSAK) that are developed by the DSAK- IAI, are applicable for financial reporting by public companies, banks, and financial institutions. According to the Capital Market Law, the IAI-issued financial accounting standards are mandatory standards for all entities that fall under the supervisory purview of Bapepam dan LK. In addition, the law authorizes Bapepam dan LK, whenever necessary, to prescribe accounting regulations with respect to financial reporting by the participants in the Indonesian capital market. The Bank Indonesia requires all banks to comply with the financial accounting standards issued by DSAK-IAI.

Under the Limited Liability Company Law No. 40 of 2007, the Indonesian Financial Accounting Standard Board (DSAK IAI), under IAI issues accounting standards to be applied in the preparation of financial statements in Indonesia. In addition, under the Capital Market Law No. 8 of 1995 and the Banking Law, the Otoritas Jasa Keuangan/Financial Service Authority (OJK) establishes financial reporting requirements for entities under its supervision (banking, capital markets, and non-bank financial industries sectors) and mandates the use of DSAK-issued accounting standards.

There are 2 tiers (Tier—1 SAK and Tier—2 SAK ETAP) of Generally Accepted Accounting Principles (GAAP) in Indonesia that are developed by the DSAK IAI. SAKs are to be applied in the preparation of financial statements of domestic and foreign listed companies, and entities with public accountability. As part of the ongoing convergence process, in 2012 DSAK IAI brought SAKs substantially in line with IFRSs as they existed in 2009. By January 1, 2015, in a second phase of the convergence process, SAKs were expected to be substantially in line with IFRSs as of 2014. In June 2015, IAI signed a Memorandum of Understanding with the Otoritas Jasa Keuangan/Indonesia Financial Services Authority (OJK) to collaborate together to develop accounting standards in Indonesia and part of this process is to develop a pathway to fully adopt IFRSs.

The second Tier of the Indonesian GAAP—SAK ETAP—are required for entities with no public accountability. SAK ETAP was developed with IFRS for SMEs as a point of reference. IAI reports that a project is underway to develop accounting for micro entities as a supplement to the Tier-1 and Tier-2 standards.

#	Starting Date	Actions	Completion Date	Responsibility	Resource
<i>To Encourage IFRS Implementation</i>					
61.	January 2010	Encourage IAPI members (practising public accountants) to urge their clients to implement IFRS, where applicable, at the soonest period.	Ongoing	IAI	
62.	January 2010	Provide numerous CPE programs (seminars) with topics related to IFRS, that shall be held several times in a year. The programs are usually made opened and promoted for IAPI members and public (other) participants.	Ongoing	IAI	
63.	January 2010	<p>Assist IAI, whenever possible, in ensuring smooth transition to IFRS:</p> <ul style="list-style-type: none"> <li>- Liaise with industry associations for getting the industry ready for convergence with IFRS;</li> <li>- Look into the requirements of training the members in IFRS and to formulate ways to meet the requirements.</li> </ul> <p>Issue accounting guidelines, technical bulletins, and other publications to respond to the IFRS implementation challenges.</p>	Ongoing	IAI	