

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 adoption¹ and implementation² 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

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| IFAC Member: | Korean Institute of Certified Public Accountants (KICPA) |
| Date Published: | December 2018 |
| Next Update: | December 2020 |

¹ *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.

² *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.

Action Plan Subject: SMO1 - Quality Assurance (QA)
Action Plan Objective: To ensure KICPA's Quality Assurance Review System Incorporates all SMO1 Requirements

| # | Start Date | Actions | Completion Date | Responsibility | Resource |
|--|---------------|--|-----------------|---|-------------|
| <p><i>Background:</i></p> <p>Oversight of the Assurance Program of the accounting firms and Certified Public Accountant (CPAs) is the responsibility of the Securities & Futures Commission (SFC). However, the SFC entrusts its power to the governor of the Financial Supervisory Service (FSS) and KICPA.</p> <p>If KICPA intends to establish or revise the quality control review standards or regulations, approval by SFC is required and the results of the quality control review are reported to SFC.</p> <p>In accordance with the International Standard on Quality Control 1, effective as of June 15, 2005, FSS and the Audit Quality Control Review Committee under KICPA undertake the Audit Quality Control Review Program on accounting firms. Under the Audit Quality Control Review Committee, the Audit Quality Control Supervisory Committee is constituted to review and evaluate auditing practice of accounting firms.</p> <p>KICPA continues to ensure that KICPA's QA review system is operating effectively and is in line with all SMO1 requirements. KICPA is scheduled to adopt the new International Standards on Quality Control (ISQC1) from 2013.</p> <p>For more information about the KICPA Quality Assurance Program, please visit the website (www.kicpa.or.kr).</p> | | | | | |
| <p><i>Ongoing Process 1: To Continue to Focus on Adoption and Implementation of ISQC1 and Review KICPA's QA Review System to Ensure it Incorporates all SMO1 Requirements-</i></p> | | | | | |
| 1. | February 2008 | Continuously recommend FSS to adopt a maximum cycle of three years for a firm, which audits listed entities. FSS's view is that it is difficult to adopt the requirement in a short period of time because of resources and budget limitation. | Ongoing | Vice President (Professional Standards & CPE) | KICPA staff |
| 2. | April 2009 | Apply the QA review checklist of FSS (Financial Supervisory Services) prepared in full compliance with ISQC1 for auditors that audit listed entities or subject to KICPA's QA review. <ul style="list-style-type: none"> - FSS conducts QA review of major accounting firms that audit listed companies while KICPA conducts QA reviews of firms that are not subject to the FSS's QA review. | Ongoing | Vice President (Professional Standards & CPE) | KICPA staff |
| <p><i>Ongoing Process 2: To Review KICPA's Compliance Information</i></p> | | | | | |

| # | Start Date | Actions | Completion Date | Responsibility | Resource |
|--|----------------|--|-----------------|--|-------------|
| 3. | Ongoing | Perform periodic review of KICPA's SMO Action Plan and DBR. Once updated, inform IFAC Compliance staff about the updates in order for the Compliance staff to republish updated information. | Ongoing | Vice President (Professional Standards & CPE) | KICPA staff |
| <i>Actions Completed 1: Developed Quality Control Guidance and Planned Implementation Activities</i> | | | | | |
| 4. | February 2008 | Obtained information and other related guidance developed by the American Institute of Certified Public Accountants (AICPA) and Institute of Chartered Accountants of Canada (CICA). | August 2008 | Vice President (Professional Standards & CPE) | KICPA staff |
| 5. | September 2008 | Developed "A Specimen of A Firm's Rule for Establishing and Maintaining Quality Control System (tentatively named)". The Example included all requirements of ISQC1 and International Accounting Standards (IAS) 220 written in simple and plain expression. | October 2009 | Vice President (Professional Standards & CPE) | KICPA staff |
| 6. | November 2009 | Released final version of the Example. | November 2009 | Vice President (Professional Standards & CPE) | KICPA staff |
| <i>Actions Completed 2: Adopted New ISQC1</i> | | | | | |
| 7. | July 2011 | KICPA adopted New ISQC1 in 2013. Accordingly, KICPA translates "Guide to Quality Control for Small-and Medium-Sized Practices" into Korean. | August 2012 | Vice President (Professional Standards & CPE) | KICPA staff |
| 8. | August 2011 | Develop "A Specimen of An audit team's Rule for Establishing and Maintaining Quality Control System (tentatively named)". The Example included main requirements of ISQC1 and IAS 220 written in simple and plain expression. | August 2012 | Vice President (Professional Standards & CPE) | KICPA staff |

| # | Start Date | Actions | Completion Date | Responsibility | Resource |
|-----|--------------|--|-----------------|---|-------------------------------------|
| 9. | April 2013 | Fully translated the New ISQC1 into Korean and obtained feedback from stakeholders. Released an exposure draft of the new ISQC1 in July 2013. | August 2013 | Vice President (Professional Standards & CPE) | KICPA staff |
| 10. | August 2013 | Passed and promulgated the revised KSQC 1 in August, 2013. | August 2013 | - Vice President (Professional Standards & CPE) - KAASB | KICPA staff |
| 11. | January 2018 | KSQC 1 was established aligned with requirements of the revised Act on External Audit of Stock Companies. | October 2018 | - Vice President (Professional Standards & CPE) - KAASB | - Members of KAASB - KICPA Staff |

Table to conduct self-assessment against requirements of SMO 1

| Requirements | Y | N | Partially | Comments |
|---|---|---|-----------|--|
| Scope of the System 1. At a minimum, mandatory QA reviews are required for all audits of financial statements. | O | | | |
| Quality Control Standards and Other Quality Control Guidance 2. Firms are required to implement a system of quality control in accordance with the quality control standards. | O | | | |
| 3. Most up to date versions of ISQC 1 and other relevant ISA are adopted as the quality control standards. | O | | | The latest KSQC1 was approved on October 2018. |
| 4. Member Body assists firms in understanding the objectives of quality control and in implementing and maintaining appropriate systems of quality control. | O | | | |
| Review Cycle 5. A cycle-based, risk-based, or a mixed approach for selecting firms for QA review is used. | O | | | A cycle-based approach is used. |

| Requirements | Y | N | Partially | Comments |
|--|---|---|-----------|--|
| 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). | O | | | (previous) Big-sized firms (once every 2-3 years) by the Financial Supervisory Service SMPs (once every five years) by the KICPA Audit teams (once every 5-7 years) by the KICPA (revised) to be effective from 1 st November, 2018 Auditors of listed companies (once every 2-3 years) by the Financial Supervisory Service The rest will be subject to the previous thresholds. |
| QA Review Team | | | | |
| 7. Independence of the QA Team is assessed and documented. | O | | | |
| 8. QA Team possesses appropriate levels of expertise. | O | | | |
| Reporting | | | | |
| 9. Documentation of evidence supporting the quality control review report is required. | O | | | |
| 10. A written report is issued upon conclusion of the QA review and provided to the firm/partner reviewed. | O | | | |

| Requirements | Y | N | Partially | Comments |
|--|---|---|-----------|----------|
| Corrective and Disciplinary Actions 11. Reviewed firms/partners are required to make timely adjustments to meet recommendations from the review report. | O | | | |
| 12. QA review system is linked to the Investigation and Discipline system. | O | | | |
| Consideration of Public Oversight 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. | O | | | |
| Regular Review of Implementation and Effectiveness 14. Regular reviews of implementation and effectiveness of the system are performed. | O | | | |

Action Plan Subject: SMO2 - International Education Standards (IESs)
Action Plan Objective: To Continue to Use Best Endeavors to Promote IES Requirements

| # | Start Date | Actions | Completion Date | Responsibility | Resource |
|--|------------|--|-----------------|--|-------------|
| <p>Background:</p> <p>The KICPA members are required to complete designated CPA activities on an annual basis in order to maintain and sharpen their professional competence, skills, values, and attitudes. The members must complete a total of 40 hours of CPD programs. The programs cover subjects ranging from accounting, audit, taxation to business advisory, IT and professional ethics. KICPA operates more than 1000 hours of online programs excluding other offline seminars.</p> <p>The Education Committee in the KICPA reviews the appropriateness and quality of the programs on a yearly basis to ensure that members are fully up-to-date with information and requirements.</p> <p>The Committee released the revised IESs (2015 edition) that are translated into Korean in May, 2015, and promoted the translated IESs to education-related stakeholders, such as regulators, academia and accounting firms.</p> <p>Detailed information about KICPA's professional education requirements, Continuous Professional Development (CPD) and training can be found in the relevant section on the KICPA's website www.kicpa.or.kr</p> <p>KICPA is continuously engaged in efforts to improve regulations, standards, and policies aimed at meeting the requirements of IES.</p> | | | | | |
| <p><i>Ongoing Process 1: To Maintain an Ongoing Process for Reviewing Proposed Standards and Implementing New Standards Issued by International Accounting Education Standards Board (IAESB)</i></p> | | | | | |
| 12. | Ongoing | Maintain an ongoing process as recommended by the Compliance staff and continues to use best endeavors to assist regulatory body (Financial Services Commission ³) to incorporate new and revised standards into the CPA Act and related regulation. | Ongoing | Vice President (Professional Standards & CPE) | KICPA staff |
| <p><i>Ongoing Process 2: To Support Implementation of IES8, Competence Requirements for Audit Professionals</i></p> | | | | | |
| 13. | | | | | |

³ The Financial Services Commission (FSC) was reorganized combining the former FSC's role and the former MoFE(Ministry of Finance and Economy)'s role of regulating CPAs.

| # | Start Date | Actions | Completion Date | Responsibility | Resource |
|--|---------------|---|-----------------|--|-------------|
| 14. | Ongoing | Universities' curriculum related to CPA exam are assessed and monitored by FSS pursuant to the CPA Act. FSS announces and updates list of university courses which meet education requirements. KICPA provides regulatory bodies with information about new or revised standards and urges to reflect them on its policies. | Ongoing | Vice President (Professional Standards & CPE) | KICPA staff |
| <i>Ongoing Process 3: To Review KICPA's Compliance Information</i> | | | | | |
| 15. | Ongoing | Perform periodic review of KICPA's SMO Action Plan and DBR. Once updated, inform IFAC Compliance staff about the updates in order for the Compliance staff to republish updated information. | Ongoing | Vice President (Professional Standards & CPE) | KICPA staff |
| 16. | March 2015 | As a member of IAESB, KICPA's Vice President submitted comments on the revision of IAESB Framework – description of accountancy profession and the definition of professional accountants. | March 2015 | Vice President (Professional Standards & CPE) | KICPA staff |
| 17. | May 2015 | As a member of IAESB, KICPA's Vice President submitted comments on the draft of basis for conclusion for Framework. | May 2015 | Vice President (Professional Standards & CPE) | KICPA staff |
| 18. | February 2016 | As a member of IAESB, KICPA's Vice President submitted comments on the IES 7 survey. | February 2016 | Vice President (Professional Standards & CPE) | KICPA staff |
| 19. | July 2017 | As a member of IAESB, KICPA's Vice President submitted comments on the structural overview on an operating framework for review of implementation support materials. | July 2017 | Vice President (Professional Standards & CPE) | KICPA staff |
| 20. | August 2017 | As a member of IAESB, KICPA's Vice President submitted comments on the criteria for the new and revised | August 2017 | Vice President | KICPA staff |

| # | Start Date | Actions | Completion Date | Responsibility | Resource |
|---|----------------|---|-----------------|--|-------------|
| | | implementation support materials. | | (Professional Standards & CPE) | |
| 21. | February, 2018 | As a member of IAESB, KICPA's Vice President submitted comments on the IAESB-ISWG activities on IES 4 implementation via call and written documents. | February, 2018 | Vice President (Professional Standards & CPE) | KICPA staff |
| <i>Ongoing Process 4: To Update Research Project to Develop Competence-based CPD System Based on the Revised IESs</i> | | | | | |
| 22. | Ongoing | Update the research on the competence-based CPD system based on the revised IES and conduct study that is designed for transition into output based approach. A TF, designed to improve the CPA exam and education system, composed of members from the Financial Services Commission (FSC), Financial Supervisory Service, academia, accounting firms, Korea Listed Companies Association and KICPA, was formed in June 2017 and provided suggestions that are in line with IES requirements in early 2018 to the FSC. However, the FSC can't launch restructuring of CPA exam and education system right now due to more focus on and priority to follow-up measures in the wake of Korea's accounting and audit reform. | Ongoing | Vice President (Professional Standards & CPE) | KICPA staff |
| 23. | Ongoing | Develop ethics education program curricula to strengthen professional value, ethics, and attitude. KICPA entrusted the Korea Academy of Business Ethics with research and was granted with the research results of "Ethics Education Curriculum for KICPA Members" and developed ethics education curriculum based on the research. Plus, KICPA further strengthened ethics education by providing separate evaluations on the subject of Code of Professional Ethics in IPD courses from the first half of 2018. | Ongoing | Vice President (Professional Standards & CPE) | KICPA staff |

| # | Start Date | Actions | Completion Date | Responsibility | Resource |
|--|------------|--|-----------------|--|-------------|
| | | | | | |
| <i>Actions Completed 1 : Implemented a Research Project to Develop Competence-Based Continuing Professional Development (CPD) System</i> | | | | | |
| 24. | April 2010 | Undertook a research project to develop the competency-based continuing professional development system. This project includes competency modeling, competency self-assessment tool and competency-based curriculum to improve the KICPA CPD system. | March 2011 | Vice President (Professional Standards & CPE) | KICPA staff |

Action Plan Subject: SMO3 - International Auditing and Assurance Standards Board (IAASB) Pronouncements
Action Plan Objective: To Ensure Ongoing Convergence with IAASB Pronouncements

| # | Start Date | Actions | Completion Date | Responsibility | Resource |
|--|------------|---|-----------------|--|-------------|
| <p><i>Background:</i></p> <p>KICPA establishes auditing standards based on the pre-approval of the Financial Services Commission pursuant to the Act on External Audit of Stock Companies. KICPA set up the Korea Auditing and Assurance Standards Board (KAASB) to formulate auditing standards.</p> <p>As for the clarified ISAs adoption, KAASB fully adopted the clarified ISAs and revised KSAs with FSC's approval in December 2012 and the clarified KASs became effective from 2014.</p> <p>KICPA continues to use best endeavors to maintain ongoing process to adopt and implement IAASB pronouncements. This includes updating the Action Plan for future activities where necessary.</p> | | | | | |
| <p><i>Ongoing Process 1: To Develop an Ongoing Process to Adopt and Implement IAASB Pronouncements</i></p> | | | | | |
| 25. | Ongoing | Continuously review and disseminate proposed standards, exposure drafts and final standards issued by IAASB. All exposure drafts issued by IAASB are requested for comments to KICPA's members, regulatory body, academy and industries. The final standards are posted on KICPA's web-site to increase the public's awareness. | Ongoing | Vice President (Professional Standards & CPE) | KICPA staff |
| 26. | Ongoing | Regularly monitor and timely update education and training content to ensure that KICPA's members are aware of new requirements and understand them properly. | Ongoing | Vice President (Professional Standards & CPE) | KICPA staff |
| <p><i>Ongoing Process 2: To Review KICPA's Compliance Information</i></p> | | | | | |
| 27. | Ongoing | Perform periodic review of KICPA's SMO Action Plan and DBR. Once updated, inform IFAC Compliance staff about the updates in order for the Compliance staff to republish updated information. | Ongoing | Vice President (Professional Standards & CPE) | KICPA staff |
| <p><i>Actions Completed1: Adopted New ISAs and Declared a Clear Public Statement with KICPA's Commitment to Convergence with IAASB Pronouncements</i></p> | | | | | |

| # | Start Date | Actions | Completion Date | Responsibility | Resource |
|---|---------------|---|-----------------|---|-----------------------------------|
| 28. | July 2009 | Developed training materials to assist KICPA's members in understanding and implementing new ISAs. Focused the training materials on differences between current standards and new ISAs, including risk based audit approach, revised forms of reporting, group auditing, new requirements for auditors and so on. | December 2009 | Vice President (Professional Standards & CPE) | KICPA staff |
| 29. | March 2009 | Fully translated the New ISAs into Korean (new KSA) with collecting comments from stakeholders, and submitted to the FSC for approval. | April 2010 | -Vice President (Professional Standards & CPE) -KAASB | -Members of KAASB -KICPA staff |
| 30. | February 2012 | Re-applied for FSC's approval, which resulted in FSC's deliberation and approval. | December 2012 | FSC | |
| 31. | August 2013 | KAASB passed KSA Annual Improvement (2013) and the revised KSAs 800, 805, and 810, which were approved by the Financial Services Commission. | November 2013 | - Vice President (Professional Standards & CPE) - KAASB | KICPA staff |
| <i>Actions Completed 2: Reviewed an ISA Guide Developed by IFAC Small and Medium Practices (SMP) Committee</i> | | | | | |
| 32. | February 2008 | Reviewed the "Guide to Using International Standards on Auditing in the Audit of Small-and Medium-sized Entities", including SMP Risk Approach Case Study and considered if the contents of the Guide could be utilized as training materials with regard to the implementation of new ISAs. | September 2008 | Vice President (Professional Standards & CPE) | KICPA staff |
| 33. | August 2012 | Reflected the above Guideline in making an audit working paper sample for SMPs | June 2013 | | |
| <i>Actions Completed 3: Adoption and Promulgation of International Standards on Assurance Engagements (ISAE) 3402</i> | | | | | |

| # | Start Date | Actions | Completion Date | Responsibility | Resource |
|--|---------------|---|-----------------|---|-------------------------------------|
| 34. | December 2013 | KAASB passed and then promulgated the revised KSAE 3402. | December 2013 | - Vice President (Professional Standards & CPE) - KAASB | KICPA staff |
| <i>New Developments 1: Preparation for the Adoption of Revised ISAs on Audit Reporting</i> | | | | | |
| 35. | May 2015 | <ul style="list-style-type: none"> - Establishing of a sub-committee in preparation of adopting ARS - Embarking on translation - Conducting a study on how to be well-prepared for the adoption and how to respond to it with the outside specialist engaged | December 2017 | - Vice President (Professional Standards & CPE) - KAASB | - KICPA staff - Members of KAASB |
| 36. | June 2017 | <ul style="list-style-type: none"> - Establishing KSAs 701 for adoption of KAM - Establishing KSAs 700 for improvement of audit report | December 2017 | - Vice President (Professional Standards & CPE) - KAASB | - Members of KAASB - KICPA staff |
| 37. | August 2018 | <ul style="list-style-type: none"> - Updating the best examples of audit reports based on the revised standards | October 2018 | - Vice President (Professional Standards & CPE) - KAASB | - KICPA staff |

Action Plan Subject: SMO 4 - International Ethics Standards Board for Accountants (IESBA) Code of Ethics
Action Plan Objective: To Adopt and Implement the IESBA Code of Ethics

| # | Start Date | Actions | Completion Date | Responsibility | Resource |
|---|------------|---|-----------------|--|-------------|
| <p><i>Background:</i></p> <p>Under the Certified Public Accountant Act, KICPA establishes the Code of Ethics. KICPA members are required to comply with the Code of Ethics according to the CPA Act and bylaw.</p> <p>KICPA newly set up the Korean Ethics Standards Board for Accountants (KESBA) in July 2005 in an endeavor to enhance the public interest and to adopt the IESBA Code of Ethics. In July 2006 the KESBA fully adopted the 2005 version of the IESBA Code as the Code of Ethics of KICPA, which remains in use at present.</p> <p>KESBA prepared and released an exposure draft on the revised IESBA Code of Ethics in December, 2011 to adopt the revised Code, published in 2009. In addition, KESBA has endeavored to maintain consistency with the IESBA Code, with the efforts of releasing an exposure draft on the revised Code in April 2016 to adopt the revision concerning Conflicts of Interests, Breach of a Requirement of Code of Ethics, and Change to the Definition of Those Charged with Governance. Upon the completion of Korea's accounting and audit reform in around 2019, KESBA is planning to issue an exposure draft on the International Code of Ethics for Professional Accountants (including International Independence Standards) that were published in April, 2018 by IESBA.</p> | | | | | |
| <p><i>Ongoing Process 1: To Promote Members' Understanding of and Interest in the Activities of the International Ethics Standards Board for Accountants (IESBA)</i></p> | | | | | |
| 30. | Ongoing | <p>Disseminate to members the exposure draft or revised Standards released by the IESBA in the form of email or a monthly magazine and to collect members' comments to deliver to the IESBA.</p> <p>Upon IESBA's publication of an exposure draft on the Code of Ethics for Professional Accountants, KICPA solicits opinions from stakeholders, KESBA reflects such opinions, and submits Korean accounting profession's opinions to the IESBA. Upon the revision of the Code by IESBA, a summary of the revision along with relevant standards is circulated to KICPA members via channels including e-mails.</p> | Ongoing | Vice President (Professional Standards & CPE) | KICPA staff |
| <p><i>Ongoing Process 2: To Support and Monitor Members' Compliance with the Code of Ethics</i></p> | | | | | |
| 31. | Ongoing | Carry out a survey periodically in order to identify the | Ongoing | Vice President | KICPA staff |

| # | Start Date | Actions | Completion Date | Responsibility | Resource |
|---|------------|---|-----------------|--|-------------|
| | (biennial) | current status of accounting practices' compliance with Ethics Standards. | | (Professional Standards & CPE) | |
| 32. | Ongoing | Provide consultation to members to enhance the understanding of the Code of Ethics and to resolve Ethics related issues through phone calls and emails. | Ongoing | Vice President (Professional Standards & CPE) | KICPA staff |
| 33. | Ongoing | Set up and run the Center for Ethics Complaints to enhance self-regulatory function of KICPA. | Ongoing | Vice President (Professional Standards & CPE) | KICPA staff |
| <i>Ongoing Process 3: To Strengthen Education on the Code of Ethics</i> | | | | | |
| 34. | Ongoing | Require its members to take 8 hours of ethics CPD program a year. | Ongoing | Vice President (Professional Standards & CPE) | KICPA staff |
| 35. | Ongoing | Review Ethics Education Toolkit to consider if some of its contents, such as case study videos and sample courses, could be utilized as training materials when KICPA develops ethics training program on an ongoing basis. | Ongoing | Vice President (Professional Standards & CPE) | KICPA staff |
| <i>Ongoing Process 4: To Review KICPA's Compliance Information</i> | | | | | |
| 36. | Ongoing | Perform periodic review of KICPA's SMO Action Plan and DBR. Once updated, inform IFAC Compliance staff about the updates in order for the Compliance staff to republish updated information. | Ongoing | Vice President (Professional Standards & CPE) | KICPA staff |

| # | Start Date | Actions | Completion Date | Responsibility | Resource |
|--|------------|--|----------------------------|---|-------------|
| <i>New Developments 1: To Adopt Revised IESBA Code of Ethics</i> | | | | | |
| 37. | 2009 | <p>Perform translation of revised IESBA Code of Ethics released in July 2009 to incorporate them into KICPA Code of Ethics for its revision.</p> <p>Establish the Ethics Standards Revision TF to review the translation of the revised IESBA Code of Ethics and to discuss the practical application issues.</p> <p>The translation has been completed, but the specific plan on its pronouncement has not yet been decided.</p> | December 2011 Completed | Vice President (Professional Standards & CPE) -KESBA | KICPA staff |
| 38. | | | | | |
| 39. | July 2011 | Follow due process in revising KICPA Code of Ethics, including public exposure and consideration of respondents' comments on an exposure draft. | December 2012 | -Vice President (Professional Standards & CPE) -KESBA | KICPA staff |
| 40. | Q1 2016 | <p>Released an exposure draft on the Revised Code on April, 2016 to adopt the revision addressing Conflict of Interests, Breach of a Requirement of Code of Ethics, and Change to the Definition of Those Charged with Governance.</p> <p>Upon the completion of relevant measures and enforcement of the revised Act on External Audit of Stock Companies in 2019, the latest Code of Ethics for Professional Accountants, published in April, 2018, will be translated and stakeholders' opinions will be solicited for adoption with the target year of 2020.</p> | Ongoing | -Vice President (Professional Standards & CPE) -KESBA | KICPA staff |

Action Plan Subject: SMO5 - International Public Sector Accounting Standards (IPSASs)
Action Plan Objective: To Continue to Use Best Endeavors to Raise Awareness About IPSASs and Promote Use of IPSASs

| # | Start Date | Actions | Completion Date | Responsibility | Resource |
|--|------------|--|-----------------|---|-------------|
| <p><i>Background :</i></p> <p>Under the National Accounting Act of 2007 and the Local Accounting Act of 2016, the Ministry of Strategy and Finance (MSF) and the Ministry of the Interior and Safety (MIS) are responsible for establishing national accounting standards and local government accounting standards respectively.</p> <p>The National Accounting Standards and Local Government Accounting Standards were developed on the basis of relatively simple rules-based accounting standards that were once applied to companies in the past. The International Public Sector Accounting Standards (IPSAS) have been considered for their establishment by experts and members working in each of advisory or deliberation committees for the standards setting. However, IPSASs are not currently adopted and no plan to do.</p> <p>The KICPA has no direct responsibility for adoption or implementation of IPSAS, but promotes to settling/improving the accrual based accounting practice in the public sector and encourages to establish a strong public sector accounting system including IPSAS.</p> <p>In addition, the KICPA continues to participate and promote the IPSAB's activities by submitting comments on Exposure Drafts and notifying/distributing various publications to the KICPA members.</p> | | | | | |
| <p><i>Ongoing Process 1: To Continue to Use Best Endeavors to Promote Use of IPSASs and Encourage KICPA's Members' Interest in IPSASs</i></p> | | | | | |
| 41. | Ongoing | Continuously recommend that Korean central and local government adopt IPSASs by studying and introducing relevant ones in developing accounting standards for the Korean government. | Ongoing | -Vice President (Professional Standards & CPE) | KICPA staff |
| 42. | Ongoing | Notify KICPA's members of all exposure drafts and new and revised standards issued by IPSASB and encourage its members to send comments on the exposure drafts to IPSASB. | Ongoing | -Vice President (Professional Standards & CPE) | KICPA staff |
| 43. | Ongoing | Promote the application of and interest in the IPSASs by referring to IPSASs in various research and studies in collaboration with the GAFSC. | Ongoing | -Vice President (Professional Standards & CPE) | KICPA staff |
| <p><i>Ongoing Process 2: To Review KICPA's Compliance Information</i></p> | | | | | |

| # | Start Date | Actions | Completion Date | Responsibility | Resource |
|---|--------------|---|-----------------|---|---|
| 44. | Ongoing | Perform periodic review of KICPA's Part1 and Part2 responses and update sections relevant to SMO5 as necessary. Once updated, inform IFAC Compliance staff about the updates in order for the Compliance staff to republish updated information. | Ongoing | -Vice President (Professional Standards & CPE) | KICPA staff |
| <i>New Developments 1: To improve the usefulness of accrual-based accounting information of the central and local governments</i> | | | | | |
| 45. | June 2016 | Launch a research project about case study on KPIs and fiscal targets based on accrual information in government sectors | Ongoing | Vice President | KICPA staff Members of the Government Financial Management Committee |
| 46. | June 2017 | Publish a summary report and issue various articles on the National Government Annual Report to demonstrate the usefulness of accrual-based accounting information. | Ongoing | Vice President (Professional Standards & CPE) | KICPA staff Members of the Public Sector Committee |
| 47. | October 2018 | Establish accounting awards for local governments to encourage their efforts for enhancing their accounting transparency and improving usefulness of their annual reports. | Ongoing | Vice President (Professional Standards & CPE) | KICPA staff |

Action Plan Subject: SMO6 and Investigation and Discipline (I&D)
Action Plan Objective: To Continuously Strengthen Investigation and Disciplinary Processes

| # | Start Date | Actions | Completion Date | Responsibility | Resource |
|--|------------|---|-----------------|---|-------------|
| <p><i>Background:</i></p> <p>Under the CPA Act, KICPA set up the Ethics Committee to discipline CPAs and accounting firms found to be in breach of the Act, entrusted by the FSC, which includes designated members of the FSC and the FSS to the Ethics Committee. In addition, KICPA has the Ethics Investigation and Deliberation Committee in place to undertake investigation into and disciplinary actions on members found to have violated the bylaws and other regulations of KICPA.</p> <p>The CPA Disciplinary Committee under the FSC itself imposes disciplinary actions including revocation of license, suspension, censure, and fine on members who are found to have seriously violated the Act pursuant to its disciplinary provisions.</p> <p>KICPA takes complaints-based approach to voluntarily receive complaints via Ethics Hotline while conducting investigations based on the information collected from the results of quality assurance review. Plus, other reliable sources including news are also utilized to be proactive in the public interest.</p> <p>As for the investigative results, KICPA permits defendants to appeal the results, findings and any imposed sanctions to the Ethics Committee and the Ethics Investigation and Deliberation Committee. The sanctions or punishments are imposed proportionate to the level of seriousness of the misconduct or breach based on the Sentencing Guidelines.</p> <p>To ensure fairness of the investigative process, any individuals who have a conflict of interests are immediately withdrawn at the onset of the investigation as pursuant to the Bylaw of the KICPA and the Terms of Reference of the Ethics Committee and Ethics Investigation and Deliberation Committee, respectively.</p> <p>The above ensures that KICPA's bylaw and I&D scheme comply with SMO 6 requirements.</p> <p>KICPA continuously undertakes a review on related regulations and process for its investigation and disciplinary process to meet the requirements of SMO6.</p> | | | | | |
| <p><i>Ongoing Process 1: To Use Best Endeavors to Comply with SMO6 Requirements</i></p> | | | | | |
| 48. | Ongoing | Maintain KICPA's investigation and disciplinary process compliant with all SMO6 requirements. This includes updating the Action Plan for future activities where necessary. | Ongoing | -Vice President (Professional Standards & CPE) - Vice President (General Management) | KICPA staff |
| 49. | Ongoing | Perform periodic review of KICPA's rule of operation for I&D process. | Ongoing | -Vice President (Professional | KICPA staff |

| # | Start Date | Actions | Completion Date | Responsibility | Resource |
|-----|------------|--|-----------------|---|-------------|
| | | | | Standards & CPE) - Vice President (General Management) | |
| 50. | Ongoing | <ul style="list-style-type: none"> - Continue to use best endeavors to promote the importance of compliance with ethical requirements and inform KICPA's members of the existing I&D process through meetings, lectures, speeches, articles or consultation. - Establishment of the Code of Conduct for CPAs - Introduction of I&D system and highlight of its importance on the ethics education courses | Ongoing | -Vice President (Professional Standards & CPE) - Vice President (General Management) | KICPA staff |

Table to conduct self-assessment against requirements of SMO 6

| Requirements | Y | N | Partially | Comments |
|--|---|---|-----------|---|
| Scope of the System | | | | |
| 1. A system of investigation, discipline and appeals exists for the accountancy profession. The system is operational. | o | | | |
| 2. Information about the types of misconduct which may bring about investigative actions is publicly available. | o | | | The information about the misconduct is stipulated in the CPA Act and relevant standards. |

| Requirements | Y | N | Partially | Comments |
|--|---|---|-----------|--|
| Initiation of Proceedings | | | | |
| 3. Both a “complaints-based” and an “information-based” approach are adopted. | ○ | | | Both approaches are adopted to receive complaints and reports, |
| 4. Link with the results of QA reviews has been established. | ○ | | | |
| Investigative Process | | | | |
| 5. A committee or similar body exists for performing investigations. | ○ | | | The Ethics Investigation and Deliberative Committee performs investigations. |
| 6. Members of a committee are independent of the subject of the investigation and other related parties. | ○ | | | The Ethics Committee and the Ethics Investigation and Deliberation Committee are independently operated as pursuant to the relevant regulation and by-law. |
| Disciplinary Process | | | | |
| 7. A separate disciplinary committee/entity exists to make disciplinary decisions on referrals from the investigation committee. | ○ | | | The Ethics Committee makes disciplinary decisions on referrals from the Ethics Investigation and Deliberation Committee. |
| 8. Members of the committee/entity include professional accountants as well as non-accountants. | ○ | | | Non-CPAs are included to the committee members, |
| 9. The tribunal exhibits independence of the subject of the investigation and other related parties. | ○ | | | The Ethics Committee is independently operated as pursuant to the relevant regulation and by-law. |

| Requirements | Y | N | Partially | Comments |
|---|---|---|-----------|---|
| Sanctions 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. | ○ | | | An extensive range of penalties, including (a), (b), and (c) is imposed as pursuant to the CPA Act and by-law. |
| Rights of Representation and Appeal 11. A third appeals body exists which is separate from both the disciplinary committee and investigative committee. | ○ | | | Administrative litigation can be filed. |
| Administrative Processes 12. Timeframe targets for disposal of all cases are set. | ○ | | | Timeframe targets are described. |
| 13. Tracking mechanisms to monitor progress in investigation and discipline and related procedures are established. | ○ | | | Internal audit is performed and reviews by the Financial Services Commission (FSC) are conducted once every four years. |
| 14. Records of investigations and disciplinary processes are established. | ○ | | | Records of investigation and disciplinary processes are established. |
| Public Interest Considerations 15. Activities are supported to ensure that the public is aware that an investigative and disciplinary system exists in the jurisdiction. | ○ | | | The investigative and disciplinary system is introduced on the webpage that receives complaints. |

| Requirements | Y | N | Partially | Comments |
|---|---|---|-----------|---|
| 16. A process for the independent review of complaints on which there was no follow-up established. | O | | | Internal audit is performed and reviews by the Financial Services Commission (FSC) are conducted once every four years.. |
| 17. The results of the investigative and disciplinary proceedings are made available to the public. | | | O | Severe disciplinary actions arising from violations of the CPA Act and the Act on External Audit of Stock Companies are disclosed on the website, |
| Liaison with Outside Bodies 18. There is an appropriate process for liaison with outside bodies on possible involvement in serious crimes and offences. | O | | | Close communication with regulatory bodies are maintained. |
| Regular Review of Implementation and Effectiveness 19. Regular review of implementation and effectiveness of the system are performed and corrective actions are implemented. | O | | | Internal audits and regular reviews by the FSC are conducted and corrective actions and implemented accordingly. |

Action Plan Subject: SMO7 - International Financial Reporting Standards (IFRSs)
Action Plan Objective: To Continue to Use Best Endeavors to Promote and Support Adoption and Implementation of IFRSs

| # | Start Date | Actions | Completion Date | Responsibility | Resource |
|---|---------------|---|-----------------|--|--------------------------------|
| <p><i>Background :</i></p> <p>The Korea Accounting Standards Board (KASB) establishes and publicizes Korean accounting standards under the Act on External Audit of Stock Companies. With the KASB fully adopting IFRSs in 2010, listed entities in Korea prepare financial statements in accordance with K-IFRS, while non-listed entities may choose to do so voluntarily. Entities electing not to prepare financial statements based on K-IFRS are allowed to prepare financial statements in accordance with the Korean Generally Accepted Accounting Principles (K-GAAP).</p> <p>KICPA operates online IFRS education programs for its members.</p> <p>Since 2011 when government-owned companies and public institutions were required to prepare financial statements in accordance with IFRSs, the IFRS adoption has been expanded to other public institutions designated by the decree of the Ministry of Strategy and Finance from 2013. KICPA operates education programs to facilitate the IFRS adoption.</p> <p>KICPA actively supports the adoption of IFRS and provides review opinions on exposure drafts. KICPA continues to use best endeavors to promote use of IFRSs and to support their implementation. KICPA undertakes research on implementation issues about K-IFRS, and has published research papers on consolidated financial statements, the equity method and common control transactions, discount rate, impairments, provisions, new revenue standard, income taxes. Additionally, KICPA is undertaking a study on issues arising from the application of new K-IFRS in practice, such as new lease accounting.</p> <p>To support its members, KICPA offers CPD courses online and in-person on topics related to K-IFRS. KICPA also regularly organizes conferences and seminars. KICPA supports or participates on the K-IFRS trainings and seminars hosted by the Financial Supervisory Services or KASB.</p> | | | | | |
| <p><i>Ongoing Process 1: To Continue to Use Best Endeavors to Support the Implementation of the IFRSs Properly</i></p> | | | | | |
| 51. | February 2008 | <p>Launch 85 units of online-based K-IFRS education program to ensure that KICPA's members obtain sufficient knowledge about the K-IFRSs to audit financial statements prepared in accordance with the K-IFRSs appropriately.</p> <p>Update online-based K-IFRS education program periodically.</p> | Ongoing | Vice President (Professional Standards & CPE) | Education Board KICPA staff |

| # | Start Date | Actions | Completion Date | Responsibility | Resource |
|-----|------------|---|-----------------|--|-------------|
| 52. | 2007 | Publish "IFRS Implementation Manual" to help its members audit financial statements prepared in accordance with IFRS. | January 2008 | Vice President (Professional Standards & CPE) | KICPA staff |
| 53. | Ongoing | Actively participate in KASB standards-setting activities, such as reviewing KASB's exposure drafts and submitting comments on them. Have submitted comments on exposure drafts and DPs to IASB as part of efforts to engage in standard-setting processes since 2014. | Ongoing | Vice President (Professional Standards & CPE) | KICPA staff |
| 54. | Ongoing | In association with the Korean Accounting Standards Board (KASB), publicize and disseminate the K-IFRS Bound Volume. | Ongoing | Vice President (Professional Standards & CPE) | KICPA staff |
| 55. | Ongoing | Actively announce to members the exposure draft and proposals on establishment and revision of IFRS. | Ongoing | Vice President (Professional Standards & CPE) | KICPA staff |
| 56. | Ongoing | Provide CPD education for members on the establishment and revision of IFRS. | Ongoing | Vice President (Professional Standards & CPE) | KICPA staff |
| 57. | Ongoing | Promote the importance of fair value measurement practices and provide various measurement methods to members through extensive research and a review on fair value measurement, one of core issues of IFRS. Provide CPE courses to members by on-line training. | Ongoing | Vice President (Professional Standards & CPE) | KICPA staff |

| # | Start Date | Actions | Completion Date | Responsibility | Resource |
|---|------------|---|-----------------|--|-------------|
| 58. | Ongoing | Organize a meeting with those in charge of IFRS in accounting firms on a regular basis with inviting a Korean IFRIC member. | Ongoing | Vice President (Professional Standards & CPE) | KICPA staff |
| <i>Ongoing Process 2: To Review KICPA's Compliance Information</i> | | | | | |
| 59. | Ongoing | Perform periodic review of KICPA's SMO Action Plan and DBR. Once updated, inform IFAC Compliance staff about the updates in order for the Compliance staff to republish updated information. | Ongoing | Vice President (Professional Standards & CPE) | KICPA staff |
| <i>New Developments 1: Consultations on IFRS issues for members</i> | | | | | |
| 60. | Ongoing | Set up consultation process on K-IFRS issues for members. The consultation is only for the educative purposes (not authoritative). | Ongoing | Vice President (Professional Standards & CPE) | KICPA staff |
| <i>New Developments 2: To Discuss IFRS Applicability Issues in Practice</i> | | | | | |
| 61. | Ongoing | Study possible issues arising from the application of K-IFRS in practice and make research paper on these to make it available for KICPA members. Published research paper on consolidated F/S, equity method and common control transactions in 2015, discount rate and impairment in 2016, new revenue standard and provisions in 2017, and income taxes in 2018. Research paper on new lease accounting is in progress and will be published in early 2019. | Ongoing | Vice President (Professional Standards & CPE) | KICPA staff |

December 3, 2018

Adrian Lim
Technical Manager, Quality & Development
International Federation of Accountants
529 Fifth Avenue
New York, NY 10017 USA

Dear Adrian Lim,

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

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

On behalf of the leadership of KICPA, 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,

Joong-Kyung Choi
President
Korean Institute of Certified Public Accountants

A handwritten signature in blue ink, consisting of a large, stylized 'J' and 'C' followed by a long horizontal stroke.