

## **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 Compliance Program website.

## **ACTION PLAN**

<b>IFAC Member:</b>	FSR – Danish Auditors
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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>CPD</b>	Continuing Professional Development
<b>EU</b>	European Union
<b>FSR</b>	Institute of Danish Public Accountants
<b>IASB</b>	International Accounting Standards Board
<b>IAASB</b>	International Auditing and Assurance Standards Board
<b>IAESB</b>	International Accounting Education Standards Board
<b>IES</b>	International Education Standards
<b>IESBA</b>	International Ethics Standards Board for Accountants
<b>IFAC</b>	International Federation of Accountants
<b>IFRS</b>	International Financial Reporting Standards
<b>IPSAS</b>	International Public Sector Accounting Standards
<b>IPSASB</b>	International Public Sector Accounting Standards Board
<b>ISA</b>	International Standards on Auditing
<b>ISAE</b>	International Standards on Assurance Engagements
<b>ISQC</b>	International Standards on Quality Control
<b>ISRS</b>	International Standards on Related Services
<b>ISRE</b>	International Standard on Review Engagements
<b>QA</b>	Quality Assurance
<b>SME</b>	Small and Medium Enterprises
<b>SMP</b>	Small and Medium Practices

**Action Plan Subject:** SMO 1–Quality Assurance  
**Action Plan Objective:** Continue to Use the Best Endeavors to Ensure that the SMO 1 Requirements and the EU 8<sup>th</sup> Directive on Statutory Audit are Properly Incorporated into the Statutory Quality Review Requirements of Danish Auditor’s Act and into the Quality Review Program Performed by the Danish Supervisory Authority on Auditing

**Background:**

Since 1994, all member firms of FSR performing statutory audit has been subject to mandatory quality review. In 2004, a statutory requirement on quality review for all firms of state authorized and registered public accountants was introduced.

The Quality Assurance (QA) as required in SMO 1 and in the 8<sup>th</sup> Company Law Directive on Statutory Audit is now being taken care of by the governmental quality review system organized by the Danish Supervisory Authority on Auditing.

Since January 2013, the QA reviews are being conducted by full-time publicly employed inspectors from the Danish Business Agency in those cases where the firm to be subject to QA review perform audit or assurance engagements in at least one public-interest entity. Otherwise, the reviews are conducted by statutory auditors who are engaged by the Danish Supervisory Authority on Auditing to be QA reviewer from engagement to engagement. FSR reviewed the revised SMO 1 requirements from 2012 and found that the new requirements therein have been properly addressed in the Danish QA system.

Both International Standards on Quality Control (ISQC) 1 and the International Standards on Auditing (ISA) 220 have been adopted in Denmark in their clarified forms. FSR – danske revisorer provides training for and technical information to all its members on the most significant and frequent issues identified during reviews of auditors and audit firms. Further FSR – danske revisorer annually provides a technical training program directed towards peer reviewers selected by the Danish Auditing Supervisory Authority for performance of quality reviews. FSR also publish extensive descriptions in newsletters to members on errors and mistakes found in audit firms during quality reviews so that experiences can be learned from quality reviews in other firms.

From January 2014, it has been mandated through the internal regulations of FSR for member firms to publish on their website and in their annual financial statements if the statutory quality review in their firm led to a referral of the firm to the Auditor’s Tribunal.

Besides audit firms, also professional accountants, students and business advisors can be members of FSR. These categories of members are not subject to mandatory quality assurance.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Maintaining Ongoing Processes</i>					
1.	Ongoing	Maintain cooperation with the Danish Supervisory Authority on Auditing on ensuring effectiveness of the statutory quality review for all firms of state authorized and registered public accountants.	Ongoing	Management of FSR – danske revisorer	Technical staff and members of working groups
2.	Ongoing	Relay the results of already performed QA reviews through conferences on QA and through professional newsletters to practicing accountants and quality controllers.	Ongoing	Management of FSR – danske revisorer	Technical staff
<i>Review of FSR's Compliance Information</i>					
3.	2013	Perform review of revised SMO 1 and FSR SMO Action Plan and incorporate any necessary changes.	2014	Board and management	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 All IESs are Incorporated into the Education System at Relevant Universities, Practical Training etc.

**Background:**

The State Authorized Public Accountant (SPA), the designation of statutory auditor, is the only category of the professional accountants regulated in Denmark. Danish law does not regulate other kind of members like professional accountant without designation of State Authorized Public Accountant and consultants. Therefore, no formal requirements exist for the initial or continued professional education of such members.

The Danish Business Authority (DBA), the Danish Financial Supervisory Authority (DSFA), and universities share responsibility for establishing and administering Initial Professional Development (IPD) for auditors in Denmark. FSR monitors the developments of the IAESB and new or revised IESs and addresses the IPD and CPD requirements on an ongoing basis.

Candidates of the audit profession are required to hold a Master's degree, complete 3 years of practical training and pass final examination of professional competence.

Since 2006, it has been mandatory for members of FSR to participate in Continuing Professional Development (CPD). Since 1 January 2009, statutory CPD has been required for all state authorized and registered public accountants according to the Danish Auditor's Act, Act No. 468 of 17 June 2008, and executive order on CPD. The minimum requirement is 120 hours of CPD over a 3-year period, and compliance is verified as a part of the quality review system. CPD is reported to a central register (Revireg).

According to Act No. 617 of 12 June 2013 the former two-tier system with state authorized and registered public accountants is to be repealed and in future only one category, state authorized public accountants, is maintained. New forms of examination were introduced in 2014. According to transitional provisions, a registered public accountant may keep his title, if he so wishes. For state authorized public accountants who perform statutory audit in financial institutions it is now required to take a certificate and the minimum CPD requirements for those auditors have increased. This is a response to criticism expressed on the audit performed in some Danish banks during the financial crisis. Hence, by an amended executive order No 1406 of 11 December 2013 on CPD, the requirements have been increased significantly for auditors performing statutory audit in credit institutions, insurance companies and pension funds. For these auditors the minimum requirement is 180 hours of CPD over a 3 year period as well as considerable practical experiences. The 60 hours of extra CPD must be specialized in accounting and auditing in such institutions.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Maintaining Ongoing Processes</i>					
1.	Ongoing	Coordinate and supply practical teaching for students becoming State Authorized Public Accountants.	Ongoing	FSR Competence	Staff of FSR, external lectures ao

#	Start Date	Actions	Completion Date	Responsibility	Resource
2.	Ongoing	Cooperate with the Danish Business Agency on maintaining of the central Register on CPD (Revireg).	Ongoing	FSR Competence	FSR Competence, FSR technical staff and members of FSR's Auditing Standards Committee
3.	Ongoing	Participate actively in the designing of the new education for state authorized public accountants.	2012	FSR	FSR
4.	2012	Dialogue with the Danish Financial Supervisory Authority on the experiences with and functioning of the strengthened CPD requirements for auditors in financial institutions.	End of 2015	Financial Sector Committee of FSR	Technical staff of FSR
5.	2013	Consider revised IESs being issued by the IESBA and address necessary plans for adoption and implementation of changes.	2015	FSR	FSR
<i>Review of FSR's Compliance Information</i>					
6.	2013	Perform review of revised SMO 2 and FSR SMO Action Plan and incorporate any necessary changes.	2015	Board and management	Technical staff

**Action Plan Subject:** SMO 3–International Standards and other Pronouncements Issued by the IAASB  
**Action Plan Objective:** Continue to Adopt and Implement ISAs and other International Auditing and Assurance Standards Board (IAASB) pronouncements

**Background:**

The Danish Act on Approved Auditors and Audit Firms and Executive Order No. 985 (2014) on quality assurance stipulate that audits must be conducted in accordance with generally accepted auditing practices and authorizes the Danish Business Authority (DBA) to set the auditing standards in Denmark. In practice, “generally accepted auditing practices” are being interpreted as complying with the auditing standards issued by the FSR (based on ISAs).

Since 2000, Danish audit and assurance engagements have been performed in compliance with the ISA's , the ISREs, the ISAEs and the ISRSs and additional Danish requirements according to Danish audit legislation when such requirements exceeds the requirements according to the IAASB's standards. Examples of additional Danish requirements are to monitor if the management fulfils its responsibilities regarding the Board Protocol, bookkeeping, signature on financial statements and reporting on illegal provision of credits from the company to the management or shareholders The clarified standards became effective for audits of annual reports with a balance date of 15<sup>th</sup> December 2010 or later. The Danish legislation on auditors requires the audit work to be performed according to generally accepted auditing practice. The executive order on quality assurance No. 985 from 2014 explicitly refer to applicable auditing standards, i.e. ISAs and additional Danish requirements.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Maintaining Ongoing Processes</i>					
1.	Ongoing	Conduct seminars and training to ensure proper application of IAASBs standards. Disseminate via website and training courses information and updates on proposed, revised, and new standards.	Ongoing	FSR – danske revisorer, Education	Members of the a Auditing Standards Committee, technical staff
2.	Ongoing	Conduct annual technical conference seminar.	Ongoing Annually	Auditing Standards Committee	Members of the a Auditing Standards Committee, other specialist
3.	2014	Translate ISAE 3000 (revised) etc. in order for it to become effective 15 Dec. 2015	Nov. 2014 Completed	Auditing Standards Committee	Auditing Standards Committee, technical staff external translators

#	Start Date	Actions	Completion Date	Responsibility	Resource
4.	2013	Translate ISA 610 (Revised) in order for it to become effective for audits of financial statements for periods ending on or after 15 Dec. 2014.	Sept. 2013 Completed	Auditing Standards Committee	Auditing Standards Committee, technical staff external translators
5.	2012	Translate ISA 610 (Revised) in order for it to become effective for audits of financial statements for periods ending on or after 15 Dec. 2013.	Sept. 2013 Completed	Auditing Standards Committee	Auditing Standards Committee, technical staff external translators
6.	2012	Translate ISRE 2400 (Revised) in order for it to become effective for reviews for periods ending on or after 31 Dec. 2013.	Feb. 2013 Completed	Auditing Standards Committee	Auditing Standards Committee, technical staff external translators
7.	2012	Translate ISRS 4410 (Revised) in order for it to become effective with effect for compilation engagement reports dated on or after 1 July 2013.	June 2013 Completed	Auditing Standards Committee	Auditing Standards Committee, technical staff external translators
8.	2012	Translate ISAE 3420 in order for it to become effective for assurance reports dated on or after 31 March 2013.	Nov. 2012 Completed	Auditing Standards Committee	Auditing Standards Committee, technical staff external translators
9.	2011	Translate ISAE 3402 in order for it to become effective with effect for assurance reports covering periods ending on or after June 15, 2011.	June 2011 Completed	Auditing Standards Committee	Auditing Standards Committee, technical staff external translators
<i>Review of FSR's Compliance Information</i>					
10.	2013	Perform review of revised SMO 3 and FSR SMO Action Plan and incorporate any necessary changes.	2014	Auditing Standards Committee	Auditing Standards Committee, technical staff external translators

**Action Plan Subject:** SMO 4–IESBA Code of Ethics for Professional Accountants  
**Action Plan Objective:** Continue to Adopt and Implement IESBA Code of Ethics

**Background:**

The Danish Act on Approved Auditors and Audit Firms (the Audit Act) establishes ethical principles for State Authorized Public Accountants (SPA) applying – but without explicit reference to - the fundamental principles in IESBA’s Code of Ethics. It also gives the Danish Business Authority (DBA) the ultimate authority in setting ethical standards. Since no ethical standards have been issued by the DBA, compliance with the FSR Code of Ethics based on the IESBA Code is regarded as good auditor’s behavior.

The IESBA Code of Ethics has been effective in Denmark since 2000 and later amendments are included. It covers all the same categories of professional accountants as the IESBA Code. Additional requirements have been included in the IESBA Code in order to comply with Danish legal requirements. The 2009 Code has been adopted. The March 2013 changes to the Code were implemented in 2014. A comprehensive version of the Code was issued in October 2014.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Maintaining Ongoing Processes</i>					
1.	2009	Translate and implement the IESBA’s revised Code of Ethics (July 2009).	December 2010	Ethics Committee and the Board	The Ethics Committee, technical staff and external translators
2.	Ongoing	Incorporate thinking and knowledge on Code of Ethics into several CPD courses in auditing etc.	Ongoing	FSR – danske revisorer, Education	FSR’s technical staff and members of FSR’s Ethics Committee
3.	June 2013	Translation of the March 2013 changes to the Code of Ethics and implementing these in the FSR’s Code of Ethics.	March 2014. Full revised translated version incl. the 2013 changes was published Oct. 2014	Ethics Committee	FSR’s technical staff

#	Start Date	Actions	Completion Date	Responsibility	Resource
4.	September 2015	The Code of Ethics and good ethical behavior as a competitive advantage for state authorized and registered public accountants was the main theme for the annual strategy symposium of FSR in September 2015.	September 2015		
<i>Review of FSR's Compliance Information</i>					
5.	2013	Perform review of revised SMO 4 and FSR SMO Action Plan and incorporate any necessary changes.	2015	Board and management	Technical staff

**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 Denmark to Incorporate IPSAS Requirements into National Public Sector Accounting Requirements.

**Background:**

Financial Statements for the Government are prepared according to Law on State Accounting (lov om statens regnskabsvæsen). This law is administered by the Finance Ministry. Financial statements for municipalities are prepared according to the Law on governance of municipalities (lov om kommunernes styrelse). This law is administered by the Ministry of Social Affairs and the Interior.

Standards developed by the International Public Sector Accounting Standards Board (IPSASB) have not yet gained the support necessary for full implementation within the Danish public sector. However, some progress has been achieved since accounting in the Danish public sector is more and more inspired by private sector accounting during the last few years.

No government or private sector body has been made responsible for developing these standards. Nevertheless, the Central Government Accounts Council comprised of representatives from various ministries, the National Audit Office, and FSR, monitor the development of IPSASs and the use of the standards by other EU member countries.

FSR continuously seeks to improve awareness amongst member, students and public authorities on best practice for accounting and auditing in the public sector to improve awareness of IPSASs. An after-work seminar for graduate students on public sector accounting and auditing is planned for April 2016.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Work on Wider Recognition and Adoption of IPSASs in Denmark</i>					
1.	Ongoing	Continue to lobby in Denmark for the adoption of IPSASs, e.g. in ad-hoc meetings with representatives of the Economy Board of the Danish Ministry of Finance and in the regular dialogue with the Auditor General (the Supreme Audit Court).	Ongoing	The Public Sector Committee of FSR and the FSR Directors	FSR Directors and technical staff
<i>Review of FSR's Compliance Information</i>					
2.	2013	Perform review of revised SMO 5 and FSR SMO Action Plan and incorporate any necessary changes.	2015	The Public Sector Committee of FSR and the FSR Directors	FSR Directors and technical staff

**Action Plan Subject:** SMO 6–Investigation and Discipline  
**Action Plan Objective:** Continue to Encourage the Authorities and Maintain Own Processes of FSR to Ensure that Investigations and Disciplinary Proceedings are Dealt with in Accordance with SMO 6

**Background:**

The Auditor’s Tribunal (“Revisornævnet”) is independent from the profession and is established by the Danish Business Authority according to the Danish Act on Approved Auditors and Audit Firms. Besides this, FSR has established an Expert Opinions Committee (“Responsumudvalg”) and an Ethics Committee. The Expert Opinions Committee deal with enquiries from the courts, from authorities, from members and others on whether an action or negligence is a violation of good auditor’s behavior. The Ethics Committee has a pro-active role in promoting good auditor’s behavior, and the committee is responsible for the translation of the IESBA Code of Ethics.

Investigations are performed by a government body, the Danish Business Authority. Investigations may lead to filing of complaints to the Auditors Tribunal. Furthermore, the FSR which has internal regulations governing members’ professional behavior, may forward cases to the Tribunal for investigation and expel its members. Such actions from FSR are mostly based on advices from the Ethics Committee. The Auditors Tribunal may give reprimands, issue fines or take away an public accountant’s right to practice as such. The Danish legal framework along with FSR’s own membership requirements ensure that the revised I & D requirements are in line with SMO 6. FSR reviewed the revised SMO 6 requirements from 2012 and found that the new requirements therein have been properly addressed in the Danish I&D system.

The I&D system operated by the Auditors’ Tribunal fully complies with the revised SMO 6 requirements based on FSR’s review conducted in February 2015. Members of FSR who are not auditors are not subject to the I&D procedures within the Auditors’ Tribunal. FSR’s byelaws (articles of association) also cover ethical behavior and compliance amongst non-auditors. FSR continuously makes comments on decisions taken by the I&D system in newsletters to members to raise the awareness amongst members on behaviors that do not comply with current standards.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Maintaining Ongoing Processes</i>					
1.	Ongoing	Continue to be in dialogue with representatives on the Auditor’s Tribunal and other relevant enforcement bodies to identify areas for improvement and promote their implementation to ensure compliance with and enforcement of professional duties.	Ongoing	FSR Directors	FSR Directors and technical staff
<i>Review of FSR’s Compliance Information</i>					
2.	2013	Perform review of revised SMO 6 and FSR SMO Action Plan and incorporate any necessary changes.	2015	FSR Directors	FSR Directors and technical staff

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

**Background:**

As a member-state in the European Union (EU) it is mandatory for listed companies in Denmark to use IFRS in consolidated financial statements. FSR has no direct responsibility for adoption of IFRS in Denmark as it lies with the European Commission and relevant national regulator. Financial institutions regulated by the Danish Financial Business Act have to comply with – besides the IFRS standards if they are listed on a stock exchange - the accounting regulations (executive orders) issued by the Financial Supervisory Authority. These regulations are i.a. based on the current IFRS standards and on European regulations on capital requirements (prudential considerations).

FSR participates in consultative bodies in dialogue with the regulators (The Danish Business Agency and the Financial Supervisory Authority) on the endorsement and implementation of the IFRS Standards. Furthermore, FSR provides up-to-date courses and conferences on latest IFRS standards and interpretations. The Danish Accounting Standards Committee (DASC) is set up by FSR according to the Statutes of FSR (article 12.3). The committee cooperates with other stakeholders on promoting good accounting behavior in Denmark and issues accounting guidelines for non-PIEs.

In 2015 an authorization was granted to the Danish Business Authority to issue rules on deviations from the Danish Financial Statements Act, if such deviations are deemed necessarily to apply IFRS for SMEs. No such rules have been issued yet.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Maintaining Ongoing Processes</i>					
1.	Ongoing	Continue to take active part in rule-making and standard setting on financial reporting and take in consideration IFRS standards and interpretations in all new accounting regulation.	Ongoing	Danish Accounting Standards Committee	FSR's technical staff
2.	Ongoing	Provide training and courses in IFRS standards, amended standards etc., provide financial reporting seminars etc.	Ongoing	FSR Competence and FSR's technical staff	FSR Competence
3.	Ongoing	Publish IFRS news on FSR's website.	Ongoing	FSR's technical staff	FSR's technical staff, newsletters and comments from European Financial Reporting Advisory Group

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Review of FSR's Compliance Information</i>					
4.	2013	Perform review of revised SMO 7 and FSR SMO Action Plan and incorporate any necessary changes.	2015	FSR's Accounting Standards Committee and Directors	Member of FSR's Accounting Standards Committee and technical staff