

## **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>	Mongolian Institute of Certified Public Accountants (MonICPA recognition is by general consensus in 1996)
<b>Original Publish Date:</b>	April 2011
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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>AEC</b>	Audit and Ethics Committee
<b>AMC</b>	Accounting and Methodology Committee
<b>APD</b>	Accounting Policy Department (MOF)
<b>AQRS</b>	Audit Quality Review Specialist
<b>BOM</b>	Bank of Mongolia (Central Bank)
<b>CEO</b>	Chief Executive Officer
<b>CPA</b>	Certified Public Accountant
<b>CPD</b>	Continuous Professional Development
<b>E&amp;Y</b>	Ernst and Young
<b>FRC</b>	Financial Regulatory Commission
<b>GAP</b>	Governance Assistance Program
<b>I&amp;D</b>	Investigation and Discipline
<b>IAASB</b>	International Auditing and Assurance Standards Board
<b>IAESB</b>	International Accounting Education Standards Board
<b>IASB</b>	International Accounting Standards Board
<b>IASC</b>	International Accounting Standards Committee Foundation
<b>IES</b>	International Education Standard
<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>ISQC</b>	International Standard on Quality Control
<b>MOECS</b>	Ministry of Education, Culture, Sciences and Sports
<b>MOF</b>	Ministry of Finance
<b>AASC</b>	Accounting and Auditing Standards Committee, under the Deputy Finance Minister
<b>MonICPA</b>	Mongolian Institute of Certified Public Accountants
<b>SD</b>	Standards Division, MonICPA
<b>PPCD</b>	Project, Program and Cooperation, MonICPA
<b>MoU</b>	Memorandum of Understanding
<b>NAO</b>	National Audit Office
<b>QA</b>	Quality Assurance
<b>SME</b>	Small and medium enterprises
<b>SMO</b>	Statement of Membership Obligations
<b>SOE</b>	State-owned enterprises
<b>TA</b>	Technical Assistance
<b>TC</b>	Training Committee

**Action Plan Subject:** SMO 1–Quality Assurance  
**Action Plan Objective:** Establish a Mandatory Quality Review Program for All Mongolian Audit Firms and Strengthen MonICPA’s Role in the Existing Quality Assurance Review System

**Background:**

Audit profession in Mongolia is regulated by the 1997 Law on Auditing and its last amendments in 2015 as well as by the State Audit Law (Audit Law). Through the Law on Auditing, oversight of the auditing profession is vested in the Ministry of Finance (MoF developed and implement QA guidance which comply with ISQC and is effective by Jan 2017. Professional teams run by the Minister of Finance and sample test QA work on audit clients. ), which includes granting a license for audit followed by oversight of implementation of legal requirements for audit engagements.

Recognizing the need to fill a void and provide Mongolian firms with guidance on the maintenance of quality control systems and adoption of International Standard on Quality Control (ISQC) 1 and International Standards on Auditing (ISA) 220, MonICPA took a proactive stance in 2007 (According to Audit Law amendments MonICPA did not carry out QA reviews since 2015. But our specialist participates QA team with MoF) to set up a quality assurance system. Associated with this endeavor, MonICPA established an Audit Quality Review Team under its Audit Quality Sub-Committee, and developed and published two manuals, one on the methodology and instructions to follow by audit firms to establish quality assurance control and the other one outlining the methodology and instructions for MonICPA during the quality assurance review.

Each audit firm is required to recruit a quality control specialist. MonICPA has developed an Audit Quality Review Questionnaire to provide guidance to the quality assurance review team. International Standards on audit quality have been published and are aligned with ISQC1 and ISA 220.

The Audit Committee provides separate training for directors of audit firms; senior auditors; audit quality specialists; and for assistant auditors. These trainings cover all auditing pronouncements and the materials cover those pronouncements that are most useful and relevant to each role, for example: for directors of audit firms, how to plan and control and deal with management and governance; for audit quality specialist, how to conduct quality assurance review.

The amendment to the Audit Law has been passed by the Parliament in 2015 which is effective on and after 1 January 2016. The amended law specifies a separate paragraph (para.21, Article Four) on audit quality control and review matters. In collaboration with the National Audit Office and Financial Regulatory Commission of Mongolia, with which MonICPA has signed a MOU, MonICPA conducts training for audit firms performing audits of listed or other public interest entities and state owned entities. Also, there is a joint panel comprising of representatives from MonICPA, MOF, BOM (MonICPA carried out implementation, compliance of guidance and standards, methodologies for all clients (especially for private companies and public sector entities) related to QA reviews issues). The joint panel is committed to regular review of quality of the audit of financial statements prepared by insurance companies and savings and credit cooperatives. (In addition, MonICPA carries QA inspections for audit firm according to membership obligations between MonICPA and audit firms.)

The quality review scope includes all audit firms performing audit of financial statements and is therefore in line with the revised SMO 1 requirements. (Yes, guidance and regulations fulfill the revised SMO 1 requirements) (In this statement referred to the MonICPA system, which developed with JICPA in 2007.)

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Improve Further and Implement the Quality Assurance Review System and Ensure that it is Applicable in the Mongolian Context (MoF reported all information about QA reviews for public and MonICPA also publish some information about member audit firms QA reviews through MonICPA's newspaper and site) (10-No)</i>					
1.	Ongoing	Promote quality control standards and make available to firms information on the quality assurance review program, including policies and procedures for compliance.	Ongoing (and updating)	Deputy Director for Audit	Audit Quality Review Specialist (AQRS), Audit Committee manager
2.	2007	Require all private sector audit firms to adopt ISQC-1 and ISA220.	Ongoing (and updating)	Deputy Director for Audit	AQRS, Audit Committee manager
3.	2009	Publish an Annual Audit Quality Review Report on findings of the reviews and highlight areas of concern.	Ongoing (and updating)	Deputy Director for Audit	AQRS, Audit Committee manager
4.	2013	Review and improve MonICPA's current practice and methods of QA review, and develop guidelines for organizing and assessing audit quality review subject to approval by the MonICPA Council.	2014 Completed	Deputy Director for Audit; Vice President for Audit	AQRS, Audit Committee manager
5.	2015	Develop a sample policy document which is in compliance with the requirements of ISQC-1 and ISA220 to introduce and inform to audit firms.	2016 (and updating)	Deputy Director for Audit; Vice President for Audit	AQRS, Audit Committee manager
<i>Maintaining Ongoing Processes and Education and Awareness Building</i>					
6.	Ongoing	Regularly update manuals prepared for guidance on the processes of quality assurance and quality control to incorporate any updates to ISQC1. Once updated, circulate copies of updated manuals to the relevant parties.	Ongoing (and updating)	Deputy Director for Audit	AQRS, Audit Committee manager
7.	Ongoing	Conduct workshops for practitioners in private sector firms to ensure that they are familiar with the requirements.	Ongoing (and updating)	Deputy Director for Audit	AQRS, Audit Committee manager
8.	2008	Maintain yearly calendar for review of audit firms including local firms. Inform all individual and audit firm members about any changes/revisions to the existing review program and post on the website and publish in the newspaper.	Ongoing (and updating)	Deputy Director for Audit, AC Manager and AQRS	Audit Committee (AC) Staff and Director of the MonICPA's branches in local provinces

<b>#</b>	<b>Start Date</b>	<b>Actions</b>	<b>Completion Date</b>	<b>Responsibility</b>	<b>Resource</b>
9.	2008	Provide firms reviewed with appropriate feedback and assistance to improve the existing system within a defined timeframe.	Ongoing (and updating)	Chief Executive Officer (CEO), AC, Accounting and Methodology Committee (AMC)	Relevant Staff of the MonICPA
10.	2009	Assist relevant state/government agencies, such as BOM (the central bank of Mongolia), Financial Regulatory Commission and National Audit Office in building their capacity for the audit quality review process through joint reviews and training programs.	Ongoing (and updating)	President and Chairman of the Council and council members, CEO	Council members & Deputy Director for Audit
<i>Review of MonICPA's Compliance Information</i>					
11.	Ongoing	Perform periodic review of the MonICPA's response to the IFAC Compliance Self-Assessment questionnaires and update sections relevant to SMO 1 as necessary. Once updated inform IFAC Compliance staff about the updates in order for the Compliance staff to republish updated information.	Ongoing (and updating)	President and Chairman of the Council and council members, CEO, Deputy Directors for AEC and Accounting	AEC, TC, AMC, AQRS and Foreign Relations Division (FRD)
12.	Ongoing	Conduct training for quality review specialists of audit firms to make them aware of the changes in the quality review requirements in line with new or revised standards.	Ongoing	Deputy Director for Audit and Ethics	AEC and AQRS
13.	2011	Develop Audit Quality Review Questionnaire to guide the audit quality review team.	2011 Completed	Deputy Director for Audit and Ethics	AEC and AQRS

**Main Requirements of SMO 1**

Requirements	Y	N	Partially	Comments
<b>Scope of the System</b>				
1. At a minimum, mandatory QA reviews are required for all audits of financial statements.	+			
<b>Quality Control Standards and Other Quality Control Guidance</b>				
2. Firms are required to implement a system of quality control in accordance with the quality control standards.	+			
3. Most up to date versions of ISQC 1 and other relevant ISA are adopted as the quality control standards.	+			
4. Member Body assists firms in understanding the objectives of quality control and in implementing and maintaining appropriate systems of quality control.	+			
<b>Review Cycle</b>				
5. A cycle-based, risk-based, or a mixed approach for selecting firms for QA review is used.	+			
6. For cycle-based approach, quality control reviews are required to take place at least every six years (and every three years for audits of public interest entities).	+			
<b>QA Review Team</b>				
7. Independence of the QA Team is assessed and documented.	+			
8. QA Team possesses appropriate levels of expertise.	+			
<b>Reporting</b>				
9. Documentation of evidence supporting the quality control review report is required.	+			

Requirements	Y	N	Partially	Comments
10. A written report is issued upon conclusion of the QA review and provided to the firm/partner reviewed.	+			
<b>Corrective and Disciplinary Actions</b>				
11. Reviewed firms/partners are required to make timely adjustments to meet recommendations from the review report.	+			
12. QA review system is linked to the Investigation and Discipline system.	+			
<b>Consideration of Public Oversight</b>				
13. The body responsible for QA reviews cooperates with its oversight body and shares information on the functioning of the QA review system, as needed.	+			
<b>Regular Review of Implementation and Effectiveness</b>				
14. Regular reviews of implementation and effectiveness of the system are performed.	+			

**Action Plan Subject:** SMO 2–International Education Standards for Professional Accountants and Other Pronouncements Issued by the IAESB  
**Action Plan Objective:** Continue to Use Best Endeavors to Address All SMO 2 Requirements

**Background (CPAs and auditors):**

Article 24 under Chapter 5 of the Accounting Law (IPD and CPD requirements complied by related IESs) as amended in 2015 specifies that candidates wishing to undertake the CPA training and sit the examination must have a Bachelor’s degree in accountancy and at least two years of work experience. Candidates who are graduates of disciplines other than accounting must have completed the required accounting credits and must have four years of work experience.

Article 25 under Chapter 5 of Accounting Law as amended in 2015 indicates that CPA Certificate is given for 4 years after successful passing 1<sup>st</sup> stage Exams, and then for life-time upon completion next stage exams. As outlined above, the pre-qualification practical experience requirement (for taking the first CPA exam) is 2 years, however, during his or her journey to lifetime CPA status an individual will amass a total of 6 years practical experience. Candidates wishing to become auditors must have three years of work experience as assistant auditor at an audit firm and evidence that they have not breached the code of professional conduct while in their role as accountant.

MonICPA’s Accounting Methodology Committee (AMC) fully translated the IESs into the Mongolian language in 2011 (Yes, updating now).

In 2012 MonICPA reviewed and redeveloped the program and curriculum for pre- and post- CPA training. This includes a move to IES7-compliant Continuous Professional Development (CPD) requirements - CPAs must complete 40 Continuous Professional Development (CPD) hours per annum or 120 hours over a three-year rolling period. In line with the renewed program and curriculum, MonICPA has been updating and is also developing new national textbooks on the subjects. The CPA Examination Test Database has been updated and computer-based exam software has been introduced, with video training available on the MonICPA website at [www.monicipa.mn](http://www.monicipa.mn).

In 2012 MonICPA engaged with all universities in Mongolia that offer accounting studies with a view to developing a unified accounting curriculum consistent with the IESs. MonICPA’s role on the *National Board of Unified Curriculum*, which has approximately 100 members including Ministry of Finance (MoF), Ministry of Education, Culture and Sciences (MOECS), and Mongolian universities, involves responsibility for the accounting curriculum.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Alignment with International Education Standards</i>					
14.	2008	Engage with all universities in Mongolia which offer accounting studies with a view to developing a unified accounting curriculum consistent with the International Education Standards advocated by the IAESB.	2012 Completed	CEO, Deputy Director for Accounting Methodology and Training	FRD, MonICPA staff , relevant officers from the Ministry of Finance and Ministry of Education, Culture and Sciences

#	Start Date	Actions	Completion Date	Responsibility	Resource
15.	2008	Ensure that all current and future CPAs who perform audits comply with IES8 in the context of the Mongolian government's framework for the regulation of auditors. (According to Accounting and Audit Law amendments, MoF carried out this action effectively, even MonICPA still include QA review team regarding influential member)	Ongoing	CEO, Deputy Director for Accounting Methodology and Training	PPCD, MonICPA staff , relevant officers from the Ministry of Finance and Ministry of Education, Culture and Sciences
16.	2012	Conduct research on "Current and Future Trends Towards Preparing Accounting Professionals in Mongolia.	2012 Completed	MonICPA, as assigned by the MOF	Lectures from all universities of Mongolia
17.	2013	Carry out research on current practice of Mongolian universities preparing accounting professionals, and organize a forum based on research findings.	Q4 2013 Completed	Deputy Director for Accounting Methodology and Training, Vice President for Accounting	TC staff, representative from accounting universities
<i>Maintaining Ongoing Processes</i>					
18.	Q1 2016	Review and accordingly update the CPA exam structure and contents of the modules in line with the amended Accounting law.	Q3 2016	Deputy Directors, MonICPA lecturers	MonICPA staff
19.	Ongoing on six monthly basis	Update CPA Examination Test Database with incorporation of the new and revised international standards, new and amended national laws.	Ongoing on six monthly basis	CEO, Deputy Directors	Head of Training Subcommittee, MonICPA lecturers and IT engineer
20.	Ongoing	Develop and/or update national textbooks and manuals using case studies based on IAS/ International Financial Reporting Standards (IFRS) requirements and practical application thereof.	Ongoing	CEO, Deputy Directors	MonICPA staff, faculty members of academics and some experienced CPAs in the business sector
21.	Ongoing	Continue to assess the program offered at the Practical Training Center and expand where necessary to include training on software customized for specific areas of financial, cost and management accounting.	Ongoing	Deputy Directors, TC and AMC	TC and AMC staff and lecturers

<b>#</b>	<b>Start Date</b>	<b>Actions</b>	<b>Completion Date</b>	<b>Responsibility</b>	<b>Resource</b>
22.	Ongoing	Request candidates to demonstrate adherence to work experience requirement. Confirm with the relevant organization. Record notarized copies as evidence.	Ongoing	TC and its subcommittees	
23.	2013	Maintain records of CPAs eligible to work in audit firms in order to provide continuous supply of skilled auditors.	Ongoing	CEO Deputy Director for Training, Deputy Director for Audit and Ethics	TC and AEC staff
<i>Review of MonICPA's Compliance Information</i>					
24.	Ongoing	Perform periodic review of the MonICPA's SMO Action plan and update sections relevant to SMO 2 as necessary. Once updated inform IFAC Compliance staff about the updates in order for the Compliance staff to republish updated information.	Ongoing	President and Chairman of the Council and council members, CEO, Deputy Directors	AEC, TC, AMC, AQRS and PPCD

**Action Plan Subject:** SMO 3–International Standards and other Pronouncements Issued by the IAASB  
**Action Plan Objective:** Use of Best Endeavors to Promote Adoption and Implementation of International Auditing and Assurance Standards Board (IAASB) Pronouncements

**Background:**

ISAs are mandatory for audit firms in Mongolia, as required by the Audit Law. The current version of the auditing standards followed in Mongolia is the version approved by IAASB in 2013.

MonICPA undertakes a wide range of activity to support adoption and implementation of standards. Two audit manuals, namely the *Application of ISAs, the Policies and Procedures* and *Financial Audit Manual* were developed by MonICPA for reference of private and public auditors respectively. MonICPA has been involved in providing training to private sector auditors using the translated ISAs and the National Audit Office provides the same to state auditors.

In addition, AMD of the MOF established Accounting and Auditing Committee (AASC) headed by the Deputy Finance Minister comprising of 15 members, who represent a wide range of concerned sectors. Head of Standards Division of MonICPA represents MonICPA in this Committee. The Committee's rights and obligations are set forth in Article 21 of the Accounting Law.

In order to have sight of audits mandated by the National Audit Office, MonICPA has signed Memoranda of Understanding with the Financial Regulatory Commission and the Bank of Mongolia and reviews the quality of audit works on entities regulated by these institutions.

Within the confines of its limited resource, MonICPA is using its best endeavors to translate the clarified ISAs and the clarified ISQC1 for adoption in future. (Not yet, due to uncertain time. MonICPA still working in this action)

MonICPA is active in pushing for amendments to the existing audit law to bring it in line with international practice. Its proposal on the definition of, and criteria for, entities whose financial statements are to be audited mandatorily has been submitted. The amended audit law clarifies difference in services which are provided by audit firm(s) (review audit, assurance etc.). In order to effectively encourage implementation of international standards either accounting or auditing, MonICPA established a separate division on standards which handles comparison of existing international standards with the new or revised standards, plan translation and review of those standards, collect information on challenges facing to business entities in adoption and implementation of international standards, compile the information etc. So far, the division has submitted translation of the new ISA 701 and revised ISAs 700, 705, 706, 610, 570, 260 to the AASC under the Finance Minister. It is expected that the standards will be approved by the Committee for dissemination by September 2017.

MonICPA is dedicated to supporting the development and upgrading of the Mongolian audit profession and is using its best endeavors to assist national audit firms to bring their practices in line with the global standard.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Maintain Ongoing Translation Process</i>					
25.	Ongoing	Assign certain standards on auditing to certain individuals with excellent English skills, both inside and outside MonICPA to update the old versions of standards as per the changes by the IAASB.	Ongoing	CEO, Deputy Director for Audit and Ethics	SD with appropriate outsourcing
26.	Q3 2015	Conduct a review of the existing ongoing process for updating and translating newly issued ISAs and consider how this may be enhanced (ISA 315, ISA 610 and ISRE 2400).	2016	CEO, Deputy Director for Audit and Ethics	SD
<i>Education and Awareness Building (MonICPA is translating standards under permission)</i>					
27.	2011	Raise awareness of newly-translated ISQC1 and ISAs and publish these documents on MonICPA's newspaper "CPA" and quarterly journal "MonICPA".	Ongoing	CEO, Deputy Director for Audit and Ethics	AEC staff and local software providers
28.	Ongoing	Prepare teaching resources in order to conduct training for auditors on the new and revised auditing standards twice a year. In order to have good teaching resources, MonICPA assists its specialists for standards plus 1-3 personnel from each branch in provinces to become lecturers with formal teaching license granted by the MOECS.	Ongoing	Deputy Director for Audit and Ethics, AEC manager	MonICPA lecturers
29.	Ongoing	Provide the Financial Regulatory Commission (FRC) with information on the new and revised standards and conduct training thereon accordingly, as required by the Memorandum of Understanding (MoU).	Ongoing	Chairman of Council and President, CEO	Council members and Deputy Directors
30.	Q3 2012	Introduce a process for reviewing and commenting on IAASB Exposure Drafts.	Q2 2014 Discussions are ongoing - delay due to staff shortage	CEO, Deputy Director for Audit and Ethics	SD
31.	2014	Determine capacity of national audit firms to comply with requirements of ISA and international good practice; and develop methodological guidance on developing and retaining personnel and pricing of audit services for use by audit firms.	2016	CEO, Deputy Director for Audit and Ethics, Vice President for Auditing	AEC staff

#	Start Date	Actions	Completion Date	Responsibility	Resource
32.	2013	List types of audit services in conformity with the requirements of relevant laws, and develop manual on each of these services for use by audit firms.	2016 Completed	Deputy Director for Audit, Vice President for Auditing	AEC staff
33.	2013	Issue a procedure for submission of Independency Report by audit firms to MonICPA.	Q2 2013 Q3 2013 Completed	CEO, Deputy Director for Audit and Ethics	AEC staff
34.	2010	Develop manual on the application of advanced software in audit work which is in compliance with ISA and conduct training there on.	2012 completed	AC and Training Committee	IT Engineer of MonICPA, local Software companies
<i>Training</i>					
35.	2011	Conduct ongoing training on the translated ISAs in the capital city and provinces.	Ongoing	CEO, Deputy Director for Audit and Ethics	AEC staff
36.	2010	Collaborate with software providers both international and national to prepare a manual on application of audit software and train auditors on the use of the software.	Q3 2013	CEO, Deputy Director for Audit and Ethics	AEC staff and local software providers
<i>Review of MonICPA's Compliance Information</i>					
37.	Ongoing	Perform periodic review of the MonICPA's SMO Action Plan and update sections relevant to SMO 3 as necessary. Once updated inform IFAC Compliance staff about the updates in order for the Compliance staff to republish updated information.	Ongoing	President and Chairman of the Council and council members, CEO, Deputy Directors for Audit and Accounting	AEC and AQRS

**Action Plan Subject:** SMO 4–IESBA Code of Ethics for Professional Accountants  
**Action Plan Objective:** Alignment of the MonICPA Code of Ethics with that of the IESBA

**Background:** (MonICPA has mandatory training about professional ethic for all professional accountants who are intending to become CPA under IPD program. And MonICPA required ethical requirements for all CPAs and auditors under Accounting Law and Auditing Law)

MonICPA initially translated and adopted the 2004 IESBA Code of Ethics with some modifications. The present Code of Ethics, approved at MonICPA's Assembly in 2012, is consistent with the IESBA Code of Ethics.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Adoption and Implementation of the IESBA Code of Ethics in Mongolia</i>					
38.	2011	Regularly review the IESBA Code of Ethics to maintain compliance with this code.	Ongoing	CEO, Deputy Director for Audit and Ethics, Head of FRD	AEC staff, FRD staff
39.	2011	Translate the latest IESBA Code for Professional Accountants so that MonICPA makes any revision on timely basis for further enforcement.	Ongoing	CEO, Deputy Director for Audit and Ethics, Head of FRD	AEC staff, FRD staff
40.	2012	Publicize the Code of Ethics developed by MonICPA and put into place an awareness program and disciplinary actions against breaches and non-compliance.	Ongoing	President and Chairman of the Council and council members, and CEO	Deputy Director for Audit and Ethics, AEC and AQRS, members of Ethics Subcommittee
41.	Q1 2013	Review and, if necessary, update mechanism to maintain alignment of the MonICPA Code of Ethics with the latest IESBA Code.	Ongoing	CEO	MonICPA staff
<i>Education and Promotion Activities</i>					
42.	2006	Introduce new CPAs to the Code of Ethics before they take the CPA path, and supply the printed Code of Ethics to new CPAs. Continue to ensure that both the CPD and auditor training programs cover the Code of Ethics.	Ongoing	Chairman of Council and President, CEO	AEC staff and Manager for MonICPA branches
43.	2013	Visit accounting universities to teach 18hrs lessons on the Code of Ethics for Professional Accountants.	Ongoing	Deputy Director for AMT	MonICPA lecturers, Manager for MonICPA branches

<b>#</b>	<b>Start Date</b>	<b>Actions</b>	<b>Completion Date</b>	<b>Responsibility</b>	<b>Resource</b>
44.	2009	Encourage accounting universities and MOECS to include courses on the topic of ethics, illustrated by case studies using the Code of Ethics manual described below.	Ongoing	CEO, Council members, Deputy Directors	AMTC
45.	2011	Continue to include ethics content in the pre-CPA examination.	Ongoing	CEO, Council members, Deputy Directors	MonICPA staff
46.	2012	Develop a manual on the Code of Ethics as part of Business Ethics for all accounting students and candidates for the CPA exam.	2012 Completed	CEO, Council members, Deputy Directors	MonICPA staff
<i>Review of MonICPA's Compliance Information</i>					
47.	Ongoing	Perform periodic review of the MonICPA's SMO Action Plan and update sections relevant to SMO 4 as necessary. Once updated inform IFAC Compliance staff about the updates in order for the Compliance staff to republish updated information.	Ongoing	President and Chairman of the Council and council members, CEO, Deputy Directors for Audit and Ethics and Accounting	AEC staff, foreign relations manager

**Action Plan Subject:** SMO 5–International Public Sector Accounting Standards and Other Pronouncements Issued by the IPSASB  
**Action Plan Objective:** Use of Best Endeavors to Promote Adoption and Implementation of IPSAS

**Background:**

Paragraph 10 of the Accounting Law of Mongolia, *Composition of Financial Statements*, mandates that “All budget entities (the entities which are subsidized by the government) shall prepare their financial statements in line with IPSAS.”

With the support of the World Bank and Asian Development Bank, the Mongolian Government adopted the 2003 version of the International Public Sector Accounting Standards (IPSAS). In accordance with paragraph 26.3 of the Management and Financing Law for Budget Entities, state entities in Mongolia prepare financial statements on the accrual basis of accounting. The Ministry of Finance and MonICPA provide public sector entities with the current IPSASB handbook of pronouncements for this purpose.

MonICPA supports translation of the IPSAS and provides training to professional accountants in the public sector. (For example; MonICPA has training courses such as IPD and CPD and Pre-ordered courses those are related to IPSAS).

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Support the Adoption of IPSASs by the Mongolian Government</i>					
48.	Ongoing	Show support to the MOF and state organizations in the implementation of IPSAS and collaborate to provide professional training to accountants in the public sector to meet this obligation.	Ongoing	CEO, Deputy Director for Audit	AEC staff
49.	April 2012	Assist MoF in translating the most recent suite of IPSAS. (MonICPA and MoF works together under MOU in order to translate and implement all accounting standards such as IAS, IPSAS and ISA)	Q4 2012 Completed	Deputy Director for Audit	AEC staff
<i>Maintain Ongoing Processes</i>					
50.	Ongoing	Using best endeavors continue to support the wide adoption of IPSAS within the Mongolian Public Sector through participating in translation, development of manual attached to IPSAS and conducting training for public sector accountants.	Ongoing	CEO, Deputy Director for Audit and Ethics	AEC staff
<i>Review of MonICPA’s Compliance Information</i>					
51.	Ongoing	Perform periodic review of the MonICPA’s SMO Action Plan and update sections relevant to SMO 5 as necessary. Once updated inform IFAC Compliance staff about the updates in order for the Compliance staff to republish updated information.	Ongoing	CEO, Deputy Director for Audit and Ethics	AEC staff

**Action Plan Subject:** SMO 6–Investigation and Discipline  
**Action Plan Objective:** Ongoing Maintenance and Improvement of the MonICPA Investigation and Discipline System in Line with SMO 6

**Background:**

MonICPA shares responsibility for investigation and discipline of errant members with the Ministry of Finance. The Law on Auditing outlines three possible penalties to be imposed on a CPA or auditor who is deemed to be in breach of the Code of Ethics:

- Censure (or reprimand)
- Suspension of audit license; or
- Removal of CPA designation

MonICPA’s Investigation and Disciplinary Procedures are outlined in its Code of Ethics. MonICPA’s Ethics Committee has full procedures relating to investigation and discipline titled “Rules for Receipt of Complaints and Information Related to Ethical Cases, Investigation, Discussion and Decision.” These are in alignment with SMO 6. The procedures detail all required actions from receipt of complaint against member to final decision.

When a complaint is made, the Ethics Committee considers the case and if a complaint is upheld, the Ethics Committee submits its decision to the Council of MonICPA, and where the Council’s decision is to suspend professional designation or remove an audit license, the matter is referred to the Ministry of Finance for final decision. The revised SMO 6 was reviewed in 2012. Gaps in the appeals process have been identified. The Ethics Committee is discussing how to incorporate the revised requirements, and it is anticipated that this will be done shortly. (MonICPA planned this action in 2017).

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Maintenance of the Investigation and Discipline (I&amp;D) System</i>					
52.	Ongoing	Evaluate and review the I&D system, including the regulations on receiving claims which have been approved by the Council.	Ongoing	Council Members, CEO, Deputy Director for Audit	AC staff
53.	Ongoing	Maintain an open email address for receipt of claims and complaints, and allow these to be submitted directly to the Ethics Committee.	Ongoing	Council Members, CEO, Deputy Director for Audit	AC staff
54.	Ongoing	Raise public awareness of the I&D system through the MonICPA website and other sources such as the fortnightly newspaper “CPA” and quarterly journal “MonICPA.”	Ongoing	CEO, Deputy Director for Audit	Council members, AC staff

<b>#</b>	<b>Start Date</b>	<b>Actions</b>	<b>Completion Date</b>	<b>Responsibility</b>	<b>Resource</b>
55.	Ongoing	Ongoing review and where necessary update of MonICPA's I & D mechanisms in line with updates to the MonICPA Code of Ethics and SMO 6 requirements.	Ongoing	CEO, Deputy Director for Audit and Ethics	Council members, AEC staff
<i>Review of MonICPA's Compliance Information</i>					
56.	Ongoing	Perform periodic review of the MonICPA's SMO Action Plan and update sections relevant to SMO 6 as necessary. Once updated inform IFAC Compliance staff about the updates in order for the Compliance staff to republish updated information.	Ongoing	CEO, Deputy Director for Audit and Ethics	Council members, AEC staff
57.	Q3 2013	Agree action to be taken in response to gaps in the alignment of current I&D with the revised SMO 6.	Q5 2015	CEO, Deputy Director for Audit and Ethics	Council Members, members of subcommittees of AEC

**Action Plan Subject:** SMO 7–International Financial Reporting Standards and Other Pronouncements issued by the IASB  
**Action Plan Objective:** Use of Best Endeavors to Ensure Adoption and Implementation of IFRS

**Background:** (SMEs should apply some of IASs not fully, but large and listed companies should apply IASs fully according to Accounting Law and Auditing Law)

Article 8, paragraph 1 under Chapter 3 of the revised Accounting Law mandates that “Business entities shall prepare their financial statements in compliance with International Financial Reporting Standards.” Adoption of pronouncements issued by the International Accounting Standards Board (IASB) is therefore mandatory in Mongolia.

In addition, AMD of the MOF established Accounting and Auditing Committee (AASC) headed by the Deputy Finance Minister comprising of 15 members, who represent a wide range of concerned sectors. Head of Standards Division of MonICPA represents MonICPA in this Committee. The Committee has approved 3 national standards on Agriculture, Construction and Mining based on IAS 1, IAS 11 and IFRS 6, respectively. The Committee’s rights and obligations are set forth in Article 21 of the Accounting Law.

Translation of full IFRS 2011 was completed in 2012.

IFRS for Small and medium enterprises (SMEs) was translated in full text in 2011 with formal permission obtained from the IFRS Foundation. Additional staff resources to lead translation activities are in the process of being recruited with priority for selection of an individual with a high level of English proficiency and an excellent understanding of accounting terminology and principles.

In order to effectively encourage implementation of international standards either accounting or auditing, MonICPA established a separate division for standards which handles comparison of existing international standards with the new or revised standards, plan translation and review of those standards, collect information on challenges facing to business entities in adoption and implementation of international standards, compile the information etc. So far, the division has submitted translation of the revised version IFRSs for SMEs (2016 version) to the AASC under the Finance Minister. It is expected that the standards will be approved by the Committee for dissemination by September 2017.

Translation software SDL- TRADOS has been in use since February 2013 and the database creation is in progress.

Translation of IFRS 10, 11, 12 and 13 is in process under the Agreement with the MOF.

MonICPA has submitted a proposal for amendment of the Accounting Law in the way it defines the size of entities to more effectively support implementation of full IFRS and IFRS for SMEs in line with SMO7 requirements. (MonICPA still working in initiative).

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Implementation of IFRS</i>					
58.	2011	Assign certain IFRS to certain individuals with excellent English skills, both inside and outside MonICPA to update the old versions of standards as per the changes by the IASB.	Ongoing	CEO, Manager of AMC, Head of SD	SD, AMC staff with appropriate outsourcing
59.	2011	Prepare teaching personnel who possess high level of proficiency on standards.	Ongoing	CEO	TC and AMC
60.	2011	Offer regular training on IFRSs (4 types of training including training upon request by any interested organization or entity (training-on-order); training on specific area covered in IFRS; introduction training or covering all new or revised IFRSs); and IFRS class for CPD program. Training on specific IFRS is conducted by form of workshop to make it more proactive event.	Ongoing	CEO, TC and AMC	Other relevant staff, plus outsourcing
61.	Q3 2012	Conduct review of the current process for ongoing review, translation and implementation of IFRS in Mongolia and consider whether this can be made clearer and/or more effective.	Q2 2013 Completed	CEO, Manager of AMC, Head of SD	MonICPA staff
62.	Q1 2013	Complete the database creation for translation software SDL- TRADOS.	Q3 2013 Completed in 2014	CEO, Deputy Director for AMC	Manager and other staff of AMC
<i>Review of the Financial Reporting Environment</i>					
63.	2006	Develop Application Manual/handbook on Interpretation of IFRS for accountants to raise awareness about the latest changes to IFRS. Published "Interpretation of IFRS" which is based on IFRS-2010 Bound Volume. (Yes, MonICPA always update the publication of IFRSs and IASs).	2007 Completed	CEO, Deputy Director for AMC	AMC staff, SD staff
64.	2011	Participate in working group established by the MOF which is responsible for developing a new template/ format for preparing and presenting separate (not consolidated) financial statements in accordance with IFRS.	2012 Completed	CEO and AMC	AMC specialists
65.	2013	Develop sample comprehensive policy document applicable to any type of business entity. (For example, Accounting policy for business sector and guidance on accounting documents for all types of entities).	2014 Completed in 2015	Deputy Director for AMC	AMC staff

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>IFRS for SMEs</i>					
66.	2011	Translate IFRS for SMEs in full text. Obtain formal permission from International Accounting Standards Committee Foundation (IASC) Foundation. (The permission is requested by both).	2016 Completed		
67.	2017	Compare full IFRS 2017 version with the previous translation, and highlights the changes for translation.	Q4 2017		SD
68.	2010	Hold a series of workshops on IFRS and IFRS for SMEs.	Ongoing	CEO, Deputy Director for AMC	AMC and CT staff, SD staff
69.	2015	Organize international research conference of accounting and auditing professionals and researchers with presence of researchers from Russia, Korea, Japan and China.	Ongoing		AMC and CT staff, SD staff
<i>Maintain Ongoing Processes</i>					
70.	Ongoing	Continuous review of IFRS to ensure that any amendments and additions are translated and communicated through the website at <a href="http://www.monicipa.mn">www.monicipa.mn</a> and in the newspaper "CPA" and the Quarterly Journal "MonICPA".	Ongoing	CEO, Deputy Director for TC and AMC	AMC and TC staff, SD staff
71.	Ongoing	Provide professional expertise in the form of a nationwide review to ensure that financial statements are prepared and presented in accordance with IFRS where MonICPA is a stakeholder.	Ongoing	CEO, Deputy Director for Audit and Ethics, Deputy Director for TC and AMC	All staff
72.	2012	Develop video training on each international accounting standard along with news on overview of the new and revised IFRS to be placed on the web site at <a href="http://www.monicipa.mn">www.monicipa.mn</a> .	Ongoing	CEO, Deputy Director for TC and AMC	Lecturers
<i>Review MonICPA's Compliance Information</i>					
73.	Ongoing	Perform periodic review of the MonICPA's SMO Action Plan and update sections relevant to SMO 7 as necessary. Once updated inform IFAC Compliance staff about the updates in order for the Compliance staff to republish updated information.	Ongoing	CEO, Deputy Director for AMC	Council members, MonICPA staff



**MONGOLIAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS**

INTERNATIONAL FEDERATION OF ACCOUNTANTS  
ATTN: MS. PRINSLOO

Date: 13/06/2017

Ref: / 1/186

Dear Ms. Prinsloo,

**Subject: Letter to Confirm Institutional Support for the SMO Action Plan**

This letter is to confirm that the leadership of the MONGOLIAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS has reviewed the information contained in the SMO Action Plan prepared by MONGOLIAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS as part of the IFAC Member Compliance Program and will provide institutional support for its implementation. On behalf of the leadership of the MONGOLIAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS, I endorse publication of the SMO Action Plan on the IFAC website in the interests of transparency and to demonstrate our commitment to enhancing the quality and credibility of the accountancy profession worldwide.

Sincerely,

L. ENKH-AMGALAN

(Signature of President or Chairman of the Board or equivalent)

CHIEF EXECUTIVE OFFICER

(Title)

MONGOLIAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS  
(Name of Organization)

JUNE 12, 2017  
(Date)