

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

IFAC Member:	Suomen Tilintarkastajat ry (ST)
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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.

GLOSSARY

AB3C	The Auditing Board of the Central Chamber of Commerce
AOU	Audit Oversight Unit
CPD	Continuing Professional Development
EU	European Union
IAASB	International Auditing and Assurance Standards Board
IAESB	International Accounting Education Standards Board
IES	International Education Standards
IESBA	International Ethics Standards Board for Accountants
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standards
IPSAS	International Public Sector Accounting Standards
ISA	International Standards on Auditing
ISAE	International Standard on Assurance Engagements
ISQC	International Standard on Quality Control
ISRE	International Standard on Review Engagements
ISRS	Integrated Statewide Record System
KHT	Finnish Institute of Authorised Public Accountants
QA	Quality Assurance
SME	Small and Medium Enterprises
SMP	Small and Medium Practices
ST	Suomen Tilintarkastajat ry (Finnish Association of Authorised Public Accountants)

Action Plan Subject: SMO 1–Quality Assurance
Action Plan Objective: Actively Communicate with the Audit Oversight Unit and Members on Developments of Quality Assurance

Background:

The new Auditing Act (1141/2015) came into force on 1.1.2016. This legislation reform concerned only location of oversight body and auditors' examination system. Implementation of the directive 2014/56/EU was completed by law 12.8.2016/622 and changes were made to the Auditing Act. From now on all auditor candidates have to first pass a HT-examination and become an HT-auditor. After that an HT-auditor can specialize either by passing KHT-examination and becoming a KHT-auditor or by passing a JHT-examination and become a JHT-auditor. KHT-auditor is qualified to audit PIE-entities and JHT-auditor is qualified to audit public sector.

Due the new auditing law **Audit Oversight Unit (AOU)** (<https://www.prh.fi/en/auditoroversight.html>) located in Finnish Patent and Registration Office (<https://www.prh.fi/en/index.html>) is the main audit oversight body in Finland. All former audit oversight bodies (The Auditing Board of the State, The Auditing Board of the Central Chamber of Commerce (AB3C) and all 14 Auditing Committee of a local Chamber of Commerce) were abolished in the end of year 2015 and their tasks were moved to the AOU. The personnel of AB3C were relocated in AOU. AOU is directed by the director, who is participant in Management Group and right under director general of Finnish Patent and Registration Office. Patent and Registration Office is located under the Ministry of economic affairs and employment (<http://tem.fi/en/ministry>).

Due to Auditing Act (1141/2015) Chapter 7 Section 2 Auditing Oversight Unit shall be responsible for the general direction, development and oversight of auditing. AOU:

- 1) approves auditors and is responsible for the system and its development;
- 2) monitors that auditors operate in accordance with the Auditing Act;
- 3) must ensure that auditors maintain and develop their professional skills and maintain the conditions for recognition;
- 4) monitors the quality of auditing and is responsible for the development of a quality control system;
- 5) is responsible for overall management and development of audit;
- 6) participates in international cooperation and exchange of information;
- 7) performs such other functions as may be provided for in this Act.

In AOU is located a new Auditing Board, which is independent in its decision-making. Due to Auditing Act (1141/2015) Chapter 7 Section 5 Auditing Board makes the decisions about administrative sanctions etc. Composition of the Auditing Board is chairman, vice-chairman, 5-8 board members and two permanent experts. Auditors cannot be member in the Board, but permanent experts have to be auditors. They cannot take part in decision-making of the board.

Due to Auditing Act Chapter 7 Section 9 While overseeing the quality assurance of auditors, the AOU:

- 1) orders an auditor to a quality assurance review at least every six years or, in the case of an auditor who audits an entity subject to public trading, at least every three years;
- 2) designates one or more independent reviewers to conduct quality assurance reviews;
- 3) determines the contents and the manner of implementation of the quality assurance review; and
- 4) processes the results of a quality assurance review and decides on measures to be taken on the basis of the review.

The independent quality assurance team of AOU performs the quality inspections of all audit firms and all auditors.

In Finland the quality assurance activities started in 1998 by performing peer reviews. The reviews were carried out by the private sector auditor associations. According to the associations' constitutions all members of the associations were subject to mandatory quality inspections every 5th year.

In 2008 a new quality assurance organization was established and since then the AB3C care of the quality inspections as an independent body. The current quality assurance system fulfills the requirements of the 8th EU Directive and commission recommendation on external quality assurance for statutory auditors and audit firms auditing public interest entities. KHT assisted the AB3C at the start-up phase in order to ensure that the AB3C's program meets SMO 1 requirements. KHT and AB3C share with each other information and knowledge of quality assurance activities and exploit the knowledge sharing when planning training for the quality inspector as well as for the members of KHT.

KHT has translated ISQC 1 into Finnish. The formal adoption of ISQC 1 and ISAs are dependent on EC adoption. However, ISQC 1 and ISAs are applied as "good auditing practise". In addition ST has translated the Guide to Quality Control for Small- and Medium-Sized Practices published by IFAC SMP Committee into Finnish.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Facilitate Active Communication with AB3C's on Developments of Quality Assurance</i>					
1.	September 2013	Translate into Finnish the Guide to Quality Control for Small- and Medium-Sized Practices published by IFAC SMP Committee.	March 2014 Completed	Translation Coordinator of KHT	Translation Coordinator of KHT and project group
2.	October 2013	Conduct training on "Quality of audit" together with the representatives of the oversight body of auditors. The starting point for the training was the findings of the quality inspections.	January 2014 Completed	Separate working group and technical staff of KHT	Separate working group, technical staff and members of KHT
#	Start Date	Actions	Completion Date	Responsibility	Resource

Maintaining Ongoing Processes

3.	Ongoing	Active communication with AOU on developments of quality assurance.	Ongoing	Chief Executive	Chief Executive and the Board of KHT
4.	Ongoing	Collect feedback on quality inspections from audit firms and communicate the feedback with AOU.	Ongoing	Chief Executive	Members from The Big4 firms and Chief Executive
5.	Ongoing	Conduct training for members on quality control for SMP's/SMP's (ISQC 1 and the International Standards on Auditing).	Ongoing	Separate training work group	Separate training work group and members of KHT
6.	Ongoing	Use the best endeavors to ensure that the quality assurance system is operating effectively and continues to be in line with the SMO 1 requirements.	Ongoing	Chief Executive	Committees and work groups of KHT and technical staff of KHT
7.	Ongoing	Ensure that the members fulfill the requirements and maintain their proficiency and other qualifications required.	Ongoing	Chief Executive	Committees and work groups of KHT and technical staff of KHT
<i>Review of KHT-yhdistys's Compliance Information</i>					
8.	October 2014	Perform review of SMOs and KHT's SMO Action Plan and update relevant sections as necessary. Once updated inform IFAC compliance staff about the update in order for the compliance staff to republish updated Action Plan.	October 2016	Board of KHT	Senior Expert

Appendix—Main Requirements of SMO 1

Requirements	Y	N	Partially	Comments
<p>Scope of the System</p> <p>1. At a minimum, mandatory QA reviews are required for all audits of financial statements.</p>	X			Patent and Register Office oversees all auditors.
<p>Quality Control Standards and Other Quality Control Guidance</p> <p>2. Firms are required to implement a system of quality control in accordance with the quality control standards.</p>	X			Finnish Auditing Act requires that quality control standards are complied with as part of good auditing practice.
<p>3. Most up to date versions of ISQC 1 and other relevant ISAs are adopted as the quality control standards.</p>	X			
<p>4. Member Body assists firms in understanding the objectives of quality control and in implementing and maintaining appropriate systems of quality control.</p>	X			
<p>Review Cycle</p> <p>5. A cycle-based, risk-based, or a mixed approach for selecting firms for QA review is used.</p>	X			Made by AOU.
<p>6. For cycle-based approach, quality control reviews are required to take place at least every six years (and every three years for audits of public interest entities).</p>	X			Made by AOU.

Requirements	Y	N	Partially	Comments
QA Review Team				Made by AOU.
7. Independence of the QA Team is assessed and documented.	X			
8. QA Team possesses appropriate levels of expertise.	X			Made by AOU.
Reporting				Made by AOU.
9. Documentation of evidence supporting the quality control review report is required.	X			
10. A written report is issued upon conclusion of the QA review and provided to the firm/partner reviewed.	X			Made by AOU.
Corrective and disciplinary actions				Made by AOU.
11. Reviewed firms/partners are required to make timely adjustments to meet recommendations from the review report.	X			
12. QA review system is linked to the Investigation and Discipline system.	X			Made by AOU.
Consideration of Public Oversight				Made by AOU.
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.	X			
Regular Review of Implementation and Effectiveness				Made by AOU.
14. Regular reviews of implementation and effectiveness of the system are performed.	X			

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

Action Plan Objective: Continue to Use “Best Endeavors” to Ensure ST’s Compliance with IES and Other International Accounting Education Standards Board (IAESB) Guidance

Background:

A certain educational background, professional experience and an examination of professional competence is required for authorized auditors in private sector. The detailed requirements are prescribed in the regulations given by the Ministry of Employment and the Economy (1442/2015). Requirements are based on the 8th EC Directive and Finnish legislation. Main lines of the requirements remained unchanged despite of the new law and regulation.

AOU maintains the official register of those certified auditors who hold a valid license in Finland and issues extracts from the register at request. The use of the title certified auditor (HT, KHT and JHT) is restricted by law to only those in the register.

Finnish Auditing Act Chapter 4 Section 2 (which is based on Auditing Directive, article 13) requires auditors to maintain professional competence on a sufficient level. In 2014, AB3C issued new CPD requirements and according to those requirements auditors are required to complete at least 120 hours CPD activities in a three year period, with at least 20 hours per year. Half of the required CPD activities must be verifiable. AOU is using the same system and these requirements fulfil the requirements of IESs standards. Approvable activities are for example participation in training, teaching, committee work, performing quality inspections and writing articles. Auditor shall report to AOU annually how he/she has maintained proficiency and qualifications required for authorization.

We understand that Finnish Auditing Act (1141/2015) Chapter 6 Section 1–4, the regulations given by the Ministry of Employment and the Economy (1442/2015) and the examination arranged by AOU fulfil the requirements of IES standards concerning IPD.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Ensure Compliance with the IES Requirements</i>					
9.				Technical Staff of KHT	Technical Staff of KHT
10.				Technical Staff of KHT	Technical Staff of KHT

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Maintaining Ongoing Processes</i>					
11.	Ongoing	Arrange training seminars for candidates who prepare for the auditor's examination of professional competence.	Ongoing	Education Committee of KHT	Members of KHT
12.	Ongoing	Arrange training and seminars for members on current topics and latest developments in auditing to help them to maintain and develop their professional competence.	Ongoing	Different committees and work groups of KHT	Members of KHT, different committees and work groups of KHT and technical staff of KHT
13.	Ongoing	Ensure on an ongoing basis that KHT's practical experience and training requirements, including Continuing Professional Development (CPD), are updated in line with IES.	Ongoing	Education Committee of KHT	Members of KHT
14.	Ongoing	Help the members to maintain and develop their professional competence (up-to-date trainings and publications).	Ongoing	Chief Executive	Members of KHT, different committees and work groups of KHT and technical staff of KHT
15.	Ongoing	Notify members of IES requirements and the CDP requirements issued by AB3C.	Ongoing	Technical Staff of KHT	Technical Staff of KHT
<i>Review of KHT-yhdistys's Compliance Information</i>					
16.	October 2014	Perform review of SMOs and KHT's SMO Action Plan and update relevant sections as necessary. Once updated inform IFAC compliance staff about the update in order for the compliance staff to republish updated Action Plan.	Ongoing	Board of the Institute	Senior Expert

Action Plan Subject: SMO 3–International Standards and other Pronouncements Issued by the IAASB
Action Plan Objective: To Maintain and Improve the Process to Adopt and Implement International Standards

Auditing Act (1141/2015):

Chapter 3 Section 3

International auditing standards

In addition to the provisions laid down in this Act and any statutes issued by virtue thereof, anyone acting in a duty referred to in section 1(1)(1) shall comply with the auditing standards adopted for application in the European Community (*international auditing standards*), which are referred to in article 26 of Directive 2006/43/EY of the European Parliament and of the Council on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC.

Chapter 4 Section 3

Obligation to observe good auditing practice

(1) In carrying out the duties referred to in this Act, an auditor shall comply with good auditing practice.

(2) An auditor shall observe any particular instructions given by the partners or by the general meeting or equivalent governing body, insofar as these instructions are not in conflict with the law, the articles of association, the rules, the deed of partnership, international auditing standards, good auditing practice, or the principles of professional ethics.

Background:

Due to the Auditing Act 1141/2015, Audit Oversight Unit (AOU) in Patent and Register Office is the main standard setter., During the last four years, AOU has not yet taken an active role about standard setting.

Even if Finnish Association of Auditors has no legally based role in the standard setting environment, it has a long history of giving recommendations on generally accepted auditing practices. Since 2000 association has given recommendations, which follow the International Standards on Auditing of IAASB and they have been amended in accordance with the relevant changes in ISAs.

Since 2006 the Board of the Finnish association of auditors has approved auditing standards which have been exact translations on the International Standards on Auditing by IAASB. Few additions based on Finnish legislation have been made.

In January 2010 the Finnish Association of Authorised Public Accountants (KHT/ST) published a translation on Clarified ISAs and the Board of association approved them. Also the translation unit of the European Commission has reviewed the translation. The clarified ISAs are effective for audits of financial statements for periods beginning on or after December 15, 2009. Since then, all new and revised standards issued by the IAASB, as well as the IESBA Code of Ethics have been translated into Finnish and approved by the ST Board

The Guide to Using International Standards on Auditing in the Audits of Small- and Medium Sized Entities was first translated into Finnish in 2009. The latest edition was published by IFAC in 2018 and translated into Finnish in 2019..					
#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Ensure the Adoption and Development of Auditing Standards in Line with the IAASB's Pronouncements</i>					
17.	November 2011	Translate into Finnish the Guide to Using International Standards on Auditing in the Audits of Small- and Medium Sized Entities (3 rd edition).	March 2012 Completed	Translation Coordinator of KHT	Translation Coordinator of KHT and project group
18.	August 2014	Prepare and update national illustrations of auditor's reports (engagement letter, representation letter, auditor's opinion, etc.) based on clarified ISAs. The illustrations are published annually in a bound volume <i>Tilintarkastajan raportointi</i> (Auditors' reports).	December 2014	Auditing Committee of KHT KHT-Media	Auditing Committee of KHT and technical staff of KHT Product Manager, publications
19.	June 2013	Prepare guidance for members on which standard is suitable for which engagement and include the guidance in the "Auditors' reports" book.	December 2013 Completed	Auditing Committee of KHT	Auditing Committee and technical staff of KHT
20.	April 2014	Conduct further training (a seminar) for members on ISAs for SMEs.	August 2014 Completed	Different committees and work groups of KHT	Different committees and work groups and technical staff of KHT
<i>Maintaining Ongoing Processes</i>					
21.	Ongoing	Monitor the developments and amendments on the international standards.	Ongoing	Technical Staff of KHT	Technical Staff of KHT and Auditing Committee of KHT
22.	Ongoing	Conduct training and seminars for members on the latest developments in auditing and auditing standards.	Ongoing	Different committees and work groups of KHT	Members of KHT, members of different committees and work groups of KHT and technical staff of KHT
23.	Ongoing	Facilitate discussions for members on hot topics in auditing.	Ongoing	Technical Staff of KHT	Technical Staff of KHT

#	Start Date	Actions	Completion Date	Responsibility	Resource
24.	Ongoing	Translate all new and revised ISA-standards and other IAASB standards.	Ongoing	Translation Coordinator of KHT	Translation Coordinator of KHT and translation working group
25.	Ongoing	Continue to use best endeavors to promote ongoing adoption and implementation of the IAASB's pronouncements. This will include reviewing this action plan as appropriate on a periodic basis.	Ongoing	Chief Executive	Technical staff of KHT
<i>Review of KHT-yhdistys's Compliance Information</i>					
26.	October 2014	Perform review of SMOs and KHT's SMO Action Plan and update relevant sections as necessary. Once updated inform IFAC compliance staff about the update in order for the compliance staff to republish updated Action Plan.	Ongoing	The Board of KHT	Senior Expert

Action Plan Subject: SMO 4–IESBA Code of Ethics for Professional Accountants
Action Plan Objective: Continuous Improvement of the Process to Adopt and Implement the IESBA's Code of Ethics

Background:					
<p>The Auditing Act 1141/2015 Chapter 4, section 1 and §, 24-25, set ethical requirements for auditors in in the jurisdiction but does not refer to the IESBA's Code of Ethics.</p> <p>KHT/ST has translated the IESBA's Code of Ethics since 2001. Clarified Code of Ethics was translated and it became effective on January 2011. The latest version of the IESBA code was translated into Finnish in 2018. Suomen Tilintarkastajat has published e current <i>Handbook of the Code of Ethics for Professional Accountants (2018)</i>, which is currently applicable for both KHT and HT auditors.</p>					
#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Maintaining Ongoing Process</i>					
27.	Ongoing	Conduct training on Code of Ethics for the members.	Ongoing	Separate training work group and technical staff of KHT	Members of the Institute and different committees and work groups of KHT
28.	Ongoing	Notify members of the new, proposed and revised provisions of the Code of Ethics and other pronouncements issued by IESBA.	Ongoing	Technical staff of KHT	Technical staff of KHT
29.	Ongoing	Monitor the changes made to the Code of Ethics.	Ongoing	Technical staff of KHT	Technical staff of KHT, Auditing Committee of KHT
30.	Ongoing	Translate the changes to Code of Ethics into Finnish.	Ongoing	Translation Coordinator of KHT	Translation Coordinator of KHT and translation working group
<i>Review of KHT-yhdistys's Compliance Information</i>					
31.	October 2014	Perform review of SMOs and KHT's SMO Action Plan and update relevant sections as necessary. Once updated inform IFAC compliance staff about the update in order for the compliance staff to republish updated Action Plan.	Ongoing	Board of KHT	Senior Expert

Action Plan Subject: SMO 5–International Public Sector Accounting Standards and Other Pronouncements Issued by the IPSASB
Action Plan Objective: Continue to Use Best Endeavors to Support Incorporation of IPSAS Requirements into National Public Sector Accounting Requirements

Background:

Public sector accounting is one of the focus areas of Suomen Tilintarkastajat ry (Finnish Association of Authorised Public Accountants).

In Finland public sector accounting can be divided into two parts 1) state government and 2) local government (municipal).

- 1) State government -level is audited by The National Audit Office (NAO) (<http://www.vtv.fi/en>) and it conducts annual audits of the final central government accounts as well as the accounts of government agencies and two off-budget funds and prepares financial audit reports on these. Audits are conducted applying the International Standards of Supreme Audit Institutions (ISSAI) endorsed by the International Organisation of Supreme Audit Institutions (INTOSAI), which are based on the International Standards on Auditing (ISA). These are supplemented by the office's financial and performance audit manuals. The duty of NAO is based on the Act on the National Audit Office (find it here: http://www.vtv.fi/files/3902/Act_on_National_Audit_Office.pdf).
- 2) Local government level is audited by private sectors auditors, who have to be Authorised Public Accountant, JHT or Chartered Public Finance Auditor. There was a separate JHTT-association for public sector auditors, which gave recommendations to its members. JHTT-association was abolished in 2017 and its activities were moved to three other associations and one of them was Suomen Tilintarkastajat ry. In this connection, the maintenance of good auditing practice in public sector was transferred to the Suomen Tilintarkastajat ry. Suomen Tilintarkastajat ry set up a working group for public sector auditing which updated the recommendation “good audit practice in public sector”. ST’s Board of Directors approved the recommendation on June 1, 2020 and it will be published on ST’s website.
- 3) The current public sector accounting standards In Finland are based on an accrual basis of accounting and are mainly in conformity with IPSAS, especially on municipal side, but also on governmental side. ST has not taken a stand whether to support the adoption of IPSAS or EPSAS, but according to our knowledge the Finnish government supports the adoption of EPSAS. IPSAS have not been translated into Finnish.

ST-Akatemia, the subsidiary of ST, published a book on public sector regulations and legislation in 2009. The latest edition was published in June 2011.

Even if the public and the private sector auditors are partly combined in the new legislation system (see, explanation in section SMO1), public sector auditing is still in some way sort of its own island. Public sector has its own law (Auditing act for public sector 1142/2015) and because of that law for instance good auditing practice in public sector is formed by recommendations given by Suomen Tilintarkastajat ry.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Assistance with Implementation of Public Sector Accounting Standards Requirements in Finland</i>					
32.	2011	Publish the book on public sector regulations (3 rd edition).	June 2011 Completed	KHT-Media, the subsidiary of KHT	Product Manager, publications
<i>Maintaining Ongoing Processes</i>					
33.	Ongoing	Continue to monitor the activities of the International Public Sector Accounting Standards Board (IPSASB).	Ongoing	Chief Executive	Technical Staff of KHT
<i>Review of KHT-yhdistys's Compliance Information</i>					
34.	October 2014	Perform review of SMOs and KHT's SMO Action Plan and update relevant sections as necessary. Once updated inform IFAC compliance staff about the update in order for the compliance staff to republish updated Action Plan.	Ongoing	Board of the Institute	Senior Expert

Action Plan Subject: SMO 6—Investigation and Discipline
Action Plan Objective: Ensure Effective System of Investigation and Discipline is in Place

Background:

Audit Oversight Unit in Patent and Register Office and Auditing Board (located in AOU) are the oversight bodies responsible for supervision and disciplinary procedures of the auditors and the audit firms. The Ethical Board of Finnish Association of Auditors (FAA) is a secondary body and it has no legal status.

If the auditor does not fulfil the qualification requirements, the AOU shall apply disciplinary sanctions (remark, warning or cancellation of authorization). Operations of AOU are regulated by EU regulation and Finnish legislation (the Auditing Act). In AOU is located a new Auditing Board, which is independent in its decision-making. Due to Auditing Act (1141/2015) Chapter 7 Section 5 Auditing Board makes the decisions about administrative sanctions etc. Composition of the Auditing Board is chairman, vice-chairman, 5-8 board members and two permanent experts. Auditors cannot be member in the Board, but permanent experts have to be auditors. They cannot take part in decision-making of the board.

The Ethical Board of ST is the preparing body in the questions related to ethical and collegial standards i.e. that the members of ST comply with the Code of Ethics and also the constitution of ST. The Ethical Board handles disciplinary matters and prepares the proposals to the Board of KHT. The Board makes the final decisions about the disciplinary actions (remark, warning and termination of the membership). ST is not obligated to file a report at AOU about the sanctions imposed by the ST Board, but the Ethical Board may decide not to take actions on the case, which the oversight body is already dealing with.

AOU supervise and take appropriate measures to ensure that the auditors and audit firms authorised by them (HT, KHT and JHT auditors audit firms) maintain their proficiency and other qualifications required for the authorisation and that they observe the Auditing Act and any rules given by virtue thereof. AOU also lead and develop authorisation and supervision of auditors and is responsible for international cooperative oversight activities.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Promote Awareness of the SMO 6 Requirements to the Auditing Board of the Central Chamber of Commerce</i>					
35.	Ongoing	Promote to the AB3C's the need of continual review to ensure compliance with the SMO 6 requirements and best practice.	Ongoing	Chief Executive	Chief Executive

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Maintaining Ongoing Processes</i>					
36.	Ongoing	FAA will continue to ensure that its Ethical Board identifies areas for improvement in line with the requirements of SMO 6.	Ongoing	Board of the Institute	Chief Executive
<i>Review of KHT-yhdistys's Compliance Information</i>					
37.	October 2014	Perform review of SMOs and KHT's SMO Action Plan and update relevant sections as necessary. Once updated inform IFAC compliance staff about the update in order for the compliance staff to republish updated Action Plan.	Ongoing	Board of the Institute	Senior Expert

Appendix—Main 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.	X			
2. Information about the types of misconduct which may bring about investigative actions is publicly available.	X			
Initiation of Proceedings				
3. Both a “complaints-based” and an “information-based” approach are adopted.	X			
4. Link with the results of QA reviews has been established.	X			

Requirements	Y	N	Partially	Comments
<p>Investigative Process</p> <p>5. A committee or similar body exists for performing investigations.</p>	X			<p>Investigations are made by AOU's officers and the Auditing Board will make the decision.</p> <p>Companies supervised by Financial Supervisory Authority: When the subject of the investigation is concerning auditor of company supervised by Financial Supervisory Authority, investigation (of auditor) can be also made by Financial Supervisory Authority (Auditing Act Chapter 9 section 2) But the final decision have to still make by Auditing Board.</p>
<p>6. Members of a committee are independent of the subject of the investigation and other related parties.</p>	X			<p>AOU's officers work under official responsibility. This contains independence requirement.</p> <p>In the latest regulation proses main focus were to secure that the Auditing Board will be totally independent from auditing industry, which is why auditors cannot take part in Boards decision making anymore.</p>
<p>Disciplinary Process</p> <p>7. A separate disciplinary committee/entity exists to make disciplinary decisions on referrals from the investigation committee.</p>	X			<p>The Auditing Board will make the decision based on.</p>
<p>8. Members of the committee/entity include professional accountants as well as non-accountants.</p>			X	<p>Composition of the Auditing Board is chairman, vice-chairman, 5-8 board members and two permanent experts. Auditors cannot be member in the Board, but permanent experts have to be auditors. They cannot take part in decision-making of the board.</p>
<p>9. The tribunal exhibits independence of the subject of the investigation and other related parties.</p>	X			<p>Member of the Auditing Board work under official responsibility. This contains independence requirement.</p>
<p>Sanctions</p> <p>10. The disciplinary system allows imposing an extensive range of penalties. It is particularly</p>	X			<p>Auditing Board can make a decision that auditor will loss his/her/its professional designation fully or maximum period of two years.</p>

Requirements	Y	N	Partially	Comments
important to include (a) loss of professional designation; (b) restriction and removal of practicing rights; and (c) exclusion from membership.				Auditing Board can make a decision that restrict auditor's practicing rights so that auditor is not capable to audit or sign auditor's report. This kind of restriction cannot stand more than three years. The Board of Finnish Association of Auditors can dismiss auditor from membership of the association. However, membership of the association is not mandatory to be an auditor.
Rights of Representation and Appeal				
11. A third appeals body exists which is separate from both the disciplinary committee and investigative committee.	X			If an auditor or audit firm is dissatisfied with the judgment or the Auditing Board he / she / it has to right appeal to Helsinki administrative court and Supreme Administrative Court.
Administrative Processes				
12. Timeframe targets for disposal of all cases are set.	X			AOU, but this should be OK.
13. Tracking mechanisms to monitor progress in investigation and discipline and related procedures are established.	X			AOU, but this should be OK.
14. Records of investigations and disciplinary processes are established.	X			AOU, but this should be OK.
Public Interest Considerations				
15. Activities are supported to ensure that the public is aware that an investigative and disciplinary system exists in the jurisdiction.	X			
16. A process for the independent review of complaints on which there was no follow-up is established.	X			

Requirements	Y	N	Partially	Comments
17. The results of the investigative and disciplinary proceedings are made available to the public.	X			
Liaison with Outside Bodies 18. There is an appropriate process for liaison with outside bodies on possible involvement in serious crimes and offences.	X			Due to Auditing Act Chapter 9 section 1 AOU is capable to give information to other public authority. (We do not know how this works in practice).
Regular Review of Implementation and Effectiveness 19. Regular review of implementation and effectiveness of the system are performed and corrective actions are implemented.	X			Patent and Register Office has a regular negotiations with Ministry of Economic affairs and Employment. These negotiations concerns also the effectiveness of the AOU's actions.

Action Plan Subject: SMO 7–International Financial Reporting Standards and Other Pronouncements issued by the IASB
Action Plan Objective: Follow the implementation of IFRS

Background:					
<p>As Finland is an EU member state it is mandatory to use IFRS in consolidated financial statements for the companies listed on a regulated market. ST is not responsible for adoption or promulgation of IFRS as it lies with the European Commission and relevant national regulator (Ministry of Employment and the Economy).</p> <p>Finnish accounting standards consists of Accounting Act, Accounting Statute and Accounting Statute for small and micro entities. Accounting Act and both statutes are based on EU standard (2013/34/EU) and these came into force 1.1.2016.</p> <p>ST has translated the IFRS into Finnish and informs the members about the latest releases. ST-Akatemia, the subsidiary of ST, provides training on IFRS. In addition, ST-Akatemia publishes books on IFRS, for example translations and the example of financial statements in accordance with IFRS. ST facilitates also informal discussions on current IFRS questions from time to time. Participants in these discussions are from larger audit firms and other interested bodies. IFRS for SMEs is not adopted in Finland.</p>					
#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Provide Continuous Support Assist with the Implementation of the IFRS in Finland</i>					
38.	August 2014	Publish the example of financial statements prepared in accordance with the IFRS.	October 2014 Completed	KHT-Media, the subsidiary of the Institute	Translation Coordinator of KHT and Product Manager, publications (KHT-Media)
39.	Ongoing (since 2005)	Translate the IFRS into Finnish and publish a book.	May 2014 Completed	KHT-Media, the subsidiary of the Institute	Translation Coordinator of KHT and Product Manager, publications (KHT-Media)
<i>Maintaining Ongoing Processes</i>					
40.	Ongoing	Raise awareness and organize training on new and updated standards.	Ongoing	Chief Executive	KHT-Media, the subsidiary of KHT

#	Start Date	Actions	Completion Date	Responsibility	Resource
41.	Ongoing (from time to time, but not during October 2013-October 2014)	Facilitate informal discussions to discuss application of standards.	Ongoing	Chief Executive	Technical staff of KHT
<i>Review of KHT-yhdistys's Compliance Information</i>					
42.	October 2014	Perform review of SMOs and KHT's SMO Action Plan and update relevant sections as necessary. Once updated inform IFAC compliance staff about the update in order for the compliance staff to republish updated Action Plan.	Ongoing	Board of the Institute	Senior Expert