

## **BACKGROUND NOTE ON ACTION PLANS**

SMO Action Plans are developed by IFAC Members and Associates to demonstrate fulfillment of IFAC Statements of Membership Obligations (SMOs). SMOs require IFAC Members and Associates to support the adoption<sup>1</sup> and implementation<sup>2</sup> of international standards and other pronouncements issued by independent standard-setting boards under the auspices of IFAC as well as by the International Accounting Standards Board (IASB); and to establish a Quality Assurance (QA) review and Investigation and Disciplinary (I&D) systems.

IFAC Members and Associates conduct a self-assessment against the requirements of SMOs and identify areas where improvements are needed. Based on the results of the assessment, Members and Associates develop an SMO Action Plan to (a) demonstrate how they fulfill the requirements of the SMOs and (b) where some requirements are not yet addressed, to present plans towards their fulfillment.

SMO Action Plans are designed to be ever-green documents that provide a comprehensive description of the accountancy profession and its legislative and regulatory environment in the jurisdiction as well as the actions undertaken by IFAC Members or Associates to support adoption and implementation of international standards and best practices.

Regular updates of the SMO Action Plans are required as part of the IFAC Member Compliance Program.

### **Use of Information**

Please refer to the [Disclaimer](#) published on the Compliance Program website.

## **ACTION PLAN**

<b>IFAC Member:</b>	The Chamber of Hungarian Auditors (MKVK)
<b>Approved by Governing Body:</b>	MKVK Presidium
<b>Original Published Date:</b>	February 2009
<b>Last Updated:</b>	November 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>CPD</b>	Continuous Professional Development
<b>EU</b>	European Union
<b>HSST</b>	Hungarian Standards Setting Board
<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>IES</b>	International Education Standards
<b>IESBA</b>	International Ethics Standards Board for Accountants
<b>IFAC</b>	International Federation of Accountants
<b>IFRS</b>	International Financial Reporting Standards
<b>IPSAS</b>	International Public Sector Accounting Standards
<b>IPSASB</b>	International Public Sector Accounting Standards Board
<b>ISA</b>	International Standards on Auditing
<b>ISQC1</b>	International Standard on Quality Control 1
<b>MKVK</b>	Chamber of Hungarian Auditors
<b>PIE</b>	Public Interest Entity
<b>QA</b>	Quality Assurance
<b>SMO</b>	Statement of Membership Obligations

**Action Plan Subject:** SMO 1 and Quality Assurance (QA)  
**Action Plan Objective:** Completing the Quality Assurance System

#	Start date	Actions	Completion Date	Responsibility	Resource
<p><i>Background:</i></p> <p>The Chamber of Hungarian Auditors (MKVK) was established by Act LV of 1997 as a self-regulatory body. The Act gives the Chamber the responsibilities and rights with respect to Quality Assurance (QA) of all its members that perform audits of financial statements. Membership of MKVK is mandatory for all auditors in Hungary. The rules of the revised Chamber Act came into force as of January 1, 2008 (Act LXXV of 2007 on the Chamber of Hungarian Auditors, the Activities of Auditors, and on the Public Oversight of Auditors). This is the current law in effect (<a href="https://net.jogtar.hu/jogszabaly?docid=a0700075.tv&amp;dbnum=62&amp;getdoc=1">https://net.jogtar.hu/jogszabaly?docid=a0700075.tv&amp;dbnum=62&amp;getdoc=1</a>). The <a href="#">Act LXXV of 2007</a> establishes the creation of a quality assurance (QA) review system for all mandatory audits in the jurisdiction. The QA review system is to be operated by the Hungarian Chamber of Auditors (HCA) under the oversight of the Auditors' Public Oversight Authority (POA). As of 2013, the POA carries out reviews for auditors of public interest entities (PIEs) every three years while inspections of non-PIEs are done every six years by the HCA. (Detailed ruling: Chapter XI Quality Assurance in Act LXXV of 2007)</p> <p>The POA operates as a department within the Ministry for the National Economy. According to the data of the company register currently 29,598 companies in Hungary have appointed statutory auditors. Out of this, 194 companies qualify as PIEs.</p> <p>After the Audit Reform in the European Union in 2016, the QA system has been further strengthened and the range of imposable sanctions was widened. Currently, the MKVK Quality Control Committee can impose the following sanctions:</p> <ul style="list-style-type: none"> <li>- mandatory participation in advanced training;</li> <li>- a warning to terminate an existing infringement, if any;</li> <li>- fine - between 100,000 and 100 million forints in the case of registered statutory auditors, or between 100,000 and 500 million forints in the case of audit firms;</li> <li>- initiating the withdrawal of the qualification under Section 49 of the Act LXXV of 2007;</li> <li>- restraint order from exercising the profession of carrying out statutory audits up to three years.</li> </ul> <p>MKVK adopted all clarified ISAs including ISQC 1 from January, 2011. In an effort to move in line with international requirements, the QA system has been reviewed to assess alignment with SMO1 and relevant standards, and its methodology and materials have been clarified and updated. The Experts Committee undertakes periodic reviews of Quality Control Questionnaires and updates relevant sections as necessary.</p>					

#	Start date	Actions	Completion Date	Responsibility	Resource
<i>Completing the Quality Assurance System</i>					
1.	Ongoing	<p>MKVK continues to review the audit procedures and documentation of practitioners in accordance with the current requirements set out in laws, standards, regulations and best practice.</p> <p>Current regulations and standards for members of MKVK are available on the MKVK website.</p>	Ongoing	President of the Quality Control Committee	MKVK staff
<i>Maintaining Ongoing Processes</i>					
2.	Ongoing	Write an annual report on the Quality Assurance reviews. Continue to ensure that the Quality Assurance methodology reference book provides effective guidance, and covers all the related issues and that the Quality Assurance review system continues to be in line with the SMO 1 requirements.	Ongoing	President of the Quality Control Committee	MKVK staff
3.	Ongoing	<p>Prepare annual quality assurance plan on a risk based sample basis; present the plan for approval.</p> <p>The Quality Control Committee prepares the annual quality assurance plan and publishes it on the website of MKVK by August 31 each year.  <a href="https://www.mkvk.hu/szervezet/bizottsagok/minosegellenorzes/ellenorzesiterv">https://www.mkvk.hu/szervezet/bizottsagok/minosegellenorzes/ellenorzesiterv</a>. According to the applicable law, quality assurance review procedures are conducted at registered statutory auditors and audit firms (together hereby referred to as: auditor) at least once every six years. The Quality Control Committee takes the following factors into account when performing the risk analysis to select further auditors for quality control:</p> <ul style="list-style-type: none"> <li>- the on-site inspection at the auditor in the previous year was concluded in a 'non-compliant' resolution (three types of resolutions are issued as the result of the on-site inspection: 1. compliant ; 2. compliant with comments ; 3. non-compliant.);</li> </ul>	Ongoing	President of the Quality Control Committee	MKVK staff

#	Start date	Actions	Completion Date	Responsibility	Resource
		<ul style="list-style-type: none"> <li>- auditor signed an independent auditor's report for the first time in his/her professional career, or after a break as an auditor returning to the profession ;</li> <li>- auditor failed to correctly submit the annual data reporting prescribed in the law;</li> <li>- auditor issued evidently faulty/wrong/inappropriate independent auditor's report</li> </ul> <p>The plan is prepared after the annual data report submission deadline has passed. The plan is approved by the Quality Control Committee.</p>			
4.	Ongoing	<p>Prepare training materials based on the experiences of previous year's reviews, which highlight the most problematic elements as well as changes in standards to be taken into account.</p> <p>The Quality Control Committee suggests topics to the Education Committee about typical mistakes as well as best practices for inclusion in the annual mandatory training material. The training material is made available to all auditors.</p>	Ongoing	President of the Quality Control Committee	MKVK staff
5.	Ongoing	<p>Train the quality reviewers at the annual conference of the Quality Control Committee.</p> <p>The Quality Control Committee organizes a two-day conference for quality controllers where participation is mandatory. Presentations are held by members of the Quality Control Committee and of the Experts' Committee, by the legal and IT staff of MKVK. All presentations are sent to the quality controllers before the conference.</p>	Ongoing	President of the Quality Control Committee	MKVK staff
6.	01/01/2016	<p>Transition to an electronic sample selection system and building up the electronic data transfer function between the annual data reporting system and the annual quality control sample selection system.</p> <p>A new software was developed that stores the database built upon the annual data reports. It supports the selection system, contains electronic questionnaires and other forms used during the on-site inspection, and provides statistics and analytics. The</p>	Ongoing	President of the Quality Control Committee	MKVK staff

#	Start date	Actions	Completion Date	Responsibility	Resource
		software was developed upon the requests of the Quality Control Committee.			
<i>Review of MKVK's Compliance Information</i>					
7.	Ongoing	<p>Perform periodic review of MKVK's response for SMO1 as necessary. Once updated, inform IFAC Compliance Staff to republish the updated information.</p> <p>The Quality Control Committee regularly evaluates its compliance with the requirements set out by IFAC for its members, in relation to the quality control system. The Quality Control Committee provides updated information to the Expert Committee who coordinates the communication with IFAC.</p>	Ongoing	President of the Quality Control Committee	MKVK staff

#### Main Requirements of SMO 1

Requirements	HCA	APOA	Comments
<p><b>Scope of the System</b></p> <p>1. At a minimum, mandatory QA reviews are required for all audits of financial statements.</p>	<p>Yes (Y) No (N) Partially (P)</p>	Y	
<p><b>Quality Control Standards and Other Quality Control Guidance</b></p> <p>2. Firms are required to implement a system of quality control in accordance with the quality control standards.</p>	Y	Y	
<p>3. Most up to date versions of ISQC 1 and other relevant ISA are adopted as the quality control standards.</p>	Y	Y	
<p>4. Member Body assists firms in understanding the objectives of quality control and in</p>	Y	Y	

<b>Requirements</b>	<b>HCA</b>	<b>APOA</b>	<b>Comments</b>
implementing and maintaining appropriate systems of quality control.			
<b>Review Cycle</b> 5. A cycle-based, risk-based, or a mixed approach for selecting firms for QA review is used.	<b>Y</b>	<b>Y</b>	<b>APOA</b> — Quality control shall be conducted at least every 3 years for PIE auditors, and every 6 years for non-PIE auditors.
6. For cycle-based approach, quality control reviews are required to take place at least every six years (and every three years for audits of public interest entities).	<b>Y</b>	<b>Y</b>	
<b>QA Review Team</b> 7. Independence of the QA Team is assessed and documented.	<b>Y</b>	<b>Y</b>	
8. QA Team possesses appropriate levels of expertise.	<b>Y</b>	<b>Y</b>	
<b>Reporting</b> 9. Documentation of evidence supporting the quality control review report is required.	<b>Y</b>	<b>Y</b>	
10. A written report is issued upon conclusion of the QA review and provided to the firm/partner reviewed.	<b>Y</b>	<b>Y</b>	
<b>Corrective and Disciplinary Actions</b> 11. Reviewed firms/partners are required to make timely adjustments to meet recommendations from the review report.	<b>Y</b>	<b>Y</b>	

Requirements	HCA	APOA	Comments
12. QA review system is linked to the Investigation and Discipline system.	Y	Y	<b>APOA</b> — In the procedure of inspections and investigations the Authority can impose the following sanctions: a) mandatory participation in advanced training; b) a warning to terminate an existing infringement, d) mandatory re-audit, or ordering to have the audit report withdrawn; e) financial penalty; f) withdrawal of special qualification; g) restraint order from exercising the profession of carrying out statutory audits (up to three years)
<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	N/A	
<b>Regular Review of Implementation and Effectiveness</b> 14. Regular reviews of implementation and effectiveness of the system are performed.	Y	Y	



**Action Plan Subject:** SMO 2 and International Education Standards and Other IAESB Guidance  
**Action Plan Objective:** Continue to Use Best Endeavors to Ensure that all IES requirements are Incorporated into MKVK's Educational Requirements

#	Start date	Actions	Completion Date	Responsibility	Resource
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*Background:*

The Hungarian Chamber of Auditors establishes the initial and continuing professional development (IPD and CPD) requirements for auditors in Hungary. In order to earn the statutory auditor designation in Hungary and offer auditing services, individuals must first have acquired appropriate higher education and obtained initial practical experience (three years) and passed initial competence examinations (three years' part-time study). Subsequently, individuals must serve as apprentice auditors under the supervision of an active member of the Hungarian Chamber of Auditors (HCA) for three years. After this time, candidates may take a final professional and competence examination. The HCA's Committee for the Qualification of Chartered Certified Statutory Auditors (OKKT) and the Education Committee are authorized by law to determine the requirements of and implement all aspects of educational programming that leads to the designation.

The HCA has set CPD obligations for its members at 120 hours over three years in order to align with the 2010 IES. The annual CPD programming of the HCA is approved by the Auditors' Public Oversight Authority

The Committee for the Qualification of Chartered Certified Statutory Auditors (OKKT) and the Education Committee defines the requirements and provides textbooks and tuition for the examinations. MKVK has also established a training company, the Chamber's Centre for Education Ltd. MKVK evaluates the professional experience obtained by applicants after passing the examinations; applicants should prepare thesis presenting an audit they performed and the related audit documentation. The thesis are presented to an examination board.

CPD requirements can be satisfied through attendance at courses organized by MKVK or by approved service providers. Members shall obtain 32 hours CPD (16 credit points) every year and submit a statement to MKVK with a proof of attendance. The rules of CPD were modified as of 1 January 2015, as a result of which 4 credit points must be obtained through self-education. These 4 credits are equivalent to at least one day of tuition. 4 credit points shall be obtained through attending the first day of the compulsory education organized by MKVK head office. The remaining credit points (two days) may be obtained at the Chamber's regional offices, conferences, at the Chamber's Centre for Education Ltd., and at approved institutions, organizations listed on the Chamber's website. Members with special (public sector, financial institution, IFRS, insurance, issuer, investment service provider, etc.) qualifications shall obtain 2 credit points per qualification, but not more than 4.

**New achievements since 2016 Action Plan:**

- Starting from 2018 MKVK increased the CPD from 16 to 20 credits per annum (from 32 hours to 40 hours), thus the requirement of 120 hours in 3 years will be achieved from 2018.
- MKVK introduced the e-learning education as well - MKVK expressed its plan in the previous Action Plan in 2015. As a result, from 2016 4 out of the total CPD points shall be obtained through e-learning,
- from 2018 8 credits can be earned in e-learning
- From 2018 self-education credits increase to 8 credits,
- The compulsory educational materials are not printed, but sent in pdf to the members since 2017.

Conditions are ensured for all members to comply with CPD requirements. Accordingly, trainings are organized in a way that all members have appropriate access to these trainings – educational venue, content, lecturer, other services. Several dates are offered to members so that they can choose the one which fits best. Regional offices can organize compulsory education together if needed.

#	Start date	Actions	Completion Date	Responsibility	Resource
<p>We aim to improve the quality of the training materials developed for the first day of the compulsory education through reviewing tendering procedures, through active involvement in the preparation and review of the materials by the Education and the Experts' Committees, and through a train-the-trainers session. MKVK produces e-learning materials as well.</p> <p>The objective of auditors' training is to develop practical skills, to present actual problems auditors face, to inform them of changes in standards, and in general to address professional issues to help the auditors' daily work.</p> <p>Feedbacks are very important concerning the professional competence and performance skills of the lecturers. Therefore, we will review the efficiency of the current system of feedback questionnaires.</p> <p>The Education Committee is continuously monitoring the application of and the compliance with IESs. Full compliance is expected within the next 2-3 years. The Education Committee takes into consideration the requirements of 2015 revised IES which emphasizes learning-outcomes and competencies in educational programming.</p>					
<i>Maintaining Ongoing Processes</i>					
8.	Ongoing	<p>Maintain the ongoing process to monitor new and revised international education standards.</p> <p>One of the key element of the education for auditors to get the mandatory credits is to present the new and/or modified regulations, standards. Preparing the educational materials, the learning outcomes are set, and we focus on the competencies' improvement, mainly:</p> <ul style="list-style-type: none"> <li>- importance of risk assessment in audit,</li> <li>- IT skills development in audit software and other supporting tools and methods</li> </ul> <p>capability to understand and apply the new regulations in the audit work and comply with all the requirements</p>	Ongoing	President of the Education Committee	MKVK staff
9.	Ongoing	<p>Continue to incorporate all the IES requirements into MKVK education and examination requirements and, at the same time, highlight practical experiences. This includes review of the existing requirements and preparation of the Action Plan for the future activities where necessary.</p> <p>It means that step by step we modify the exam system: first we purchased that quantity of computers and IT systems that can support the modified structure of exams. First we will use it for the</p>	Ongoing	President of the Education Committee	MKVK staff

<b>#</b>	<b>Start date</b>	<b>Actions</b>	<b>Completion Date</b>	<b>Responsibility</b>	<b>Resource</b>
		different topics in audit training and we plan to run it for the final exam for the auditors in 2019.			
10.	2017	Altering current CPD requirements: to complete 120 hours of CPD over a three-year rolling-period.	Completed in 2018, after that ongoing	President of the Education Committee	MKVK staff
11.	Ongoing	Incorporate the revised or amended standards or other related professional rules in the continuous professional development (CPD) program courses, professional publications and guidance issued by the Chamber.	Ongoing	President of the Education Committee	MKVK staff
12.	Ongoing	Review the existing examination system for the auditor applicants. Instead of thesis, a practical exam could reflect more realistically the applicants' knowledge and skills. In the system that we mentioned on 9. point we will develop mock tests, business cases and the oral part of the exam will be the explanation of the mock case and assist a mock client. With these innovations our aim is to implement the new approaches in the revised 2015 IES.	June 2018	President of the Education Committee	MKVK staff
<i>Review of MKVK's Compliance Information</i>					
13.	Ongoing	Perform periodic review of MKVK's response to SMO 2 as necessary. Once updated, inform IFAC Compliance staff about the updates in order for the Compliance staff to republish updated information.	Ongoing	President of the Education Committee	MKVK staff

**Action Plan Subject:** SMO 3 and International Auditing and Assurance Standards Board (IAASB) Pronouncements  
**Action Plan Objective:** Monitoring Ongoing Compliance with IAASB Pronouncements through the QA Review System

#	Start date	Actions	Completion Date	Responsibility	Resource
<p><i>Background:</i></p> <p>While the Hungarian parliament <a href="#">adopted</a> the EU audit reforms in May 2016, the EU Commission has not yet adopted ISA. Public interest entities in the Hungary are defined as listed companies on an EU regulated market, all credit institutions but excluding the Hungarian National Bank, the Hungarian Development Bank, and the Hungarian Exim Bank, insurance undertakings except for those having less than EUR 4,800,000 gross premium income in the previous business year, and entities providing investment services.</p> <p>In addition, in accordance with the <a href="#">Act LXXV of 2007 on the Chamber of Hungarian Auditors, the Activities of Auditors, and on the Public Oversight of Auditors</a>, companies surpassing both of the following thresholds must undergo a statutory audit: (i) the annual net sales (calculated for the period of one year) exceed HUF 300 million on the average of the two financial years preceding the financial year under review and (ii) the average number of people employed by the undertaking exceed 50 people on the average of the two financial years preceding the financial year under review.</p> <p>Applicable auditing standards in Hungary are also outlined in Act LXXV of 2007. Audits must be conducted in accordance with auditing standards that have generally been accepted internationally—further defined as ISA issued by the IAASB—that are prepared and issued by the Hungarian Chamber of Auditors (HCA) with approval by the MNE’s Auditors’ Public Oversight Authority. The HCA has translated and promulgated the ISA since 2011 and it has most recently completed translations of the new auditor’s report. The Chamber prepares and maintains national standards on audit –which are Hungarian translations of ISA- under the approval of POA. Only auditors that are registered with the Authority and the HCA may undertake statutory audits.</p> <p>.</p> <p>National legal framework provides possibility to issue specific national Auditing Standards beyond ISAs. The CHA worked out and implemented a new, special national audit standard for the audit of enterprises operating in the financial sector (banks, insurance companies, investment firms = financial enterprises). The professional auditors of these financial enterprises have to submit a special and separate audit report to the Hungarian National Bank, the supervisory authority of the financial enterprises. This special audit report is about the compliance with special financial laws and regulations applicable to the financial enterprises, the relating audit work made by the auditor and the result of it. The requirements for the professional auditors are provided in the „6100. National Standard for Composing the Special and Separate Audit Report”. This national standard has to be applied for the audit of business year commenced on January 01, 2017 or later. This special standard is in line with ISAs.</p>					
<p><i>Maintaining Ongoing Processes</i></p>					
14.	Ongoing	Continue to inform members on a regular basis about the IAASB pronouncements and exposure drafts through our website and submit comments if relevant.	Ongoing	President of the Experts’ Committee	MKVK staff

15.	Ongoing	Continue to translate on a regular basis the revised or amended standards and make them available for the public via the MKVK website. Issues practical guidance as appropriate. <a href="https://www.mkvk.hu/tudastar/standardok/konyvvizsgalati_standardok/standardok_20181215">https://www.mkvk.hu/tudastar/standardok/konyvvizsgalati_standardok/standardok_20181215</a>	Ongoing	President of the Experts' Committee	Professional translators
16.	Ongoing	On an annual basis organize open seminars for member auditors/audit firms to have discussions with the Quality Control Committee on professional issues and quality control matters in order to share experiences and to help members improve the quality of their audit work and assist them in building up and implementing effective quality control procedures in their audit practices. <a href="https://www.mkvk.hu/tudastar/jelentesmintak/jelentesmintak_20171215">https://www.mkvk.hu/tudastar/jelentesmintak/jelentesmintak_20171215</a>	Ongoing	President of the Experts' Committee and Quality Control Committee	MKVK staff
<i>Review of MKVK's Compliance Information</i>					
17.	Ongoing	Perform periodic review of MKVK's response to SMO 3 as necessary. Once updated, inform IFAC Compliance staff about the updates in order for the Compliance staff to republish updated information.	Ongoing	President of the Experts' Committee	MKVK staff

**Action Plan Subject:** SMO 4 and the International Ethics Standards Board for Accountants (IESBA) Code of Ethics  
**Action Plan Objective:** Adoption and Implementation of the IESBA' Code of Ethics

#	Start date	Actions	Completion Date	Responsibility	Resource
<p><i>Background:</i></p> <p>The Hungarian Code of Ethics was developed by CHA with government support including detailed explanations and process regulations dealing with independence, conflict of interest, cooperation between auditors, rules of ethical proceedings. As of 1 January 2008 CHA Code states that regulations of IESBA Code of Ethics shall apply to issues not covered by the CHA Code of Ethics.            The IESBA Code, as revised in 2009, was translated and published on the CHA website.  <a href="http://www.mkvk.hu/szervezet/bizottsagok/fegyelmibizottsag/IFACetikaikodex">http://www.mkvk.hu/szervezet/bizottsagok/fegyelmibizottsag/IFACetikaikodex</a>.</p> <p>The <a href="#">Act LXXV of 2007 on the Chamber of Hungarian Auditors, the Activities of Auditors, and on the Public Oversight of Auditors</a> stipulates that the Hungarian Chamber of Auditors (CHA) may adopt the rules of professional ethics, taking into consideration the Code of Ethics of the IESBA. These rules are subject to the review and approval of the Auditors' Public Oversight Authority.</p> <p>The HCA has developed a Hungarian Code of Ethics -in addition to the IESBA Code of Ethics- which is harmonized with the IESBA Code of Ethics. The revised CHA Code of Ethics is effective from July 01, 2017. The revised Code is in line with the EU audit reform. The IESBA Code of Ethics is to apply to any issues not covered by the CHA's Code of Ethics. The CHA has <a href="#">translated and disseminated</a> the 2016 IESBA Code into Hungarian, the Presidium of CHA has approved the translation and published: on the CHA website: <a href="https://www.mkvk.hu/szervezet/bizottsagok/fegyelmibizottsag/IFACetikaikodex">https://www.mkvk.hu/szervezet/bizottsagok/fegyelmibizottsag/IFACetikaikodex</a>.</p> <p>The CHA has submitted a permission request to translate the Revised and Restructured Code of Ethics for 2018. The Hungarian version of the Restructured Code is expected to be available in June 2019.</p>					
<p><i>Support of Implementation of the IESBA Code of Ethics</i></p>					
18.	09/2017	Translation of IESBA Code of Ethics (version 2016) and publication on MKVK's website after IFAC approval.	03/2018	President of the Disciplinary and Experts' Committee	MKVK staff
19.	28/3/08	According to the resolution of the Presidium, the IFAC Code of Ethics shall be included in the CPD program in 2018. Based on it CPD included a separate section about the new requirements of NOCLAR in 2018.	Ongoing	President of the Education Committee	MKVK staff



#	Start date	Actions	Completion Date	Responsibility	Resource
20.					
<i>Maintaining Ongoing Processes</i>					
21.	Ongoing	Review the implementation of the CPD program on ethics and continue to ensure that it provides practical guidance to auditors. Continue to prepare the CPD ethical educational curriculum according to the latest amendments to the IESBA Code of Ethics.	Ongoing	President of the Disciplinary and Education Committee	MKVK staff
22.	Ongoing	Continue to monitor the amendments to the IESBA Code of ethics as published by the IESBA. Identify issues which may require the publication of specific ethical guidelines. The CHA has submitted a permission request to translate the Revised and Restructured Code of Ethics for 2018. The Hungarian version of the Restructured Code is expected to be available in June 2019.	Ongoing	President of the Disciplinary Committee	MKVK staff
23.	Ongoing	Ensure that an up-to-date version of the Hungarian translation of the IFAC Code of Etics is available on the website of MKVK.	Ongoing	President of the Disciplinary Committee Translator group	MKVK staff
24.					
<i>Review of MKVK's Compliance Information</i>					
25.	Ongoing	Perform periodic review of MKVK's to SMO 4 as necessary. Once updated, inform IFAC Compliance staff about the updates in order for the Compliance staff to republish updated information.	Ongoing	President of the Education Committee	MKVK staff

**Action Plan Subject:** SMO 5 and International Public Sector Financial Reporting Standards (IPSAS)  
**Action Plan Objective:** Promoting the Use of IPSASs

#	Start date	Actions	Completion Date	Responsibility	Resource
<i>Background:</i>					
<p>The government of Hungary and the State Audit Office of Hungary agreeing with other EU members keep the accrual-based accounting system essential to implement in public sector. Due to the difficulties in the transition of accrual-based accounting implementation Hungary currently does not apply and not plan to adopt the IPSAS in public sector. Although in 2013, the Ministry of National Economy <a href="#">issued</a> Government Order No. 4/2013 to begin reforming public sector accounting. The legislation introduced new amendments and regulations to accompany the standards outlined in within <a href="#">Act C of 2000 on Accounting</a> (the Accounting Act) for public sector entities. The reforms intended to transition public sector entities to an accrual-based accounting system that, according to the <a href="#">European Commission</a>, align closely with the IPSAS. The European Commission - recognizing the limits in the IPSAS application- started the EPSAS project in 2013 to achieve a standard accrual-based approach for EU member states. Hungarian government monitors the experiences of other EU members due to the challenges in adoption of EPSAS standards.</p>					
<i>Promoting the use of IPSASs</i>					
26.	Ongoing	Inform the Ministry about the work of the International Public Sector Accounting Standards Board and the IPSAS, and offer support with any move to implement these standards.	Ongoing	President of the Experts' Committee	MKVK staff
<i>Maintaining Ongoing Processes</i>					
27.	Ongoing	Continue to inform the relevant ministry about the IPSAS work.	Ongoing	President of the Experts' Committee	MKVK staff
<i>Review of MKVK's Compliance Information</i>					
28.	Ongoing	Perform periodic review of MKVK's response to SMO 5 as necessary. Once updated, inform IFAC Compliance staff about the updates in order for the Compliance staff to republish updated information.	Ongoing	President of the Experts' Committee	MKVK staff

**Action Plan Subject:** SMO 6 and Investigation and Discipline  
**Action Plan Objective:** Strengthening the Investigation and Discipline regime

#	Start date	Actions	Completion Date	Responsibility	Resource
<p><i>Background:</i></p> <p>The <a href="#">Act LXXV of 2007 on the Chamber of Hungarian Auditors, the Activities of Auditors, and on the Public Oversight of Auditors</a> outlines the roles of the audit oversight entity—the Auditors’ Public Oversight Authority (the Authority) which operates under the Ministry of National Economy—and the professional accountancy organization—the Hungarian Chamber of Auditors (CHA) in regards to investigative and disciplinary (I&amp;D) procedures of auditors. <a href="#">Disciplinary Committee submits the I&amp;D procedure.</a> The CHA may monitor the activities of its members, hear disciplinary cases, and take necessary measures upon discovery of any unlawful activity or conduct.</p> <p>The Authority is responsible for carrying out I&amp;D procedures for auditors of public interest entities (PIEs) in addition to overseeing the disciplinary proceedings of the CHA.</p> <p>In disciplinary proceedings the Chamber is represented by the disciplinary commissioner. The disciplinary commissioner is vested with responsibilities to enforce the provisions of the relevant legal regulations, and the provisions of the Chamber’s statutes and rules of self-governance. The disciplinary commissioner conducts – possibly involving expert if necessary - the investigation. On completion of the investigation process, the disciplinary commissioner reviews the evidence and decides about initiating the disciplinary proceedings. Acting on the disciplinary commissioner’s initiative, the President of the Chamber orders the opening of the disciplinary proceedings in writing. The Disciplinary Committee will conduct-the disciplinary proceeding and also impose sanctions as necessary. The disciplinary commissioner has no any voting right in the decision-making process of the Disciplinary Committee</p> <p>Auditors, audit companies should be reported to the CHA Disciplinary Committee for violations of the audit profession rules of conduct (independence, conflict of interest, publicity, bidding, attitude towards clients, secrecy, failure to cooperate). The number of investigations performed by the committee was the following: 157, 111, 121 and 219 cases in 2013, 2014, 2015 and 2016, respectively. These cases related to failure to provide data to the chamber, failure to obtain the required CPD points, notifications from authorities, and results of quality reviews. The Committee has the authority to impose disciplinary sanctions on an auditor or audit firm. Sanctions range from reprimand, penalty (which may reach twenty times the auditor’s annual dues to CHA, or the contribution fee of an audit firm), withdrawal of qualification, permanent suspension (for at least 12 months) or exclusion. The Committee issues a decision on the disciplinary procedure for the auditor, audit firm. The auditor, audit firm may appeal against any disciplinary sanctions to the Presidium of the Chamber.</p> <p>The Head of the Disciplinary Committee submits the appeal to the second instance. The Presidium of the Chamber may overrule, accept, repeal and change the appealed decision. If the appeal is not successful, the auditor or audit company may challenge the Chamber Presidium’s ruling before ordinary courts within 30 days.</p>					
<p><i>Maintaining Ongoing Processes</i></p>					

#	Start date	Actions	Completion Date	Responsibility	Resource
29.	Ongoing	The Disciplinary Commissioner and the Disciplinary Committee inform the Presidium and the Meeting of Delegates about its work in writing. This written report is also published in our newspaper and on our website. <a href="https://www.mkvk.hu/szervezet/bizottsagok/fegyelmibizottsag/beszamolo">https://www.mkvk.hu/szervezet/bizottsagok/fegyelmibizottsag/beszamolo</a>	Ongoing	President of the Disciplinary Committee	MKVK staff
30.	Ongoing	The Committee continues to publish its observations and conclusions on a yearly basis, issues resolution, opinions or raises awareness, if needed.	Ongoing	President of the Disciplinary Committee	MKVK staff
31.	Ongoing	Continue to publish additional statistics and articles on investigation and discipline and disseminate them more broadly as this could strengthen public confidence in the regulation. Continue to raise awareness of professional commitment.	Ongoing	President of the Disciplinary Committee	MKVK staff
32.	Ongoing	Continue to publish on its website Q&As, opinions, independence issues, views and current aspects concerning breach of commitments and secrecy.	Ongoing	President of the Disciplinary Committee	MKVK staff
<i>Review of MKVK's Compliance Information</i>					
33.	Ongoing	Perform periodic review of MKVK's response to SMO 6 as necessary. Once updated, inform IFAC Compliance staff about the updates in order for the Compliance staff to republish updated information.	Ongoing	President of the Disciplinary Committee	MKVK staff

**Main Requirements of SMO 6**

Requirements	HCA	APOA	Comments
Scope of the System	Yes (Y)	Y	

Requirements	HCA	APOA	Comments
1. A system of investigation, discipline and appeals exists for the accountancy profession. The system is operational.			
2. Information about the types of misconduct which may bring about investigative actions is publicly available.	Y	Y	
<b>Initiation of Proceedings</b>			
3. Both a "complaints-based" and an "information-based" approach are adopted.	Y	Y	
4. Link with the results of QA reviews has been established.	Y	Y	
<b>Investigative Process</b>			
5. A committee or similar body exists for performing investigations.	Y	Y	
6. Members of a committee are independent of the subject of the investigation and other related parties.	Y	Y	
<b>Disciplinary Process</b>			
7. A separate disciplinary committee/entity exists to make disciplinary decisions on referrals from the investigation committee.	Y	Y	
8. Members of the committee/entity include professional accountants as well as non-accountants.	N	N	Members are professional accountants but involving expert is possible if necessary.

<b>Requirements</b>	<b>HCA</b>	<b>APOA</b>	<b>Comments</b>
9. The tribunal exhibits independence of the subject of the investigation and other related parties.	<b>Y</b>	<b>Y</b>	
<b>Sanctions</b> 10. The disciplinary system allows imposing an extensive range of penalties. It is particularly important to include (a) loss of professional designation; (b) restriction and removal of practicing rights; and (c) exclusion from membership.	<b>Y</b>	<b>Y</b>	
<b>Rights of Representation and Appeal</b> 11. A third appeals body exists which is separate from both the disciplinary committee and investigative committee.	<b>Y</b>	<b>Y</b>	
<b>Administrative Processes</b> 12. Timeframe targets for disposal of all cases are set.	<b>Y</b>	<b>Y</b>	
13. Tracking mechanisms to monitor progress in investigation and discipline and related procedures are established.	<b>Y</b>	<b>Y</b>	
14. Records of investigations and disciplinary processes are established.	<b>Y</b>	<b>Y</b>	
<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.	<b>Y</b>	<b>Y</b>	

Requirements	HCA	APOA	Comments
16. A process for the independent review of complaints on which there was no follow-up is established.	?	?	
17. The results of the investigative and disciplinary proceedings are made available to the public.	?	Y	
<b>Liaison with Outside Bodies</b> 18. There is an appropriate process for liaison with outside bodies on possible involvement in serious crimes and offences.	?	?	
<b>Regular Review of Implementation and Effectiveness</b> 19. Regular review of implementation and effectiveness of the system are performed and corrective actions are implemented.	Y	Y	

**Action Plan Subject:** SMO 7 and International Financial Reporting Standards (IFRS)  
**Action Plan Objective:** Continuing Use of Best Endeavours to Assist in Ongoing Adoption and Implementation of IFRS

#	Start date	Actions	Completion Date	Responsibility	Resource
<p><i>Background:</i></p> <p>Accounting and bookkeeping regulations are contained within <a href="#">Act C of 2000 on Accounting</a> (the Accounting Act) and its statutes as issued by the Ministry for National Economy (MNE). The Accounting Act is in effect Hungarian GAAP. The MNE has harmonized accounting regulations with the EU regulations that require the application of IFRS as endorsed by the European Commission (EU-endorsed IFRS) for financial statements of companies whose securities trade in a regulated securities market and permitted optional application of EU-endorsed IFRS for consolidated accounts of all companies within the scope of the Accounting Act that do not trade in the regulated market. In 2015, the MNE issued a <a href="#">resolution</a> that expanded the application of EU-endorsed IFRS to individual accounts of Hungarian companies. The implementation of the resolution was completed as follows: (i) effective January 2017, most financial institutions (i.e. those supervised by the Central Bank of Hungary, insurance companies, credit institutions); companies whose securities are traded in the European Economic Area (EEA) or whose parent company prepares its consolidated financial statements under IFRS and requires its subsidiaries to prepare IFRS financial statements; along with companies that are subject to mandatory audits must apply EU-endorsed IFRS; and (ii) effective January 2018, remaining financial institutions must apply EU-endorsed IFRS. All other companies must apply the Hungarian GAAP although they are permitted to use the EU-endorsed IFRS as supplemental financial statements. IFRS for Small- and Medium-sized Entities (SMEs) have not been adopted.</p> <p>Topics related to IFRS's are included in the CPD programs, are covered at the Chamber's annual conferences, in online course materials and at events organized by the Chamber's Financial Institution Section.</p>					
<p><i>Continuing Use of Best Endeavours</i></p>					
34.	11/2014	MKVK was represented in the working parties established by the Ministry for National Economy for the IFRS implementation.	Completed	President of the Experts' Committee	Ministry of Finance
35.	Ongoing	Cooperation with Ministry for National Economy and Supervision Authorities for the financial institutions on IFRS issues. In case of any issue the representative of Experts' Committee or the Authority initiates discussion.	Ongoing	President of the Experts' Committee	Ministry of Finance
36.					



<b>#</b>	<b>Start date</b>	<b>Actions</b>	<b>Completion Date</b>	<b>Responsibility</b>	<b>Resource</b>
37.	Ongoing	As soon as new standards are implemented or any are revised significantly, the Education Committee will incorporate them in the educational materials and CPD programs. IFRS9, IFRS15 and IFRS16 are included in the e-learning CPD program in 2018.	Ongoing	President of the Education Committee	MKVK staff
38.	Ongoing	Publish IFRS related technical issues in auditors' professional newspaper.	Ongoing	President of the Education Committee	MKVK staff
39.	Ongoing	Continue to draw members' attention to the amended standards and exposure drafts and supporting documents published by the International Accounting Standards Board (IASB) by publishing it on the MKVK's website, newsletter and newspaper.	Ongoing	President of the Experts' Committee	MKVK staff
<i>Review of MKVK's Compliance Information</i>					
40.	Ongoing	Perform periodic review of MKVK's to SMO 7 as necessary. Once updated, inform IFAC Compliance staff about the updates in order for the Compliance staff to republish updated information.	Ongoing	President of the Experts' Committee	MKVK staff