

## **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>	CNDCEC
<b>Approved by Governing Body:</b>	Board
<b>Date Approved:</b>	19 August 2010
<b>Update:</b>	30 September 2011
<b>Update:</b>	30 September 2013
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<b>Update:</b>	1 January 2016
<b>Previous Update:</b>	July 2017
<b>Next Update:</b>	July 2019

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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>CNDCEC</b>	Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili
<b>CPD</b>	Continuous Professional Development
<b>CONSOB</b>	Commissione Nazionale Società e Borsa
<b>D.lgs.</b>	Legislative Decree (Decreto Legislativo)
<b>EC</b>	European Commission
<b>EFRAG</b>	European Financial Reporting Advisory Group
<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>IESs</b>	International Education Standards
<b>IESBA</b>	International Ethics Standards Board for Accountants
<b>IPD</b>	Initial professional development
<b>IPSASB</b>	International Public Sector Accounting Standards Board
<b>IPSAS</b>	International Public Sector Accounting Standards
<b>IFRSs</b>	International Financial Reporting Standards
<b>ISA</b>	International Standards on Auditing
<b>ISA</b>	International Standards on auditing
<b>ISQC</b>	International Standard on Quality Control
<b>ISRE</b>	International Standard on Review Engagements
<b>MoF</b>	Ministry of Economics and Finance
<b>PIE</b>	Public Interest Entities
<b>QCS</b>	Quality Control system
<b>SMO</b>	Statement on Membership Obligation
<b>SMP</b>	Small and Medium Practices

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

**Action Plan Objective:** Use best endeavors to ensure an effective quality review program is in place for all members offering audit and assurance services, considering larger entities as well as SMPs.

**Background:**

Following implementation of the European audit directive (2006/43/CE), by means of the delegate Decree Nr. 39 dated 29 January 2010 (publication in the Official Gazette 24 March 2010) a quality control system has to be implemented for all audits and for all registered auditors and audit firms, both for PIEs and non PIEs. The delegated Decree nr. 135 of 17 July 2016, implementing the Directive 2014/56/EU partially updated this QCS. The final oversight authority is the Ministry of Finance and Economics for all audits of non PIEs and Consob for PIEs.

A special advisory panel has been set within the Ministry of Finance to support the development of the various implementation measures (ministerial decision, ministerial decrees, recommendations etc.), including quality assurance system. The panel, in accordance with the law provision, is formed by professional bodies and associations representing the accountancy profession and is formed by CNDCEC, Assirevi and Istituto Nazionale Revisori Legali (INRL).

Within the legal framework of delegated Decree 39/2010, CNDCEC can be assigned by the Ministry of Finance and Economics with the management functions related to the Quality Control System; CNDCEC has made clear that it is available to manage the QCS and will pursue this target. As basically all members registered as Dottori Commercialisti or Esperti Contabili are also registered as Statutory auditors, and given the expertise gained in the area, the activities of CNDCEC will aim at supporting the legislative activity in cooperation with the Ministerial authorities, by providing proposals on the possible structure of the QCS, for non-public interest entities' (PIEs) audits, translation and support to members in adoption of International Standard on Quality Control (ISQC) 1 by providing guidance to establish, implement, maintain and monitor a quality control system. ISQC1 has been translated into Italian by CNDCEC in 2009, and the translation was reviewed and approved by CNDCEC's auditing Working Party in April 2010, and sent to the European Commission (EC), in accordance with the translation process. This translation was published in 2011. At the end of 2009 CNDCEC has also completed translation of the first edition of the Quality Control Guide, developed by the Small and Medium Practices Committee of IFAC, and completed the update of the third version in mid-2012 and published in January 2013. The review of the translated ISQC1 in view of the Italian adoption has been conducted during 2014 by the Panel and finally adopted with a Ministerial act (Determina) at the end of 2014. ISQC1 is applicable from 1.1.2015.

With regard to disciplinary aspects, CNDCEC will also need to consider the linkage and relationship between the disciplinary measures resulting from QC and disciplinary measures provided for in the general regulatory framework of the accountancy profession, as a situation that indicates behavioral negligence.

Under current legislation audit firms that carry out audit engagement of PIEs (about 30 audit firms in Italy) are subject to a quality assurance program conducted by CONSOB (market and securities regulator), and based on internal regulation. The Consob system is in compliance with ISQC1 which has been adopted by the Italy together with ISAs.

The MoF decree, expected to be issued in 2017 through secondary regulation, in compliance with the delegated Decree 39/2010, and the new decree 135/2016, will also address Quality Control of audits of non-PIEs and will be issued having heard CONSOB and the accounting profession.

It is therefore foreseen to have two different models, one for PIEs and one for non-PIEs. The Decree will also address the issues of governance, organization and incompatibilities.					
#	Start Date	Actions	Completion Date	Responsibility	Resource
<b>Supporting Implementation of Quality Control Standards and Guidance</b>					
1.	2018	Define and publish.			
2.	2018	Translate and review translation of the Framework for quality control framework and any Guide to Quality Control or supporting materials, developed by the IFAC SMP Committee.		Board	CNDCEC translation dept. CNDCEC auditing Working Party
3.	2018	Develop materials for Continuous Professional Development (CPD) based on ISQC 1 and the IFAC Guide to Quality Control for training and effective implementation by Italian addressee of quality control reviews.		Board	CNDCEC auditing working party.
4.	2014	Adoption of ISQC 1 by Ministry of Finance and Economics (MoF). ISQC1 is applicable from 1.1.2015.	MoF Advisory panel formed by CNDCEC, Assirevi and INRL		
<b>Assisting with the Design of Quality Assurance Review Program</b>					
5.	2017	Technical support within the advisory panel for enactment of the ministerial decree on quality assurance.		CNDCEC council member delegated to audit	CNDCEC staff
<b>Maintaining Ongoing Mechanisms</b>					
6.	Ongoing	Continue to provide support to the Ministerial authorities in further developing the QCS in conformity with the requirements of SMO 1. This includes activities aimed at reviewing translation of ISQC 1 and updating the Action Plan for future activities as necessary.	Ongoing	Board	CNDCEC auditing Working Party (Quality sub group)

#	Start Date	Actions	Completion Date	Responsibility	Resource
<b>Review of CNDCEC's Compliance Information</b>					
7.	April 2018	Update information further to enactment of the Decree on the QCS and perform periodic review of CNDCEC's response to the IFAC self-assessment questionnaire, and update section relevant to SMO 1 as necessary. Once updated, inform IFAC Compliance staff in order for them to republish updated information.	Ongoing	Chief Executive Officer	CNDCEC Auditing Working Party Board member delegated to International (Intl). Affairs Dept.

#### 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.	Y			
<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.	Y			
3. Most up to date versions of ISQC 1 and other relevant ISA are adopted as the quality control standards.	Y			
4. Member Body assists firms in understanding the objectives of quality control and in implementing and maintaining appropriate systems of quality control.			Y	This activity is being conducted within CPD programs and general publications but not as a work with single firms.

Requirements	Y	N	Partially	Comments
<p><b>Review Cycle</b></p> <p>5. A cycle-based, risk-based, or a mixed approach for selecting firms for QA review is used.</p>	Y			<p>Quality control review of non-PIEs are planned on the basis of a risk analysis but where the auditors perform audit of companies other than SMEs QC review are carried out at least every six years.</p> <p>Quality control reviews of PIEs take place every three years.</p>
<p>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).</p>	Y			
<p><b>QA Review Team</b></p> <p>7. Independence of the QA Team is assessed and documented.</p>	Y			<p>Quality control reviews of PIEs are performed by Consob (an independent authority).</p> <p>Quality control reviews of non-PIEs are assigned by MoF to entity or natural person after verification of the requirements of independence and the absence of even potential conflicts of interest.</p>
<p>8. QA Team possesses appropriate levels of expertise.</p>	Y			<p>QA team possesses at least 5 years of expertise.</p>
<p><b>Reporting</b></p> <p>9. Documentation of evidence supporting the quality control review report is required.</p>	Y			<p>The persons in charge of the QC review draft a report containing a description of the results of the review and any recommendations for specific action to be taken to the statutory auditor indicating the period within which such action must be undertaken.</p>
<p>10. A written report is issued upon conclusion of the QA review and provided to the firm/partner reviewed.</p>	Y			
<p><b>Corrective and Disciplinary Actions</b></p> <p>11. Reviewed firms/partners are required to make timely adjustments to meet recommendations from the review report.</p>	Y			<p>The statutory auditor shall carry out the action indicated in the report within the period set out in it. In case of failure, incomplete or late implementation of these actions, the MoF and Consob in the scope of their respective competencies, may apply the sanctions provided.</p>

<b>Requirements</b>	<b>Y</b>	<b>N</b>	<b>Partially</b>	<b>Comments</b>
12. QA review system is linked to the Investigation and Discipline system.	Y			
<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.	Y			
<b>Regular Review of Implementation and Effectiveness</b> 14. Regular reviews of implementation and effectiveness of the system are performed.			Y	

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

**Action Plan Objective:** Continue to develop and ensure a combined theoretical, practical and skill’s education, in compliance with IESs.

**Background:**

The basic education system for becoming Dottore Commercialista or Esperto Contabile is based on a combined system of Academic education, at Master of Science or Bachelor level respectively, eighteen month of practical training and a State examination, differentiated as to the content, for the two sections of the professional roll. Members must then comply with CPD requirements, in accordance with the relevant legal and regulatory requirements.

This basic system also applies to the qualification as statutory auditors, whose practical training period is of three years as required by relevant EU directive. The new legislative Decree, Nr. 39/2010, implementing the Audit Directive (2006/43/CE) has confirmed the previous initial education requirements, with an integration of some educational content and with CPD requirement. The Ministry of Finance enacted the final regulations regarding registration requirements and procedures for Statutory auditors and for trainees in June 2012. The new delegated Decree nr. 135 of 17 July 2016, implementing the Directive 2014/56/EU has provided for additional regulation of CPD system defining the requirements for CPD providers.

CNDCEC is engaged in dialogue with the MoF and Ministry of Justice in order to create a coherent path and educational content between training as statutory auditors and training as Commercialisti and between the two CPD systems

The current system of Initial Professional Development (IPD) and CPD is convergent with International Education Standards (IESs). CNDCEC is not directly involved in the regulation and the management of the Initial Education system. CNDCEC will reexamine in 2017 the IESs to ensure full compliance with all recent changes.

As to IPD - the academic education is defined by Universities and the content of the State examination is defined by the law (delegated Decree 139/05 and delegated Decree 39/201 for auditors). The law requires cooperation among universities and territorial chapters of CNDCEC in order to promote bilateral agreements for the definition of specific educational content which can be taken into consideration and exemption from some parts of the State examination. In this area CNDCEC has signed an important framework agreement with the Ministry of Education, University and Research and the Ministry of Justice, to be used as guideline for its Territorial branches and Universities. The agreement provides both for the exemption from one written examination and for the possibility of starting the practical training period already during the University studies. On the basis of this framework agreement (updated in 2014), the Territorial chapters are now signing agreements with universities that provide relevant courses in the professional domain areas.

Within its institutional function of national coordination of Territorial chapters, and representation of the profession, CNDCEC is engaged in an ongoing consultation process with relevant Ministries. Practical training is provided by members and is subject to oversight by the relevant territorial Chapter.



The regulation of the training period is formally enacted by the Ministry of Education, University and Research, on the basis of CNDCEC opinion. CNDCEC can also address guidelines with regard to organization of courses to trainees. CNDCEC has adopted guidance with regard to training semesters in the EU countries.

In the area of CPD CNDCEC, according to the legislative Decree 139/05, is directly responsible for enacting the relevant regulation, while territorial chapters are responsible for the delivery. Courses for trainees are generally organized by Territorial chapters. The proposed courses or conferences need to be approved by CNDCEC also to assign the relevant CPD points. At the end of 2010 the national CPD regulation has been updated in order to comply with 120 CPD credits and review of the various CPD subjects. In 2016 CNDCEC has approved some changes to its CPD regulation mainly with regard to CPD providers and some exemptions linked to the age and to non-practicing members. More specifically, the mandatory CPD has been extended to all ages and categories, reducing it to 1/3 for persons older than 65 of age and not practicing professionals. For some courses, it is possible to consider a special “heavy credit” (beyond the usual 1 hour=1 credit).

CPD regulation of CNDCEC is enacted after receiving the opinion of Ministry of Justice on a proposed draft.

Within the CPD area, in mid-2015, CNDCEC has approved a new important project for the establishment, at regional level, of high specialization schools (SAF) – these special education institutions are established directly by the Territorial chapters of a certain region, with special support of CNDCEC, and also in cooperation with academic institutions, are providing special courses, with a strong practical approach, in a selected number of professional domains which require high specialization.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<b><i>Contributing to Improving University Education</i></b>					
8.	2017	Monitor regulatory developments and mainly with regard to CPD regulation for Statutory auditors.	Ongoing	Board Council member delegated to audit and Board member delegated to Education	CNDCEC staff
9.	2017	Enhance cooperation with Ministerial authorities with respect to the development of university education. Monitor and encourage the signature of local agreements between Territorial chapters and Universities.	Ongoing Ongoing	Board member delegated to Education	Education Working Party CNDCEC Institutional affairs dept.
10.	2017	Monitor initiatives of Territorial branches, which include seminars, conferences, on line training sessions, and publications.	Ongoing	Board member delegated to Education	Education Working Party CNDCEC Institutional affairs dept.

#	Start Date	Actions	Completion Date	Responsibility	Resource
11.	2016	Monitor developments related to the CPD regulations to be enacted with regard to statutory auditors.  Audit CPD Regulation.	2017  expected by December 2017	Board member delegated to Audit	Auditing Working Party CNDCEC Institutional affairs dept.
<b>Monitoring Regulatory Developments Related to Training and Supporting the Implementation of the Regulation</b>					
12.	2016	Monitor regulatory developments related to training of statutory auditors involved by the new legislation (Delegated Decree 39/2010).  Input provided to MoF on proposed regulation for training of Commercialisti consistently with training of auditors.	Ongoing  December 2017	Board  Board	Auditing Working Party CNDCEC Institutional affairs dept.  Board member in charge of auditing, and supporting task force
<b>Assisting with the Regulatory Developments Related to State Examination</b>					
13.	2016	Monitor Requirements for State Examination of Statutory auditors' approval and ensure consistency with examination of Dottore Commercialista and Esperto Contabile and application of exemptions provided by new legislative decree 135/2016.	2017	Board	Education Working Party CNDCEC Institutional affairs dept.
14.	2017	Monitor and engage in consultation with relevant authorities to encourage incorporation of relevant updated IES in most recent regulations related to State examination for statutory auditor.	December 2017	Board	CNDCEC Institutional affairs dept.
<b>Contributing to Regulatory Developments Related to CPD Requirements</b>					
15.	2017  2016	Comment new CPD requirements for statutory auditors; ensure consistency with CPD for Commercialist and monitor related regulatory developments in this area.  Monitor implementation of updated CPD regulation and new project of high specialization schools (SAF).	Ongoing  2016 Ongoing	Board	Council member in charge of auditing Education Working Party

#	Start Date	Actions	Completion Date	Responsibility	Resource
<b>Implementation of IESs and other IAESB Pronouncements</b>					
16.	2017	Consider translation of expected revised IES.	2018	Education working party of CNDCEC	CNDCEC Translation Dept. Education Working Party
17.	2016	Comment of IES ED and consider IESs in the development of IPD and CPD guidelines, and through participation at various cooperative international projects in the area of education.	Ongoing	Board	Education working party
<b>Maintaining Ongoing Processes</b>					
18.	Ongoing	Monitor and promote the incorporation of new and amended pronouncements issues by the International Accounting Education Standards Board (IAESB) into the national regulation. Update the Action Plan as necessary.	Ongoing	Board	CNDCEC Education working party
<b>Review of CNDCEC's Compliance Information</b>					
19.	Ongoing	Update CNDCEC members with relevant information further to enactment of the Decree and perform periodic review of CNDCEC's response to the IFAC self-assessment questionnaire, and update section relevant to SMO 2.	Ongoing	Chief Executive Officer	CNDCEC Education Working Party Council member delegated to Intl. Affairs Intl. Affairs Dept.

**Action Plan Subject:** SMO 3–International Standards and other Pronouncements Issued by the IAASB  
**Action Plan Objective:** Continue to use best endeavors to maintain an ongoing process of adoption and implementation of ISAs and other IAASB pronouncements.

**Background:**

The delegated Decree nr. 39/2010, implementing the audit directive 2006/43/CE, assigns the final competency for standard setting to the Ministry of Finance and Economy. A special advisory panel has been set by the Ministry of Economy and Finance, together with CONSOB, to support the development of regulations regarding the adoption of ISAs and the quality assurance system. The panel, in accordance with the law provision, is formed by professional bodies and associations representing the accountancy profession and is currently formed by CNDCEC, Assirevi and Istituto Nazionale Revisori Legali. This panel has reviewed, and to the extent needed adapted, the translation of Clarified ISAs produced by CNDCEC.

ISA (Clarified version 2009) have been formally adopted in Italy – with a set called ISA Italia - with a special Ministerial act at the end of 2014 and are applicable to audits of financial statements that cover periods starting from 1 January 2015.

The Advisory panel is currently working to adopt the new auditors reporting standards issued by IAASB in January 2015 (ISA 700 revised; ISA 701, ISA 705 revised, ISA 706 Revised, ISA 570 revised, ISA 260 revised and conforming amendments to ISAs). The work should be completed in time to allow the use of new auditing standards for audits of interim financial reports that will close in June 2017. To this end a work program has been planned by the Advisory panel, based on the translation of international standards already provided by CNDCEC, which should lead to the closure of the work by the end of May 2017 in order to enable the MoF's act of adoption to be issued by June 2017.

CPD and training programs are continually updated to support awareness and implementation of the new standards.

CNDCEC is increasing its engagement and activity in the area of audit of public sector entities, with regard both to the requirements and composition of audit committees or single auditors and to the standard and guidance to be adopted.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<b>Adoption of IAASB Pronouncements</b>					
20.	2014	Full adoption of ISA and enactment of ISA Italia.	December 2014	Board	Board member in charge of Auditing Standards
	2014	Complete adaptation and preface of ISAE.	January 2015		CNDCEC translation dept.
	2015	Complete adaptation of ISA 3000, ISRE 2410 and ISAE 3400.	May 2016		Chair Auditing working party
	2016				Translation review group
21.	2016	Monitor and contribute to the initiatives of the International Auditing and Assurance Standards Board (IAASB), promoting the incorporation of the principle of think small first and scalability in its standard setting policy.	Ongoing	Auditing working party of CNDCEC	CNDCEC translation dept.
22.	2016	Monitor developments related to the update of the International Standard on Review Engagements (ISRE) at the IAASB level and accordingly plan translation activities.	Ongoing	Board	Board member in charge of Auditing Standards
	2013	Translation of ISRE, ISAE and ISRS.	December 2013	Council member delegated to audit	Translation department
	2016	Translate amendments.	On going		
23.	2016	Monitor developments at EU level and overall impact of the new regulation and directive on the audit function.	Ongoing	Board member delegated to audit	International department

#	Start Date	Actions	Completion Date	Responsibility	Resource
<b>Assisting with the Implementation of ISAs</b>					
24.	2016	Consider recent implementation materials, videos and guidance, developed by the IAASB, for CPD purposes.	Ongoing	Council member delegated to audit	Auditing working Party Education Working Party
	2015	Publication of CNDCEC guidance to the use of ISA in auditing engagements; Publication of behavioral guidelines for members of Audit committees in both PIEs and non PIES entities.	2015		
	2015	Development of ISA software.	2017	Task force	
<b>Maintaining Ongoing Processes</b>					
25.	Ongoing	Continue to monitor and incorporate new and amended pronouncements issues by the IAASB into the Italian Auditing Standards and to support their implementation by providing training and guidance to members. Update the Action Plan for future activities as necessary.	Ongoing	Board	CNDCEC auditing Working Party (Quality sub group)
<b>Review of CNDCEC's Compliance Information</b>					
26.	Ongoing	Update information further to enactment of the Decree and perform periodic review of CNDCEC's response to the IFAC self assessment questionnaire, and update section relevant to SMO 3.	Ongoing	Chief Executive Officer	CNDCEC Auditing Working Party Council member delegated to Intl. affairs Intl. Affairs Dept.

**Action Plan Subject:** SMO 4–IESBA Code of Ethics for Professional Accountants  
**Action Plan Objective:** Continue to support convergence of Italian Ethics Standards with the IESBA Code of Ethics

**Background:**

The Code of Ethics for Dottori Commercialisti and Esperti Contabili has been renewed and issued in 2009, and reflects the new regulatory environment in which professional accountants, members of CNDCEC, exercise their activity after the merger, effective since 2008, of the two previous IFAC member bodies in Italy. Compared with the Code of Ethics of the International Ethics Standards Board for Accountants (IESBA), some of the requirements, mainly in the area of independence, are set directly by the Italian legislation with respect to financial markets, corporate law and statutory auditing. The adoption of the code is a competency of CNDCEC as defined by the professional law 139/05. The combination of the legal requirements and ethics code, overall, is set in accordance with the IESBA requirements, although more restrictive than the international requirements in some aspects. The Code has been further updated during 2015 and innovative clauses are now addressing mandatory insurance requirements, applicability to professional firms, termination of engagement in the case of a client disappearance, written acceptance of professional engagement and indication of detailed fees, transparency requirements for professionals that cover also institutional roles within the profession, enhanced provisions regarding abuse of professional qualifications, precisions regarding advertisement and use of academic titles.

The development of independence rules and ethics code dedicated to statutory auditors have been introduced as a requirement in the delegated Decree 39/2010, implementing the audit directive. This task is assigned to CNDCEC within the Panel established by the MoF, together with Assirevi and Istituto Nazionale Revisori Legali and CONSOB. During 2012-2013 the Advisory panel completed the translation and adaptation of the code of ethics for statutory audit activity in Italy. The translated code is expected to be embedded in a ministerial act (Determina), to be enacted at the beginning of 2016, and a regulation of CONSOB, mandating the relevant independence rules for audits of PIEs. The Panel has decided to base its entire work on the IESBA code. Translation and adaptation have been conducted considering the applicability of such requirements to statutory audit activity as provided for by Delegated decree 39/2010.

As the new European Directive (2014/56/EU) and Regulation (537/2014) include additional requirements related to Independence, their implementation, has been completed in 2016 and the Panel will consider the impact of the new legislative rules on the Italian code and on the drafted code for statutory auditors.

This set of independence rules is specifically dedicated to auditors and is to be distinguished from the code of ethics for Dottori Commercialisti and Esperti Contabili. Proper linkage between the codes will be ensured.

The legal definition of a “network”, currently based on the IFAC definition, will be defined in a Decree to be issued by the Ministry of finance together with CONSOB.

Comparative studies on ethics rules regarding Anti-money laundering and taxation have been conducted by CNDCEC Ethics working party.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<b>Adopting the Code of Ethics for Professional Accountants</b>					
27.	2016	Monitor adoption of new and amended standards by the IESBA and consider needs for adaptation at the national level.	Ongoing	Board member delegated to Ethics working party	Ethics working party
28.	2010	Analysis and proposals to the IESBA on the relevance of Ethics code of the IESBA to SMPs and SME audit engagements, specifically in consideration of a think small first and scalability approach to be promoted at the international level also in the field of ethics.	Ongoing	Board member delegated to Ethics working party	Ethics working party
<b>Drafting the Code of Ethics for Statutory Auditors</b>					
29.	2010	Draft code of ethics for activity of statutory audit, based on IESBA code, prepared by the Advisory panel. Updated draft of Ethics code with new legislative provisions enacted in 2016.	May 2013	Chief Executive Officer Board	Ethics working party
<b>Monitoring Transposition of the new Audit Directive and Audit Regulation</b>					
30.	2014	Monitor and support MoF in transposition of Audit Directive (2014/46/EU) and Audit regulation, with regard to independence rules (join audits, rotation of audit firms etc.).	June 2016	Board and Audit Working Party	Ethics working party CNDCEC dept. for Institutional Affairs
<b>Maintaining Ongoing Processes</b>					
31.	Ongoing	Continue to monitor and incorporate new and amended pronouncements issues by the IESBA into the Codes of Ethics for Professional Accountants and Statutory Auditors and to support their implementation by providing training and guidance to members. Update the Action Plan for future activities as necessary.	Ongoing	Board	Ethics Working Party Council member delegated to Intl. Affairs Intl. Affairs Dept.
<b>Review of CNDCEC's Compliance Information</b>					
32.	Ongoing	Periodically review responses to the IFAC compliance self assessment questionnaires and update sections relevant to SMO 4. Once updated, inform IFAC compliance staff in order for them to republish updated information.	Ongoing	Chief Executive Officer	Ethics Working Party Council member delegated to Intl. affairs Intl. Affairs Dept.



**Action Plan Subject:** SMO 5–International Public Sector Accounting Standards and Other Pronouncements Issued by the IPSASB  
**Action Plan Objective:** Activities to promote IPSASB Pronouncements

**Background:**

Public Sector Accounting Standards are set in the relevant Italian legislation (Law 196/2009) and are strongly supported by the competent bodies for the area that are the Corte dei Conti (Auditor general), and Ragioneria Generale dello Stato (RGS -State Comptroller), a unit of the Ministry of Economics and Finance. Legislative changes in this area are speeding and there is feasible strong support to accrual basis accounting for public sector entities, also due to the developments at EU level and the Eurostat project. A new project to assess applicability of IPSAS to the different sectors of public entities (local entities, hospitals, universities etc.) was launched at the end of 2015 in cooperation with CNDCEC and Expert Academics.

Given the relevance of this sector to CNDCEC members, as professional accountants are engaged as auditors and Chief Financial Officers of public entities, this is an important research area for CNDCEC, which has a dedicated working party. CNDCEC does not have a direct responsibility in the standard setting process, but plays a role in the consultations and research activities, by producing guidance and organizing conferences and studies.

CNDCEC considers the International Public Sector Accounting Standards Board (IPSASB) as a source of reference by actively contributing to the standard setting process.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<b>Supporting Convergence with IPSAS</b>					
33.	2016	Complete translation of all the International Public Sector Accounting Standards (IPSASs).	December 2016	Executive Director Institutional affairs	CNDCEC translation dept.
34.	2016	Publication of IPSAS translation and information to relevant stakeholders about new translation available.	December 2016	International dept.	Public Sector working party (review subgroup)
<b>Promoting IPSAS</b>					
35.	2016	Participation at the task force set by the Accountant General (within MOF) on Impact assessment study of application of IPSAS to different public sector entities.	2016	Council member delegated to Public sector	CNDCEC staff and international delegates
	2017	Define conclusions, collect opinions on the impact assessment study.	2017		

#	Start Date	Actions	Completion Date	Responsibility	Resource
<b>Maintaining Ongoing Processes</b>					
36.	Ongoing	Continue to monitor new and amended pronouncements issues by the IPSASB and promote their dissemination and adoption at the national level. Respond to Exposure draft directly or through other regional organizations participated by CNDCEC. Update the Action Plan for future activities as necessary.	Ongoing	Council member delegated to Public sector	Public Sector working party and international delegates.
<b>Review of CNDCEC's Compliance Information</b>					
37.	2016	Monitor national legislation developments and accordingly review self-assessment questionnaire. Once updated, inform IFAC compliance staff in order for them to republish updated information.	Ongoing	Board	Public Sector working party

**Action Plan Subject:** SMO 6—Investigation and Discipline  
**Action Plan Objective:** Further Development of the Disciplinary Mechanisms

**Background:**

CNDCEC has a regulatory competency in the area of discipline, as the professional law (delegated Decree 139/05) assigns to CNDCEC the function of defining the relevant regulation, based on the Ministry of Justice opinion. The exercise of the disciplinary power is the competency of the territorial chapters in accordance with their supervising powers on the members and to territorial competency criteria.

In 2013 the new regulation on disciplinary procedures has been enacted, incorporating important innovations, as to the composition of the Board acting in a Disciplinary judgment. CNDCEC complies with SMO 6 requirements.

At local level the members of the Disciplinary Board are appointed by the President of the Court, based on a proposed list of members presented by the local chapter. The number varies according the local dimensions and can also include non-professionals, namely judges.

Within the disciplinary procedure CNDCEC acts as an appeal court. Decisions taken by the competent territorial committees can be appealed and be judged, at a second hearing, by CNDCEC. Against the decisions of CNDCEC it is possible to file an appeal to the ordinary Court. In all cases, all decisions are notified to the Ministry of Justice. The procedure is governed by the same constitutional rights and rules which apply to criminal procedures. Disciplinary sanctions are set in the professional law (139/05). CNDCEC does not have investigative powers.

In 2016 CNDCEC has updated some of the provisions of its ethics code to reflect changes in AML regulation and has enacted a “code of sanctions” in order to provide guidance to the local chapters on the range of sanctions to be applied in different cases and favor convergence of approaches to determination of sanctions among the 144 Italian territorial chapters.

The new legislative Decree implementing the audit directive (2006/43/CE) has provided the legal framework for a full disciplinary system for statutory auditors. This system is to be further defined with a few ministerial Decrees, expected to be enacted by 2017 also on the basis of the new delegated decree 135/2016. The basic requirements outline a system that complies with SMO 6.

With regard to the regulatory powers in this area, CNDCEC plays an advisory role and is not directly responsible for the enactment of the Decree, nor for the management of the procedures.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<b>Monitoring Transposition of Audit Directive</b>					
38.	2016	Monitor developments with regard to statutory auditors and assess need of coordination with disciplinary requirements for CNDCEC members who are also registered as statutory auditors, and the disciplinary system for statutory auditors.	2016 Ongoing	Council member delegated to ethics and disciplinary proceedings	Legal affairs

#	Start Date	Actions	Completion Date	Responsibility	Resource
<b>Maintaining Ongoing Processes</b>					
39.	2016	Provide guidance to Territorial chapters in order to ensure uniformity and consistency of the procedures managed at local level.	Ongoing	Board	Legal affairs
40.	Ongoing 2016	Assess the I&D mechanisms to ensure they incorporate SMO 6 requirements and are properly implemented. Monitor advancement and enactment of the new Decree for the auditors and level of compliance with SMO 6.	Ongoing	Board	CEO and Legal Affairs
41.	Ongoing	Update the Action Plan for future activities as necessary.	Ongoing	Board	Legal Affairs
<b>Review of CNDCEC's Compliance Information</b>					
42.	Ongoing	Perform periodic review of responses to the IFAC Compliance self assessment questionnaires and update sections relevant to SMO 6 as necessary, also providing further information about the final adoption of the disciplinary regulation by CNDCEC. Once updated, inform Compliance staff in order for them to republish updated information.	Ongoing	Board	Legal affairs
<b>Information and dissemination of the code</b>					
43.	2016	Translation of CNDCEC code of ethics and information on the code to international stakeholders and foreign member bodies.	2016	Council member delegated to ethics	Translation department

**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.	X			
2. Information about the types of misconduct which may bring about investigative actions is publicly available.	X			
<b>Initiation of Proceedings</b>				
3. Both a “complaints-based” and an “information-based” approach are adopted.	X			
4. Link with the results of QA reviews has been established.			X	
<b>Investigative Process</b>				
5. A committee or similar body exists for performing investigations.	X			
6. Members of a committee are independent of the subject of the investigation and other related parties.	X			
<b>Disciplinary Process</b>				
7. A separate disciplinary committee/entity exists to make disciplinary decisions on referrals from the investigation committee.		X		Within the disciplinary panel a member is responsible for the investigation and collection of documents.
8. Members of the committee/entity include professional accountants as well as non-accountants.			X	Disciplinary committees may include also persons who are external to the profession – and namely a magistrate – but it is not considered as mandatory.

Requirements	Y	N	Partially	Comments
9. The tribunal exhibits independence of the subject of the investigation and other related parties.	X			
<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.	X			With regard to letter a) of the example – it is not per se a sanction but a consequence of the removal or suspension.
<b>Rights of Representation and Appeal</b> 11. A third appeals body exists which is separate from both the disciplinary committee and investigative committee.	X			
<b>Administrative Processes</b> 12. Timeframe targets for disposal of all cases are set.	X			
13. Tracking mechanisms to monitor progress in investigation and discipline and related procedures are established.	X			
14. Records of investigations and disciplinary processes are established.	X			
<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.	X			
16. A process for the independent review of complaints on which there was no follow-up is established.	X			

<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.			<b>X</b>	At a local level only the final sanction is indicated in the professional roll. At national level only an extract of the decision is published.
<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>X</b>			
<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.	<b>X</b>			

**Action Plan Subject:** SMO 7–International Financial Reporting Standards and Other Pronouncements issued by the IASB  
**Action Plan Objective:** Continue to use best endeavors to support adoption and implementation of International Financial Reporting Standards

<b>Background:</b>					
As endorsed by EU regulation, IFRS are adopted for the preparation of financial statements of public interest entities. In general terms, the Italian accounting standards are applied, based on the 4 <sup>th</sup> and 7 <sup>th</sup> European Directives to non-PIEs. The Organismo Italiano di Contabilità (OIC), established as a non- profit entity (Foundation), includes various stakeholders in its composition and is responsible for setting the accounting standards. CNDCEC is one of the founding members of OIC and contributes to its technical activities. In June 2013 the new Accounting Directive (2013/34/EC) has been enacted and in September 2015 the new Italian delegated decree (n. 136/2015) has implemented the Directive.					
#	Start Date	Actions	Completion Date	Responsibility	Resource
<b>Participating in the Ongoing Adoption of IFRS</b>					
44.	2016	Define, within OIC (Organismo Italiano di Contabilità) the scope of IFRS application, as mandatory are as an option, in the different market segments (mandatory for PIEs, mandatory or allowed to certain companies in certain conditions) and consequences for SMEs.	Completed	Board	Accounting working party
	2016	Monitor -directly or through the OIC, the Italian standard setter- new and amended IFRS, especially IFRS 9, IFRS 15 and IFRS 16.			
45.	2016	CNDCEC is involved in the debate on the standard setting approach to be adopted for accounting of Small and Medium Enterprises, monitoring and promoting a think small first approach in this field.	Ongoing	Board	Accounting working party
<b>Supporting the Implementation of IFRS</b>					
46.	2016	Develop guidance and CPD materials at national and local level.	Ongoing	Board	Accounting working party
<b>Maintaining Ongoing Processes</b>					
47.	Ongoing	Continue to monitor new and amended pronouncements issues by the IASB as well as related regulatory developments and to assist with their implementation at the national level. Publish ad hoc paper in order to highlight best practices on specific issues. Update the Action Plan for future activities as necessary.	Ongoing	Board	Accounting working party



#	Start Date	Actions	Completion Date	Responsibility	Resource
<b>Review of CNDCEC's Compliance Information</b>					
48.	2016	Perform periodic review of responses to the IFAC Compliance self assessment questionnaires and update sections relevant to SMO 7 as necessary. Once updated, inform Compliance staff in order for them to republish updated information.	2018	Board	Accounting working party



**CONSIGLIO NAZIONALE  
DEI DOTTORI COMMERCIALISTI  
E DEGLI ESPERTI CONTABILI**

Consiglio Nazionale Dottori Commercialisti  
e degli Esperti Contabili  
Prot. **0007376**  
del 07/07/2017 ore 13:20:15  
Protocollo generale - Registro: U

MINISTERO DELLA GIUSTIZIA

*Il Direttore Generale*

FM/int/gp

Rome, 6 July 2017

**Ms Alta Prinsloo  
Executive Director, Quality & Development  
International Federation of Accountants  
529 Fifth Avenue  
New York, NY 10017 USA**

Dear Ms. Prinsloo,

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

This letter is to confirm that the leadership of the Consiglio nazionale dei Dottori Commercialisti e degli esperti contabili has reviewed the information contained in the SMO Action Plan prepared by Consiglio nazionale dei Dottori Commercialisti e degli esperti contabili as part of the IFAC Member Compliance Program and will provide institutional support for its implementation.

On behalf of the leadership of the Consiglio nazionale dei Dottori Commercialisti e degli esperti contabili, 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,

Francesca Maione

Name: Francesca Maione  
Title: Director general  
Company: Consiglio nazionale dei dottori commercialisti e degli esperti contabili (CNDCEC)  
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