

## **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>	The Institute of Certified Public Accountants of Cyprus (ICPAC)
<b>Approved by Governing Body:</b>	ICPAC Council
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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>EFRAG</b>	European Financial Reporting Advisory Group
<b>IAASB</b>	International Assurance and Auditing Standards Board
<b>ICPAC</b>	Institute of Certified Public Accountants of Cyprus
<b>IFAC</b>	International Federation of Accountants
<b>I&amp;D</b>	Investigation and Discipline
<b>IES</b>	International Education Standards
<b>IESBAs</b>	International Ethics Standards Board for 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>ISQC1</b>	International Standard on Quality Control 1
<b>QA</b>	Quality Assurance
<b>SMO</b>	Statement of Membership Obligations
<b>TCSP</b>	Trust and Company Service Providers

**Action Plan Subject:** SMO 1–Quality Assurance

**Action Plan Objective:** Implement and Monitor the Quality Assurance Mechanism and bring it fully in Line with SMO 1

**Background:**

The current law dealing with the Quality Assurance (QA) system in Cyprus is the new Law Providing for Statutory Audits of Annual and Consolidated Accounts by Statutory Auditors and Audit Firms (L.53(I)/2017) which provides for the newly-appointed Cyprus Public Audit Oversight **Authority** (CyPAOA), the designated competent authority, and ensures that a QA system is in place that meets the criteria set by European Union (EU) Directive 2014/56/EU and the Regulation 537/2014 on statutory audits of annual accounts and consolidated accounts.

The new Auditors Law of 2017, which transposed the Directive 2014/56/EC and Regulation No. 537/2014 into national Law, was enacted on June 2, 2017. ICPAC, remains the sole Recognised Body of Auditors in Cyprus, and up until the new Law came into force, it had direct responsibility for the QA system for its members who are registered auditors. The whole process was under the supervision of the CyPAOB.

The new Auditors L of 2017 Law recognises the CyPAOA as the designated competent authority and as the ultimate body responsible for the quality assurance reviews for all firms. However, a number of duties may be delegated to ICPAC via a formal delegation agreement. A Letter of Intent was signed between ICPAC and the CyPAOB prior to the latter's dissolution and it has been agreed that all duties with the exception of the monitoring and supervision of PIE auditors will be delegated by the newly formed CyPAOA to ICPAC. For all other firms that do not perform PIE audits, the quality assurance reviews will be undertaken by ICPAC. The changes are expected to enter into force immediately. The delegation agreement will be signed as soon as a new board is appointed for the newly established CyPAOA.

Furthermore, the Prevention and Suppression of Money Laundering Activities Law renders ICPAC as the Supervisory Authority for auditors and trust and company service providers (TCSPs) for anti-money laundering purposes. This law is currently based on the 3<sup>rd</sup> EU AML Directive 2005/60/EC. The transposition of the 4<sup>th</sup> EU AML Directive 2015/849 into national law is almost complete and the draft law has been submitted to the Parliament and is pending enactment.

ICPAC operates a mandatory QA system through an agreement with the Association of Chartered Certified Accountants (ACCA). ACCA provides assistance to ICPAC in establishing and operating an effective QA system, for the regulation of all its practicing members – covering auditors, insolvency practitioners and TCSPs. On behalf of ICPAC, ACCA undertakes monitoring visits of ICPAC practicing members, for compliance with relevant laws, the ICPAC regulations, the IESBA Code of Ethics and ISA and IFRS as appropriate.

The QA system operated for ICPAC members is based on the QA system operated by ACCA for its practicing members in the United Kingdom, which complies fully with the requirements of SMO 1 (revised 2012), and which has been extended to incorporate supervision for anti-money laundering purposes.

The subject of the QA system is a firm, and the review takes into account the work of individual partners. Both for audit monitoring purposes as well as for the monitoring of TCSPs, a combination of cycle and risk-based approach is followed. For the monitoring of TCSPs and compliance with anti-money laundering regulations a risk-based tool for offsite supervision/monitoring was developed and launched by ICPAC since 2014.

The QA review team is properly qualified and trained to perform this task and is responsible to issue a report after each review visit to both ICPAC and the practitioner and assess the practitioners action plan. Where any other corrective actions must be taken, ICPAC is required to exercise or impose them.

The QA system is regularly reviewed to ensure it meets objectives and the relevant statutory requirements.

ICPAC cooperates closely and is required to share information about its QA system with the CyPAOA, for the purposes of meeting the relevant statutory requirements and for contributing to the development of the regulation of the profession.

International Standard on Quality Control 1 (ISQC 1) was adopted by ICPAC as issued and subsequently revised, based on an ongoing ICPAC Council decision. All members of ICPAC are expected to comply with ISQC 1 [for additional information see Action Plan section for SMO 3]. Courses on ISQC 1 where reference is made to relevant guidance issued by International Federation of Accountants (IFAC), as well as tailored courses for smaller practitioners to address common problems noted through monitoring, are provided by ICPAC as part of the continuous professional development program for members on an annual basis.

A link to the IFAC Global Knowledge Gateway is available in the Members section of the ICPAC website, and members are prompted to subscribe for updates from the Gateway directly. Highlights from “The Latest Global Knowledge, Resources and News from the Gateway” are included. in the "Professional Briefing" section of the ICPAC "Accountancy Cyprus" magazine which is published on a quarterly basis and issued to all ICPAC members and students as well as to a number of government, educational, and other organizations.

#	Start Date	Actions	Completion Date	Responsibility	Resources
<i>Revise Existing Quality Assurance Mechanism to Bring Fully in Line with SMO 1 Requirements</i>					
1.	January 2009	Incorporate in the Quality Assurance review system the requirement to adopt a maximum review cycle of three years at least for firms auditing public interest entities.	December 2009 Completed	Council, General Manager	General Manager
2.	January 2009	Establish a process for making available to the public an annual report summarizing the results of the Quality Assurance reviews.	December 2010 Completed	Council, General Manager	General Manager
3.	January 2009	Review of the Quality Assurance system to ensure it functions as intended.	December 2010 Completed	Council, General Manager	General Manager
4.	July 2014	Work with the CyPAOA to define the responsibilities for conducting Quality Assurance reviews of PIE and non-PIE auditors, and ensure that the resulting system will continue to comply with the requirements of SMO 1.	December 2016 Completed	Council, General Manager	General Manager

#	Start Date	Actions	Completion Date	Responsibility	Resources
5.	June 2017	Agree all conditions and requirements of the CyPAOA for the delegation of duties related to the monitoring, supervision and disciplining of non-PIE auditors.	August 2017	Council, General Manager	General Manager
<i>Maintaining Ongoing Processes</i>					
6.	Ongoing	Continue to monitor the Quality Assurance mechanism to ensure that it complies with the requirements of SMO 1.	Ongoing	General Manager, Technical Staff	General Manager, Technical Staff
7.	January 2014	Review the requirements of revised SMO 1 and take actions to ensure compliance with the revised requirements.	March 2014 Completed	General Manager, Technical Staff	Technical Staff
8.	Ongoing	Release the annual report on an ongoing basis.	Ongoing	Council, General Manager	General Manager
9.	Ongoing	Assessing the number and competencies of the quality assurance review team members.	Ongoing	General Manager, Monitoring & Compliance Officer	General Manager
10.	Ongoing	Raise awareness and provide education, development and training support on implementation of quality control and quality assurance standards to members. For examples of such activities see Action #31 below for SMO 3.	Ongoing	General Manager, Technical Staff	Technical Staff
<i>Review of ICPAC's Compliance Information</i>					
11.	Ongoing	Perform periodic review of ICPAC 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	General Manager, Technical Staff	Technical Staff

**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 ISAs 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.	√			Mixed approach.
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).	√			Requirement of six and three years are applied accordingly.
<b>QA Review Team</b>				
7. Independence of the QA Team is assessed and documented.	√			Review is outsourced to the ACCA.
8. QA Team possesses appropriate levels of expertise.	√			
<b>Reporting</b>				
9. Documentation of evidence supporting the quality control review report is required.	√			
10. A written report is issued upon conclusion of the QA review and provided to the firm/partner reviewed.	√			

Requirements	Y	N	Partially	Comments
<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:** Strengthen Ongoing Application of International Accounting Education Standards Board (IAESB) Guidance

**Background:**

ICPAC operates a Joint Examination Scheme with the Association of Chartered Certified Accountants (ACCA), based on the ACCA Qualification (examination scheme and syllabus). This joint examination scheme differs from the ACCA Professional Scheme only to the extent that it includes variant papers on Cyprus Corporate and Business Law, and Cyprus Taxation. The joint examination scheme is administered by ACCA and its performance is reviewed annually to ensure it meets objectives and that it is in line with IAESB pronouncements.

To become a registered member of ICPAC the candidate must have three years of pre-qualification experience subject to certain terms as laid out in the regulations of ICPAC. To obtain a practicing certificate the registered member must additionally have two years of post-qualification experience, and must have passed the variant papers of the joint examination scheme on Cyprus Corporate and Business Law, and Cyprus Taxation, either as part of his/her qualification program or independently as separate Aptitude Tests. For an audit practicing certificate, the post-qualification experience must include auditing. It should be noted that the educational requirements for obtaining approval to carry out a statutory audit are defined in the Law providing for Statutory Audits of Annual and Consolidated Accounts by Statutory Auditors and Statutory Audit Firms. The regulations of ICPAC lay out requirements for registering as a member and for obtaining a practicing license.

Subsequent to membership being awarded, post-qualification educational activities are organised by ICPAC as part of the continuing professional development program for members. ICPAC operates a mandatory Continuing Professional Development (CPD) Scheme for its members, which is based on ACCA's CPD scheme. Members who chose the unit route (members who plan and organise their own CPD) are required to complete 40 hours of CPD each year, relevant to their role and career, of which 21 hours must be verifiable. Alternatively, members may participate in their organisation's employee development programme if working for an Approved Employer for professional development, or follow another body's CPD programme instead if they are also a member of another professional accountancy body. Random checks of the CPD evidence kept by members as proof of their CPD activities are carried out on an annual basis. Additionally, compliance of members with the ICPAC CPD scheme and IAESB pronouncements is monitored as part of the Quality Assurance scheme of ICPAC. It should be noted that only auditors are required by law to be members of ICPAC. However, CPD requirements apply for all ICPAC members who hold a practicing license as auditors, external accountants, tax advisors and trust and company service providers, as well as all non-practising members of ICPAC.

The ICPAC technical staff, together with the Education Committee of ICPAC, monitors the IAESB work program to identify new drafts and final new or revised pronouncements, review exposure drafts issued by the IAESB, and assess whether the activities of ICPAC comply with the International Education Standards and the International Education Practice Statements. The requirements of IES 8 have already been taken into consideration and are reflected in the existing conditions set by ICPAC for issuing practicing certificates. Revision of the requirements for the continuing professional development scheme operated by ICPAC has been completed in 2016. All members have been informed of the changes in October via a series of presentations available to all members for free and via an additional circular issued in December.

IFAC press releases for all new and revised IAESB pronouncements are circulated to ICPAC members by e-mail immediately upon issuing by IFAC, and are reproduced in the "Professional Briefing" section of the ICPAC "Accountancy Cyprus" magazine which is published on a quarterly basis and issued to all ICPAC members as well as to a number of government, educational and other organizations.

A link to the IFAC Global Knowledge Gateway is available in the Members section of the ICPAC website.

#	Start Date	Actions	Completion Date	Responsibility	Resources
<i>Ongoing Adoption of IAESB Pronouncements</i>					
12.	November 2008	Confirm the process in place for ensuring notifications for new and revised IAESB pronouncements are published in the ICPAC magazine.	November 2008 Completed	General Manager, Technical staff	Technical Staff
13.	November 2008	Ensure the notifications for new and revised IAESB pronouncements are made available in the "Public" section of the ICPAC website ( <a href="http://www.icpac.org">www.icpac.org</a> ) so that they are made publicly available.	September 2015 Initial phase completed – enrichment of website is ongoing	General Manager, Technical Staff	Technical Staff
14.	January 2009	Review the issued IAESB pronouncements to identify any possible areas of improvement in the standards of accountancy education offered to ICPAC members.	Q4 2009 Completed	General Manager, Technical Staff	Technical Staff
15.	September 2015	The revision of the requirements of the revised IESs has been planned and so as the initial professional development and CPD requirements for members of ICPAC will be in line with the requirements of revised IESs. Relevant circulars were circulated to members and presentations delivered in conjunction with ACCA. The application form for obtaining an audit practicing certificate has been amended in order to reflect the requirements of IES8.	December 2016 Completed	General Manager, Technical Staff	Technical Staff
<i>Maintaining Ongoing Processes</i>					
16.	Ongoing	Monitor the IAESB work program to identify new drafts and final pronouncements.	Ongoing	General Manager, Technical Staff	Technical Staff Education Committee

#	Start Date	Actions	Completion Date	Responsibility	Resources
17.	Ongoing	Review and comment on exposure drafts issued by the IAESB.	Ongoing	General Manager, Technical Staff	Technical Staff Education Committee
18.	Ongoing	Monitor ICPAC's activities to ensure compliance with the International Education Standards and the International Education Practice Statements.	Ongoing	General Manager, Technical Staff	Technical Staff
19.	Ongoing	Confirm with ACCA that all new and revised international pronouncements on ethics, quality control, auditing and financial reporting are incorporated in the syllabus for the joint examination scheme syllabus.	Ongoing	General Manager, Technical Staff	General Manager, Technical Staff
20.	Ongoing	Confirm with ACCA that the joint examination scheme and the continuing professional development scheme are in line with the requirements of the International Education Standards.	Ongoing	General Manager, Technical Staff	General Manager, Technical Staff
21.	Ongoing	Provide courses on new and revised IFAC pronouncements to raise awareness and enhance understanding of and compliance with ethical requirements and the requirements of the quality control, auditing and financial reporting standards. <i>Between 2014 and 2017 to date the courses organized by ICPAC covered IFRSs, ISAs, ethics, common deficiencies on ISQC1 and ISA compliance, taxation, VAT, anti-money laundering, and updating on current issues and new laws &amp; regulations. Personal development course were also organized for members. For the remaining part of 2017 additional courses are planned on AML and general compliance matters, sanctions, cyber security, updates seminar for the new AML and Auditors Laws, and IFRS.</i>	Ongoing	General Manager, Technical Staff	Technical Staff, Education Committee, Accounting Standards Committee, Auditing Standards Committee
22.	Ongoing	Check links to relevant sections of the IFAC website provided on the ICPAC website and update as necessary.	Ongoing	General Manager, Technical Staff	Technical Staff
23.	January 2014	Review the requirements of revised SMO 2 and take actions to ensure compliance with the revised requirements.	March 2014 Completed	General Manager, Technical Staff	Technical Staff
24.	Ongoing	Support ongoing adoption and implementation of IAESB pronouncements. This includes review of the implementation of the Action Plan to date and updating the Action Plan for future activities as necessary.	Ongoing	Council, General Manager, Technical Staff	Technical Staff

#	Start Date	Actions	Completion Date	Responsibility	Resources
<i>Review of ICPAC's Compliance Information</i>					
25.	Ongoing	Perform periodic review of ICPAC s response to the IFAC Compliance Self-Assessment questionnaires 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	General Manager, Technical Staff	General Manager, Technical Staff

**Action Plan Subject:** SMO 3–International Standards and other Pronouncements Issued by the IAASB  
**Action Plan Objective:** Support Ongoing Adoption of International Auditing and Assurance Standards Board (IAASB) Pronouncements and Develop a Translation Process

**Background:**

National law (the Law Providing for Statutory Audits of Annual and Consolidated Accounts by Statutory Auditors and Audit Firms) as amended in 2017 requires statutory audits to be carried out in compliance with International Auditing Standards (ISAs) adopted by the European Commission (EC), on the understanding that until EC adopts ISAs, auditors may apply the national auditing standards which they were applying on the date the aforementioned Law entered into force, which would be the ISAs issued by IAASB. It should be noted that national laws require all incorporated entities, partnerships and self-employed individuals with annual turnover over €70.000, to prepare audited financial statements.

ICPAC adopts all IAASB pronouncements as issued based on an ongoing ICPAC Council decision.

All members of ICPAC are required to comply with the IAASB pronouncements. The pre-qualification program of ICPAC includes compulsory modules on auditing and assurance and, subsequent to membership being awarded, relevant courses are provided by ICPAC as part of the continuous professional development program for members. Compliance of members with International Standards on Auditing and Quality Control is monitored as part of the Quality Assurance scheme of ICPAC.

The ICPAC technical staff, together with the Auditing Standards Committee of ICPAC, monitor the IAASB work program to identify new drafts and final new or revised pronouncements, review and comment on exposure drafts issued by the IAASB, and issue technical circulars to members on the application of new and revised IAASB pronouncements as well as clarifications on the application of existing pronouncements taking into account local environment considerations.

As of 15<sup>th</sup> of December 2016, all the members of ICPAC are required to adopt the New Audit Report Standards, namely ISA 701 and the revised ISA's 700, 570, 705, 706, 260 and 720. ICPAC has proceeded to circulate this update to its members and has designed and offered educational presentations for all its members to familiarise themselves with the new update. Illustrations of the new auditor report have been issued and circulated to members in January 2017 and seminars have been offered to all members in March 2017.

IFAC press releases for all new and revised IAASB pronouncements are circulated to ICPAC members by e-mail immediately upon issuing by IFAC, and are reproduced in the "Professional Briefing" section of the ICPAC "Accountancy Cyprus" magazine which is published on a quarterly basis and issued to all ICPAC members and students as well as to a number of government, educational and other organizations. ICPAC also orders bound volume copies of the IAASB Handbooks as soon as these are issued on an annual basis, and notifies members that they are available for distribution to those interested. ICPAC members have already been notified about the "Guide to International Standards on Auditing for use in the Audits of Small- and Medium-sized Entities" and the "Guide to Quality Control for Use by Small- and Medium-sized Practices" issued by IFAC. These two documents have also been referred to in relevant courses of the continuous professional development program for members.

For compliance with the IFAC Translations Policy, the translation of the International Standards on Auditing and Quality Control in Greek has been undertaken by Greece with the support of Cyprus. According to European Union requirements, there can be only one official translation per language for international pronouncements to be adopted by the European Union. Greece has undertaken the translation of the International

Standards on Auditing and Quality Control, with the support of Cyprus. This project was completed in the year 2010 and all ISAs in Greek were submitted to the EC for publication. Their publication is currently pending. No fixed arrangements have been made to date for the updating of the translations to bring them in line with the latest versions of the pronouncements involved.

A link to the IFAC Global Knowledge Gateway is available in the Members section of the ICPAC website.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Ongoing Adoption of IAASB Pronouncements</i>					
26.	November 2008	Ensure the notifications for new and revised IAASB pronouncements are made available in the "Public" section of the ICPAC website ( <a href="http://www.icpac.org">www.icpac.org</a> ) so that they are made publicly available.	September 2015 Completed	General Manager, Technical Staff	Technical Staff
<i>Translation Activities</i>					
27.	January 2009	Provide assistance to Greece for the translation process of existing IAASB pronouncements as and when requested.	December 2009 Completed	General Manager	Technical Staff
28.	January 2010	Approval by the ICPAC Council of the initial translation of the International Standards on Auditing and Quality Control for adoption of the final translated version in Cyprus.	January 2010 Completed	Council, General Manager	Technical Staff
29.	October 2013	Provide assistance to Greece for the translation process of the most recent version of IAASB pronouncements where appropriate.	December 2015	General Manager, Technical Staff	Technical Staff
<i>Maintaining Ongoing Processes</i>					
30.	Ongoing	Monitor the IAASB work program to identify new drafts and final pronouncements.	Ongoing	General Manager, Technical Staff	Technical Staff
31.	Ongoing	Review and comment on exposure drafts issued by the IAASB.	Ongoing	General Manager, Technical Staff	Technical Staff, Auditing Standards Committee
32.	Ongoing	Provide ICPAC members with clarifications and practical guidance on the application of the International Standards on Auditing and Quality Control.	Ongoing	General Manager, Technical Staff	Technical Staff, Auditing Standards Committee
#	Start Date	Actions	Completion Date	Responsibility	Resource

33.	Ongoing	Provide courses on new and revised IAASB pronouncements to raise awareness and enhance understanding of and compliance with the requirements of the standards. <i>The relevant courses organized for ICPAC members between 2013-2017 covered the issues identified through the quality assurance process, general audit methodology, audit reports, current challenges for auditors and how auditors can demonstrate their value, the audit of groups, the audit of related parties, efficient small company audits, compliance activities, and regulatory updates.</i>	Ongoing	General Manager, Technical Staff	Technical Staff, Auditing Standards Committee, Education Committee
34.	Ongoing	Check links to relevant sections of the IFAC website provided on the ICPAC website and update as necessary.	Ongoing	General Manager, Technical Staff	Technical Staff
35.	Ongoing	Monitor the ongoing translation process for compliance with the IFAC Translations Policy.	Ongoing	General Manager, Technical Staff	Technical Staff
36.	Ongoing	Support ongoing adoption and implementation of IAASB pronouncements. This includes review of the implementation of the Action Plan to date and updating the Action Plan for future activities as necessary.	Ongoing	General Manager, Technical Staff	Technical Staff
37.	January 2014	Review the requirements of revised SMO 3 and take actions to ensure compliance with the revised requirements.	March 2014 Completed	General Manager, Technical Staff	Technical Staff
<i>Review of ICPAC's Compliance Information</i>					
38.	Ongoing	Perform periodic review of ICPAC's response to the IFAC Compliance Self-Assessment questionnaires and update sections relevant to SMO 3 as necessary. Once updated inform IFAC Compliance staff about the updates in order for the Compliance staff to republish updated information.	Ongoing	General Manager, Technical Staff	Technical Staff

**Action Plan Subject:** SMO 4–IESBA Code of Ethics for Professional Accountants  
**Action Plan Objective:** Support Ongoing Adoption of the IESBA Code of Ethics

**Background:**

National law (the Law Providing for Statutory Audits of Annual and Consolidated Accounts by Statutory Auditors and Audit Firms)) as amended in 2017 provides that until the European Commission adopts principle based implementing measures governing professional ethics, the IESBA Code of Ethics is applied. The Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA) was first adopted by ICPAC in July 2002, based on an ICPAC Council decision, to form part of the ICPAC Members' Handbook. All subsequent relevant pronouncements were similarly adopted by ICPAC. All members of ICPAC are required to comply with the IESBA Code of Ethics. The pre-qualification program of ICPAC includes a compulsory module on professional ethics and, subsequent to membership being awarded, relevant courses are provided by ICPAC as part of the continuous professional development program. Compliance of members with the IESBA Code of Ethics is monitored as part of the Quality Assurance scheme of ICPAC. The ICPAC technical staff, together with the Ethics Committee of ICPAC, monitors the IESBA work program to identify new drafts and final new or revised pronouncements, review and comment on exposure drafts issued by the IESBA, and issue technical circulars to members on the application of new and revised IESBA pronouncements as well as clarifications on the application of existing pronouncements taking into account local environment considerations. IFAC press releases for all new and revised IESBA pronouncements are circulated to ICPAC members by e-mail immediately upon issuing by IFAC, and are reproduced in the "Professional Briefing" section of the ICPAC "Accountancy Cyprus" magazine which is published on a quarterly basis and issued to all ICPAC members and students as well as to a number of government, educational, and other organizations. ICPAC also orders bound volume copies of the IFAC Handbooks as soon as these are issued on an annual basis, and notifies members that they are available for distribution to those interested. Printed volumes of each annual edition of the IESBA Code as published by IFAC is made available to Members through ICPAC. For compliance with the IFAC Translations Policy, the translation in Greek of the revised IESBA Code of Ethics issued in July 2009 and subsequent revisions has been undertaken by Greece. As of July 2015, this project is in progress for the translation of the 2013 Edition of the IESBA Code of Ethics, however it has not been finalized yet. A link to the IFAC Global Knowledge Gateway is available in the Members section of the ICPAC website.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Ongoing Adoption of IESBA Pronouncements</i>					
39.	November 2008	Ensure the notifications for new and revised IESBA pronouncements are made available in the "Public" section of the ICPAC website ( <a href="http://www.icpac.org">www.icpac.org</a> ) so that they are made publicly available.	September 2015 Completed	General Manager, Technical Staff	Technical Staff

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Translation Activities</i>					
40.	January 2009	Provide assistance to Greece for the translation process of existing IESBA pronouncements as and when requested. The translation of the Code of Ethics is underway	Ongoing	General Manager	Technical Staff
41.	January 2010	Approval by the ICPAC Council of the initial translation in Greek of the latest version of the IESBA Code of Ethics, for adoption of the final translated version in Cyprus.	In progress	Council, General Manager	Technical Staff
<i>Maintaining Ongoing Processes</i>					
42.	Ongoing	Monitor the IESBA work program to identify new drafts and final pronouncements.	Ongoing	General Manager, Technical Staff	Technical Staff
43.	Ongoing	Review and comment on exposure drafts issued by the IESBA.	Ongoing	General Manager, Technical Staff	Technical Staff
44.	Ongoing	Provide ICPAC members with clarifications and practical guidance on the implementation of the IESBA Code of Ethics.	Ongoing	General Manager, Technical Staff	Technical Staff
45.	Ongoing	Provide courses on new and revised IESBA pronouncements to raise awareness and enhance understanding of and compliance with ethics requirements. <i>During 2014, 2015 and 2016 to date several update courses on the Code of Ethics were organized for ICPAC members, focusing on issues identified through the quality assurance process. Such courses are generally scheduled to be run on a biannual basis.</i>	Ongoing	General Manager, Technical Staff	Technical Staff, Education Committee
46.	Ongoing	Check links to relevant sections of the IFAC website provided on the ICPAC website and update as necessary.	Ongoing	General Manager, Technical Staff	Technical Staff
47.	Ongoing	Monitor the ongoing translation process for compliance with the IFAC Translations Policy.	Ongoing	General Manager, Technical Staff	Technical Staff
48.	Ongoing	Support ongoing adoption and implementation of IESBA pronouncements. This includes review of the implementation of	Ongoing	General Manager, Technical Staff	Technical Staff

#	Start Date	Actions	Completion Date	Responsibility	Resource
		the Action Plan to date and updating the Action Plan for future activities as necessary.			
49.	January 2014	Review the requirements of revised SMO 4 and take actions to ensure compliance with the revised requirements.	March 2014 Completed	General Manager, Technical Staff	Technical Staff
<i>Maintaining Ongoing Processes</i>					
50.	Ongoing	Perform periodic review of ICPAC's response to the IFAC Compliance Self-Assessment questionnaires and update sections relevant to SMO 4 as necessary. Once updated inform IFAC Compliance staff about the updates in order for the Compliance staff to republish updated information.	Ongoing	General Manager, Technical Staff	Technical Staff

**Action Plan Subject:** SMO 5–International Public Sector Accounting Standards and Other Pronouncements Issued by the IPSASB  
**Action Plan Objective:** Support the Convergence to International Public Sector Accounting Standards (IPSASs) by the Cyprus Public Sector

**Background:**

The responsibility for adopting and implementing public sector accounting standards in Cyprus lies with the Government rather than ICPAC. National law (the Fiscal Responsibility and Financial Framework Law of 2014 - 20(1)/2014) provides that the Accountant General determines the International Accounting Standards to be used for public sector accounting.

Traditionally the cash accounting basis was used for the public sector, but in recent years transition to accruals accounting has commenced. A formal decision was taken by the Government to adopt and gradually implement International Public Sector Accounting Standards (IPSASs), through the power vested in the Accountant General by national law mentioned above. The government has set up an action plan and a steering committee (in which ICPAC participates as an observer) to convert to the accruals basis. The time frame of the action plan expands from 2016 and is expected to be completed in 2022. A presentation titled 'Implementing Accruals Accounting in the new financial environment' as well as the action plan was made in April 2016 by the Treasury Department of the government,

ICPAC, through its Public Sector Committee, uses its best endeavors to assist in the implementation of IPSASs as appropriate, and participates in the Government Steering Committee set up to monitor and see this project through. The ICPAC Public Sector Committee also monitors the International Public Sector Accounting Standards Board (IPSASB) work program to identify new drafts and final new or revised pronouncements, and review exposure drafts issued by the IPSASB. The Chair of the Public Sector Committee leads the activities at the Treasury for the IPSAS project, whilst ICPAC General Manager participates the steering committee as an observer.

IFAC press releases for all new and revised IPSASB pronouncements are circulated to the members of the ICPAC Public Sector Committee by e-mail immediately upon issuing by IFAC, and are reproduced in the ICPAC "Accountancy Cyprus" magazine which is published on a quarterly basis and issued to all ICPAC members as well as to a number of government, educational, and other organizations.

A link to the IFAC Global Knowledge Gateway is available in the Members section of the ICPAC website.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Promoting Adoption of IPSASB Pronouncements by the Cyprus Public Sector</i>					
51.	November 2008	Ensure the notifications for new IPSASB pronouncements are made available in the "Public" section of the ICPAC website ( <a href="http://www.icpac.org">www.icpac.org</a> ) so that they are made publicly available.	September 2015 Completed	General Manager, Technical Staff	Technical Staff

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Maintaining Ongoing Processes</i>					
52.	Ongoing	Monitor the IPSASB work program to identify new drafts and final pronouncements.	Ongoing	General Manager, Technical Staff	Technical Staff, Public Sector Committee
53.	Ongoing	Review and comment on exposure drafts issued by the IPSASB. <i>No comments were submitted in recent years.</i>	Ongoing	General Manager, Technical Staff	Technical Staff, Public Sector Committee
54.	Ongoing	Promote the International Public Sector Accounting Standards to the Government and assist with the convergence. <i>ICPAC is a member of the Steering Committee for the accruals accounting implementation project of the Government.</i>	Ongoing	General Manager, Technical Staff	Technical Staff, Public Sector Committee
55.	Ongoing	Organize educational events in respect of IPSASB pronouncements to raise awareness, enhance understanding of and facilitate compliance with the IPSASB guidance.	Ongoing	General Manager, Technical Staff	Technical Staff, Public Sector Committee, Education Committee
56.	Ongoing	Check links to relevant sections of the IFAC website provided on the ICPAC website and update as necessary.	Ongoing	General Manager, Technical Staff	Technical Staff
57.	Ongoing	Support ongoing adoption and implementation of IPSASB pronouncements by the public sector in Cyprus. This includes review of the implementation of the Action Plan to date and updating the Action Plan for future activities as necessary.	Ongoing	General Manager, Technical Staff	Technical Staff, Public Sector Committee
58.	January 2014	Review the requirements of revised SMO 5 and take actions to ensure compliance with the revised requirements.	March 2014 Completed	General Manager, Technical Staff	Technical Staff
<i>Review of ICPAC's Compliance Information</i>					
59.	Ongoing	Perform periodic review of ICPAC's response to the IFAC Compliance Self-Assessment questionnaires 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	General Manager, Technical Staff	Technical Staff

**Action Plan Subject:** SMO 6–Investigation and Discipline  
**Action Plan Objective:** Review and Strengthen the Investigation & Discipline Mechanism

**Background:**

The Law Providing for Statutory Audits of Annual and Consolidated Accounts by Statutory Auditors and Audit Firms of 2017 provides for a system of investigations and penalties, for the detection, correction and prevention of inadequate execution of the statutory audit, on the basis of regulations to be issued by the national public oversight board, which shall also provide for the manner in which the actions taken and the penalties imposed on each statutory auditor and audit firm are disclosed to the public. Until the dated of amendment of the Law, no such regulations had been issued, and as a result direct responsibility for the area was implied to remain with ICPAC.

The new Law (L.53(I)/2017) enacted on June 2, 2017 specifies that t firms auditing Public Interest Entities will be dealt with by the CyPAOA whereas the responsibility for the rest of the firms will be delegated to a Recognised Body of Auditors, (ie ICPAC). The provisions of the delegation agreement and the final signing is pending but it is expected to be completed soon.

All members of ICPAC are required to comply with the ICPAC regulations as laid out in the ICPAC Members' Handbook, the Code of Ethics for Professional Accountants which forms part of the ICPAC Members' Handbook, as well as the other international pronouncements on professional matters (such as International Standard on Quality Control 1 and International Standards on Auditing). Reported complaints, information received that indicates the possibility of misconduct and non-compliance in respect of the ICPAC regulations, the Code of Ethics and professional standards, are investigated through the established investigation and disciplinary (I&D) process of ICPAC.

The I&D process of ICPAC is twofold. It involves the regulatory function and a disciplinary system, operating on the basis of the relevant ICPAC regulations which were updated in 2013 to ensure effectiveness and proper implementation of SMO and statutory requirements, and to bring the I&D system in line with revised SMO 6 requirements. The regulatory function covers issues identified through the Quality Assurance system. The Disciplinary system covers misconduct, including ethical issues, and monitoring issues calling for disciplinary action. Both the Regulatory Committee and the Disciplinary Committee are independent of the management and Council of ICPAC, and can impose any conditions or penalties they consider appropriate. There is no distinction between disciplinary measures and sanctions for different types of entities. The disciplinary procedures of ICPAC are followed for each case, which is considered in its own merit. The progress of the administrative I&D process is reviewed on a monthly basis by the ICPAC Council. Wherever appropriate, ICPAC reports information to and liaises with other competent authorities and professional organisations on this area. National judicial system investigations and rulings take precedence over the ICPAC I&D process.

ICPAC launched a new means for submitting complaints against auditors and audit firms via its website. Through the dedicated electronic process both the complaint and any supporting documentation is easily uploaded.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Strengthening the Existing Investigation &amp; Discipline Procedures</i>					
60.	January 2009	Establish time targets for disposal of all cases and set up a tracking mechanism to ensure that all investigations are promptly handled.	December 2010 Completed	Council, General Manager	General Manager
61.	January 2009	Establish a process for the independent review of complaints that are not referred to a disciplinary hearing, in line with paragraph 6.18 of SMO 6.	December 2010 Completed	Council, General Manager	General Manager
62.	January 2009	Review practices followed by other professional bodies for Investigation & Discipline (through research, enquiry, meetings, and observation).	December 2010 Completed	Council, General Manager	General Manager
63.	January 2009	Review the established Investigations & Discipline mechanism and implement any improvements that are identified as necessary to make the overall mechanism more effective.	December 2010 Completed	Council, General Manager	General Manager
64.	January 2009	Set up a section on the investigation & disciplinary process in the "Public" section of the ICPAC website ( <a href="http://www.icpac.org">www.icpac.org</a> ) to raise awareness of members and the public.	June 2014 Completed	Council, General Manager	General Manager
65.	June 2017	Update the Members Handbook with a new disciplinary process and provide for new procedures and public disclosures of disciplinary cases in line with the amended law.	December 2017	Council, General Manager	General Manager
<i>Maintaining Ongoing Processes</i>					
66.	Ongoing	Monitor the Investigations & Discipline mechanism to ensure that it complies with the requirements of SMO 6.	Ongoing	General Manager, Technical Staff	Technical Staff
67.	January 2014	Review the requirements of revised SMO 6 and take actions to ensure compliance with the revised requirements.	March 2014 Completed	General Manager, Technical Staff	Technical Staff
<i>Review of ICPAC's Compliance Information</i>					
68.	Ongoing	Perform periodic review of ICPAC's response to the IFAC Compliance Self-Assessment questionnaires and update sections relevant to SMO 6 as necessary. Once updated inform	Ongoing	General Manager, Technical Staff	Technical Staff

#	Start Date	Actions	Completion Date	Responsibility	Resource
		IFAC Compliance staff about the updates in order for the Compliance staff to republish updated information.			

### Main Requirements of SMO 6

Requirements	Y	N	Partially	Comments
<b>Scope of the System</b>				
1. A system of investigation, discipline and appeals exists for the accountancy profession. The system is operational.	√			Responsible authority for PIE auditor cases is the CyPAOA and responsibility for all non-PIE auditor cases lies with ICPAC.
2. Information about the types of misconduct which may bring about investigative actions is publicly available.		√		
<b>Initiation of Proceedings</b>				
3. Both a “complaints-based” and an “information-based” approach are adopted.	√			
4. Link with the results of QA reviews has been established.	√			
<b>Investigative Process</b>				
5. A committee or similar body exists for performing investigations.	√			
6. Members of a committee are independent of the subject of the investigation and other related parties.	√			Members constituting the committee are non-practitioners and are independent of the subject of the investigation.
<b>Disciplinary Process</b>				
7. A separate disciplinary committee/entity exists to make disciplinary decisions on referrals from the investigation committee.	√			

Requirements	Y	N	Partially	Comments
8. Members of the committee/entity include professional accountants as well as non-accountants.	√			
9. The tribunal exhibits independence of the subject of the investigation and other related parties.	√			
<b>Sanctions</b>				
10. The disciplinary system allows imposing an extensive range of penalties. It is particularly important to include (a) loss of professional designation; (b) restriction and removal of practicing rights; and (c) exclusion from membership.	√			
<b>Rights of Representation and Appeal</b>				
11. A third appeals body exists which is separate from both the disciplinary committee and investigative committee.	√			
<b>Administrative Processes</b>				
12. Timeframe targets for disposal of all cases are set.			√	
13. Tracking mechanisms to monitor progress in investigation and discipline and related procedures are established.	√			
14. Records of investigations and disciplinary processes are established.	√			
<b>Public Interest Considerations</b>				
15. Activities are supported to ensure that the public is aware that an investigative and disciplinary system exists in the jurisdiction.	√			
16. A process for the independent review of complaints on which there was no follow-up is established.		√		

<b>Requirements</b>	<b>Y</b>	<b>N</b>	<b>Partially</b>	<b>Comments</b>
17. The results of the investigative and disciplinary proceedings are made available to the public.			√	The results of the investigative proceedings are not publicized. Disciplinary proceedings results are publicized if there is a conviction.
<b>Liaison with Outside Bodies</b> 18. There is an appropriate process for liaison with outside bodies on possible involvement in serious crimes and offences.	√			
<b>Regular Review of Implementation and Effectiveness</b> 19. Regular review of implementation and effectiveness of the system are performed and corrective actions are implemented.	√			

**Action Plan Subject:** SMO 7–International Financial Reporting Standards and Other Pronouncements issued by the IASB  
**Action Plan Objective:** Support Ongoing Adoption of International Accounting Standards Board (IASB) Pronouncements

**Background:**

The Cyprus Companies Law calls for financial statements of all companies to be drawn up using International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), which are also available in the national language – Greek – through the standard EU legislative process. No separate adoption process is required as, on the basis of the national law provisions, the standards in force are IFRS as adopted by the EU at any point in time.

All members of ICPAC are required to comply with IFRSs. The pre-qualification program of ICPAC includes compulsory modules on financial reporting and, subsequent to membership being awarded, relevant courses provided by ICPAC as part of the continuous professional development program for members. Compliance of members with IFRSs is monitored as part of the Quality Assurance scheme of ICPAC.

The ICPAC technical staff, together with the Accounting Standards Committee of ICPAC, monitor the IASB work program to identify new drafts and final new or revised pronouncements, review and comment on exposure drafts issued by the IASB (by submitting comments, if any, to the draft comment letters of the European Financial Reporting Advisory Group - EFRAG), and issue technical circulars to members on the application of new and revised IASB pronouncements as well as clarifications on the application of existing pronouncements taking into account local environment considerations.

IASB announcements for all new and revised IASB pronouncements are included in the "Professional Briefing" section of the ICPAC "Accountancy Cyprus" magazine which is published on a quarterly basis and issued to all ICPAC members and students as well as to a number of governmental, educational, and other organizations. ICPAC also orders bound volume copies of the IASB IFRSs books as soon as these are issued on an annual basis, and notifies members that they are available for distribution to those interested.

For the purposes of providing IFRS technical support to its members, ICPAC has entered into a collaboration agreement with the Institute of Chartered Accountants in England and Wales (ICAEW) for the ICAEW "International Accounting, Auditing and Ethics (IAAE)" service, which provides technical resources on international accounting, auditing and ethics.

A link to the IFAC Global Knowledge Gateway is available in the Members section of the ICPAC website.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Ongoing Adoption of IASB Pronouncements</i>					
69.	November 2008	Ensure the notifications for new and revised IASB pronouncements are made available in the "Public" section of the ICPAC website ( <a href="http://www.icpac.org">www.icpac.org</a> ) so that they are made publicly available.	September 2015 Completed	General Manager, Technical Staff	Technical Staff

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Maintaining Ongoing Processes</i>					
70.	Ongoing	Monitor the IASB work program to identify new drafts and final pronouncements.	Ongoing	General Manager, Technical Staff	Technical Staff, Accounting Standards Committee
71.	Ongoing	Review and comment on exposure drafts issued by the IASB (by submitting comments, if any, to the draft comment letters of the European Financial Reporting Advisory Group - EFRAG).	Ongoing	General Manager, Technical Staff	Technical Staff, Accounting Standards Committee
72.	Ongoing	Provide ICPAC members with clarifications and practical guidance on the application of the IFRSs.	Ongoing	General Manager, Technical Staff	Technical Staff, Accounting Standards Committee
73.	Ongoing	Provide courses on new and revised IASB pronouncements to raise awareness and enhance understanding of and compliance with the requirements of the standards. <i>Relevant courses provided during 2014,2015 and 2016 to date covered IAS17, IAS18, IAS32, IAS37, IAS39, IAS40, IFRS5, IFRS9, IFRS10, IFRS12, IFRS15 and IFRS16 as well as other IFRS developments, namely the amendments to IAS16, IAS38, IAS41, IAS28, IAS12, IAS1 and IFRS11.</i>	Ongoing	General Manager, Technical Staff	Technical Staff, Accounting Standards Committee, Education Committee
74.	Ongoing	Support ongoing adoption and implementation of IASB pronouncements. This includes review of the implementation of the Action Plan to date and updating the Action Plan for future activities as necessary.	Ongoing	Council, General Manager, Technical Staff	Technical Staff, Accounting Standards Committee
75.	January 2014	Review the requirements of revised SMO 7 and take actions to ensure compliance with the revised requirements.	March 2014 Completed	General Manager, Technical Staff	Technical Staff
<i>Review of ICPAC's Compliance Information</i>					
76.	Ongoing	Perform periodic review of ICPAC's response to the IFAC Compliance Self-Assessment questionnaires and update sections relevant to SMO 7 as necessary. Once updated inform IFAC Compliance staff about the updates in order for the Compliance staff to republish updated information.	Ongoing	General Manager, Technical Staff	Technical Staff



Date: 29 June 2017

Ms. Alta Prinsloo  
Executive Director, Strategy and Chief Operating Officer  
International Federation of Accountants  
529 5<sup>th</sup> Avenue, New York, NY 10017

Dear Ms. Prinsloo,

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

This letter is to confirm that the leadership of **The Institute of Certified Public Accountants of Cyprus** has reviewed the information contained in the SMO Action Plan prepared by **The Institute of Certified Public Accountants of Cyprus** as part of the IFAC Member Compliance Program and will provide institutional support for its implementation.

On behalf of the leadership of **The Institute of Certified Public Accountants of Cyprus**, 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,



Marios Skandalis

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President of the Board

The Institute of Certified Public Accountants of Cyprus - ICPAC

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29 June 2017

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