

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:	Lithuanian Chamber of Auditors (LCA)
Approved by Governing Body:	LCA Presidium
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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.

IFAC's Summary Assessment: IFAC staff will update this section at the conclusion of each SMO Action Plan review and update cycle. PAOs are encouraged to take staff's recommendation into consideration as part of future strategic planning conversations at the PAO.

For more information on [IFAC Member Compliance Program](#) and the legends used to describe the status of adoption of international standards, best practices, and fulfilment of SMO requirements, please refer to the Status of Adoption [methodology](#) and SMO Fulfilment [methodology](#).

FOR IFAC COMPLETION	LCA Level of Responsibility for Adoption as of 2022	Adoption Status as of 2022	Level of SMO Fulfilment as of 2022
QA / SMO 1	Shared	 Adopted	 Sustain
IES / SMO 2	Shared	 Partially Adopted	 Review & Improve
ISA / SMO 3	No Direct	 Partially Adopted	 Sustain
IESBA / SMO 4	No Direct	 Partially Adopted	 Sustain
IPSAS / SMO 5	No Direct	 Partially Adopted	 Sustain
I&D / SMO 6	Shared	 Adopted	 Sustain
IFRS / SMO 7	No Direct	 Adopted	 Sustain

Attestation of SMO Compliance

The **Lithuanian Chamber of Auditors (LCA)** has developed an Action Plan to demonstrate how it fulfils the requirements of the SMOs (revised in 2012). The abovementioned [Governing Body](#) has reviewed the information contained within the SMO Action Plan and affirms that the **LCA** continues to undertake these and other relevant actions to maintain ongoing compliance and fulfilment of the membership obligations where IFAC's assessments are at *Review & Improve* and/or *Sustain*. In areas where [IFAC's assessments](#) are at *Execute*, *Plan*, *Consider*, or *Not Active* the **LCA** has updated the Action Plan to reflect the specific actions to adopt or support adoption and support implementation that must be taken to achieve the improvement accompanied by a timeline.

On behalf of the **LCA**, the *Governing Body* endorses the information contained within the SMO Action Plan as of the publication date and its publication 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.

GLOSSARY

AAA	Authority of Audit and Accounting
AI	Accounting Institute of the Republic of Lithuania
AQCC	Audit Quality Control Committee of the LCA
BAS	Business Accounting Standards
CPD	Continuous Professional Development
IAASB	International Auditing and Assurance Standards Board
IAESB	International Accounting Education Standards Board
IASB	International Accounting 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
IPSASB	International Public Sector Accounting Standards Board
ISA	International Standards on Auditing
ISQC 1	International Standard on Quality Control 1
LCA	Lithuanian Chamber of Auditors
LRLA	Law of the Republic of Lithuania on Audit effective September 2008 (harmonized with the EU legal acts: 78/660/EEC, 83/349/EEC, 2002/590/EC, 2003/51/EC, 2006/43/EC)
MoF	Ministry of Finances of the Republic of Lithuania
QA	Quality Assurance
SMOs	Statement of Membership Obligations

Action Plan Subject: Statement of Membership Obligation (SMO) 1 and Quality Assurance (QA)
Action Plan Objective: Further Improvement of Quality Assurance System in Line with the SMO 1 Requirements.

Background:

Until the amended Law on Audit became effective (from 2005 till September 1, 2008), the Lithuanian Chamber of Auditors (LCA) was legally obligated to supervise the activities of the audit profession and to establish a quality assurance (QA) review system for all audits of financial statements. LCA administered the Audit Quality Control Committee (AQCC), which used a QA review system based on peer reviews. AQCC was an external body and was composed of members of LCA, Ministry of Finance and other organizations.

According to the amended Law on Audit, active from 1st of September 2008, a responsibility to exercise QA was delegated to the Public Oversight Body, the Authority of Audit and Accounting (AAA) jointly with LCA. AAA has ultimate responsibility for tasks such as registration and quality control of auditors. In addition, AAA retains its accounting standard setting role.

LCA has updated its quality assurance system in accordance with the International Standards of Quality Control (ISQC) 1 requirements in January 2009. All audit firms and their partners are subject to a quality assurance review program. Quality assurance reviews are performed by auditor controllers, who are proposed by LCA and approved by AAA. These controllers have to be practicing auditors, have additional practicing course in order to maintain knowledge for reviews. The updated QA procedures require all auditors and auditing listed companies to be subject to inspection at least once every three years while the rest undergo QA every six years. Investigation by AAA is performed if during a standard review significant inadequacies were found. The entire QA process is supervised and final decisions are taken only under consultations with the AAA. Only the AAA is required to impose a penalty on auditors or audit firms.

In early 2012, LCA and AAA had a discussion on purpose to find more effective measures to improve QA system. The following ideas were considered during whose discussions: to perform QA review during one year in order to check if inadequacies were eliminated; also to improve disciplinary actions system (to apply some additional measures).

LCA prepared quality assurance review questionnaires for auditors and controllers in accordance with Clarified International Standards on Auditing (ISA). Controllers also were included in this process taking into account their suggestions backed-up experience quality assurance review questionnaires were improved. Newly developed quality assurance review questionnaires were issued in 2015 after approval by AAA. However, this process shall not be deemed to be exhaustive, and they will be revised in 2016 after transposition of Directive 2014/56/EU into the national law and taking into the account practical experience.

In assisting LCA members to understand requirements of ISQC 1, LCA organized the training for Lithuanian auditors. ISQC 1 was translated into Lithuanian language and published on its website.

In July 2017 came into power the of Law on Audit in accordance with Directive 2014/56/EU. Based on this Law the review of audits in public-interest entities was delegated to national public oversight body. Following these updates LCA has updated peer-review questionnaires and related internal documentation in which QA review procedures fully align with the SMO 1 requirements. In 2019 the LCA has issued guidance for auditors to prevent money laundering and terrorist financing.

In 2021 together with national AAA, LCA has updated quality assurance review questionnaires for auditors and controllers. With the upcoming effective date of ISQM 1, LCA started a working group to provide implementation support, particularly to small firms, and has provided training on the main changes. LCA is striving to meet firms' needs for guidance on transitioning from quality control to quality management and has engaged with the AAPVIM. The AAPVIM is translating the QM standards into Lithuanian.

#	Start Date	Actions	Completi	Responsibility	Resource
<i>Improving Quality Control System</i>					
1.	September 2008	Organize training for auditors and controllers on the most significant and the most frequent issues identified during reviews of audit firms.	Continuous activity	LCA Quality Control Committee and Education Committee	LCA staff
2.	July 2009	Organize Continuous Professional Development (CPD) training for full implementation of ISQC 1 (clarity) for all types	Continuous	LCA	LCA staff
3.	June 2016	Review quality assurance review questionnaires in light of practical experience.	September 2016	LCA Quality Control Committee	LCA staff
4.	June 2016	Review quality assurance review questionnaires in light of Law on Audit, mended based on mutual agreement between LCA and MoF regarding transposition of Directive 2014/56/EU into	September 2016	LCA Quality Control Committee	LCA staff
5.	June 2019	Prepare methodological guidance for auditors to prevent money laundering and terrorist financing	December 2019	LCA administration	LCA staff
6.	January 2021	Update quality assurance review questionnaires taking in account the suggestions of controllers backed-up experience	December 2021	LCA Quality Control Committee	LCA staff

Action Plan Developed by Lithuanian Chamber of Auditors (LCA)

7.	June 2021	Prepare methodological guidance for auditors to prevent corruption of foreign officers	April 2022	LCA administration	LCA staff
8.	January 2022	Prepare methodological guidance for ISQM 1 replacing ISQC 1 and in accordance to update quality assurance review questionnaires	December 2022	LCA Quality Control Committee and Audit	LCA staff
9.	January 2022	Prepare methodological recommendations related to Corporate Sustainability Reporting Directive (CSRD), Directive 2014/95/EU	December 2022	Audit Committee	LCA staff
<i>Maintaining Ongoing Processes</i>					
10.	November 2008	Ensure that LCA review program is operating effectively and continues to be in line with SMO 1 requirements. This includes periodic review of operation of Audit QA system and updating the Action Plan for future activities where necessary.	Continuous activity	LCA Quality Control Committee	LCA staff
<i>Review of LCA's Compliance Information</i>					
11.	September 2021	Perform review of LCA's SMO Action Plan and update relevant sections as necessary.	December 2021	LCA Director	LCA staff

Main Requirements of SMO 1

Requirements	LCA	AAAPVIM	Comments
	Yes No Partially	Yes No Partially	
Scope of the System 1. At a minimum, mandatory QA reviews are required for all audits of financial statements.	Y		Non-PIE audit QA is performed by LCA while PIE audits are supervised by the Authority of Audit, Accounting, Property Valuation and Insolvency Management under the Ministry of Finance of the Republic of Lithuania. AAAPVIM inspection process align with the international best practices in SMO 1
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.	Y		
3. Most up to date versions of ISQC 1 and other relevant ISA are adopted as the quality control standards.	Y		
4. Member Body assists firms in understanding the objectives of quality control and in implementing and maintaining appropriate systems of quality control.	Y		Through inquiry system and guidelines, recommendations prepared and issued by the LCA.
Review Cycle 5. A cycle-based, risk-based, or a mixed approach for selecting firms for QA review is used.	Y		Cycle-based.
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).	Y		
QA Review Team 7. Independence of the QA Team is assessed and documented.	Y		Each QA team member is selected by the LCA and approved by AAAPVIM

Requirements	LCA Yes No Partially	AAAPVIM Yes No Partially	Comments
8. QA Team possesses appropriate levels of expertise.	Y		In addition to appropriate level of expertise indicated in the Law on Auditing of Financial Statements, QA Team members are required to participate in professional development courses on annual basis.
Reporting 9. Documentation of evidence supporting the quality control review report is required.	Y		Reviewed by the staff of the LCA for compliance (applicable for non-PIE audits).
10. A written report is issued upon conclusion of the QA review and provided to the firm/partner reviewed.	Y		Before provision to the firm/partner for a review, the report is reviewed by the staff of the LCA for compliance (applicable for non-PIE audits).
Corrective and Disciplinary Actions 11. Reviewed firms/partners are required to make timely adjustments to meet recommendations from the review report.	Y		Follow-up actions are taken by the LCA staff (applicable for non-PIE audits).
12. QA review system is linked to the Investigation and Discipline system.	Y		Refusal of firms/partners to make adjustments is subject to consideration by the Audit Quality Control Committee and/or Ethics Committee (of the LCA) for non-compliance, and in relevant cases – by the Auditors' Court of Honor.
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.	Y		The LCA is accountable to the Authority as established by the Law on Auditing of Financial Statements.
Regular Review of Implementation and Effectiveness 14. Regular reviews of implementation and effectiveness of the system are performed.	Y		Monthly follow-up in the meetings of the Presidium of the LCA with participation of the head of AAAPVIM

Action Plan Subject: SMO 2 and International Education Standards (IESs) for Professional Accountants

Action Plan Objective: Further Improvement of LCA's Education System in Line with the SMO 2 Requirements

#	Start Date	Actions	Completion Date	Responsibility	Resource
<p><i>Background:</i></p> <p>The International Education Standards (IES) requirements are respected both by LCA members and through examination of candidates seeking LCA membership.</p> <p>Candidates for LCA membership have to obtain a University Degree, fulfil a three-year practical experience requirement with the audit firm's requirement and pass a final assessment to become members of LCA. All candidates are required to take examinations in the following subjects: audit, accounting, taxation and company law. Candidates are also required to have an appropriate level of knowledge in mathematics, statistics, information technologies, finance, financial analysis and other general subjects. Examination programs are renewed according to Clarified ISAs.</p> <p>All auditors are subject to mandatory CPD program, entailing 120 hours of CPD within a 3-year period. In 2022 LCA has started review of CPD program with the goal to make updates to meet the most recent trends in the industry. The CPD program is developed by LCA and contents of the courses updated annually. From September 2008 onwards the program for CPD includes compulsory part, as well as additional general education topics. LCA implemented a monitoring system for the actual education undertaken. The program for CPD is renewed every year. Since 2010, the CPD program also includes topics from Clarified ISAs.</p>					
<i>Improving the Education System</i>					
12.	January 2016	Translation of re-drafted IESs.	May 2016	Education	LCA staff
13.	September 2021	Update LCA examination program with regards to current professional trends in sectors of accounting, finance, audit and law	September 2022	LCA administration	LCA staff
14.	January 2022	Improve LCA internal regulation for examination taking count of	September 2022	LCA administration	LCA staff
15.	September 2021	Update internal regulations related with examination and CPD processes	September 2022	LCA administration	LCA staff
<i>Maintaining Ongoing Processes</i>					

16.	September 2008	Maintain an ongoing process to monitor new and revised IESs and incorporate them into education and examination	Continuous activity	LCA administration	LCA staff
<i>Review of LCA's Compliance Information</i>					
17.	September 2021	Review of LCA's SMO Action Plan and update relevant sections as necessary.	December 2021	LCA Director	LCA staff

Action Plan Subject: SMO 3 and International Standards, Related Practice Statements and Other Papers Issued by the IAASB

Action Plan Objective: Continue to Use Best Endeavors to Further Ongoing Convergence with ISA

#	Start Date	Actions	Completion Date	Responsibility	Resource
<p><i>Background:</i></p> <p>The LCA initially translated ISAs in 2006. In 2008, LCA initiated the process for ongoing translation of the IAASB pronouncements in order to comply with its convergence objective. The 2008 Handbook was translated and published on the LCA website. From January 2009 National Standards on Audit have not been effective where all statutory audits, other engagements and related services have to be performed according to the IAASB Standards. In addition, the LCA supports the implementation of IAASB's standards by providing CPD courses and uses its QA review system to monitor compliance with the IAASB pronouncements. Since 2017 by the Law of Audit of Financial Statements translation of ISAs is delegated to national AAA. LCA continues to ensure information related to ISAs is timely provided to auditors through methodological guidance and courses for qualification development.</p> <p>During 2009 and 2010 Clarified ISAs were translated and published on the official LCA website. The main work was done by LCA staff organizing translations, editing and expert reviews. In order to review translations, a commission of auditors, delegates from the Ministry of Finance, Securities Commission, Insurance Commission, Central Bank, and AAA was organized. All experts were working for approximately one year to reach compliance with the terms. Clarity ISAs are mandatory for all auditors and audit firms in Lithuania.</p> <p>LCA seeks to translate and publish other IFAC publications in time. In 2012, Third Edition of Guide to Quality Control for Small- and Medium-Sized Practices and Guide to Using ISAs in the Audits of Small and Medium-Sized Entities was translated and published on LCA website. Guide to Practice Management for Small- and Medium-Sized Practices was also translated and published on LCA website in 2013. Considering changes in ISA 610 and ISA 315, translations of revised ISAs were completed in 2013.</p> <p>In 2014, IAASB issued ISAE 3000 (Revised), International Framework for Assurance Engagements and Related Conforming Amendments. Additionally, IAASB has issued new and revised auditor reporting standards that are designed to significantly enhance auditor's reports for investors and other users of financial statements. The complete suite of new and revised standards consists of: ISA 700 (Revised) , ISA 701 (New), ISA 570 (Revised), ISA 706 (Revised), ISA 260 (Revised) and Conforming Amendments to ISAs 210, 220, 230, 510, 540, 580, 600, and 710. ISAE 3000 and related papers together with complete set of new and revised ISA's have been translated and reviewed in 2015. They are expected to be issued after the final publication clearance with IFAC. LCA has constant communication with AAAPVIM regarding translation of ISAs but has no direct impact on the deadlines of this process. Following AAAPVIM feedback they consider to issue revised ISA 315 and ISQM1 during the first half of 2022.</p> <p>LCA pursues to ensure the access to its members to all IFAC publications to help them to create their firms' methodological systems which comply with professional standards.</p> <p><i>Promoting an Ongoing Convergence Process and Implementation with IAASB</i></p>					
18.	September 2008	Review the IAASB Policy Position on modifications to IAASB Standards and make sure LCA complies with it.	Continuous activity	LCA Audit Committee	LCA staff
19.	September 2008	Notify LCA members about IAASB exposure drafts, and proposed IAASB's pronouncements and encourage members to comment.	Continuous activity	LCA Audit Committee	LCA staff

*Action Plan Developed by Lithuanian
Chamber of Auditors (LCA)*

20.	September 2008	Develop CPD training to support effective implementation of IAASB Pronouncements.	Continuous activity	LCA Audit Committee, LCA Administration	LCA staff
21.	October 2015	Translation of 720 ISA (revised)	May 2016	International Audit Standards Translation Quality Revision Commission	LCA staff
22.	January 2022	Prepare methodological guidance for ISQM 1 replacing ISQC 1 and in accordance to update quality assurance review questionnaires	December 2022	LCA Quality Control Committee and Audit Committee	LCA staff
23.	January 2022	Prepare methodological recommendations related to Corporate Sustainability Reporting Directive (CSRD), Directive 2014/95/EU	December 2022	Audit Committee	LCA staff
<i>Maintaining Ongoing Processes</i>					
24.	September 2008	Support ongoing convergence with IAASB pronouncements. This includes review of the implementation of the Action Plan to date and updating to Action Plan for future activities.	Continuous activity	LCA Audit Committee	LCA staff
<i>Review of LCA's Compliance Information</i>					
25.	September 2021	Review of LCA's SMO Action Plan and update relevant sections as necessary.	December 2021	LCA Director	LCA staff

Action Plan Subject: SMO 4 and International Ethics Standards Board for Accountants (IESBA) Code of Ethics

Action Plan Objective: Continue to Ensure that LCA Uses its Best Endeavors to Comply with the Requirements of the IESBA Code of Ethics

#	Start Date	Actions	Completion Date	Responsibility	Resource
<p><i>Background:</i></p> <p>According to the requirements of Law on Audit, all LCA members have to follow Code of Ethics for Professional Accountants. Translations will be issued by AAAPVIM.</p> <p>In order to ensure the fulfillment of Code of Ethics, LCA has the Court of Honor. It is combined from 2 auditors and delegates from Ministry of Finance, Ministry of Economy and Ministry of Justice. The Court of Honor deals with questions regarding compliance of Code of Ethics and has right to impose penalties for auditors.</p> <p><i>Supporting Adoption and Implementation of the Code of Ethics</i></p>					
26.	November 2009	Provide recommendations and implementation timeline for full implementation of Code of Ethics for Professional Accountants.	Continuous activity	LCA Committee on Ethics	LCA staff
27.	October 2008	Organize training for LCA members on the updated Code of Ethics for Professional Accountants.	Continuous activity	LCA Committee on Ethics	LCA staff
28.	January 2010	Notify LCA members about other pronouncements (those in addition to the Code of Ethics) developed by IESBA.	Continuous activity	LCA Committee on Ethics	LCA staff
29.	December 2009	Observe and analyze auditors' compliance with Code of Ethics for Professional Accountants and provide recommendations to LCA Presidium and Auditors' Court of Honor.	Continuous activity	LCA Committee on Ethics	LCA staff
<i>Maintaining Ongoing Processes</i>					

30.	September 2008	Support ongoing adoption and implementation of the Code of Ethics for Professional Accountants. This includes review of the implementation of Action plan to date and updating the Action plan for future activities as necessary.	Continuous activity	LCA director	LCA staff
<i>Review of LCA's Compliance Information</i>					
31.	September 2021	Perform review of revised SMOs and LCA's SMO Action Plan and update relevant sections as necessary.	December 2021	LCA Director	LCA staff

Action Plan Subject: SMO 5 and International Public Sector Accounting Standards (IPSAS)
Action Plan Objective: Promoting the Use of International Public Sector Accounting Standards

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Background:</i>					
<p>The Ministry of Finance is responsible for establishing Public Sector Accounting and Reporting Standards in Lithuania. Since 1 January 2010, all public sector entities have the duty to implement the Public Sector Accounting and Reporting Standards in Lithuania.</p> <p>Public Sector Accounting and Reporting Standards in Lithuania are prepared on the basis of International Public Sector Accounting Standards (IPSASs) and LCA sees the positive influence for accounting of public sector entities. The NPSAS are prepared based on a particular version of the IPSAS</p>					
<i>Promotion of IPSAS</i>					
32.	September 2008	Cooperate with the Ministry of Finance, responsible for the Public Sector Accounting and Reporting Standards.	Continuous activity	LCA Accountancy and Tax Committee	LCA staff
33.	September 2008	Provide comments on the Public Sector Accounting and Reporting Standards prepared by the Ministry of Finance.	Continuous activity	LCA Accountancy and Tax Committee	LCA staff
<i>Maintaining Ongoing Processes</i>					
34.	September 2008	Continue to use best endeavors by identifying opportunities to further assist in implementation of IPSASs. This includes review of the existing activities and updating the Action Plan for the future activities where necessary.	Continuous activity	LCA director	LCA staff
<i>Review of LCA Compliance Information</i>					
35.	September 2021	Review of LCA's SMO Action Plan and update relevant sections as necessary.	December 2021	LCA Director	LCA staff

Action Plan Subject: SMO 6 and Investigation and Discipline

Action Plan Objective: Continuous Improvement and Development of System of Investigation and Discipline

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Background:</i>					
<p>The new Law on Audit improved the system of investigating and disciplining LCA members, and yet complications and challenges in the system still remain. Therefore LCA continues discussions with AAAPVIM and other interested stakeholders to further develop the I&D system. According to the Law on Audit, LCA has a right to offer sanctions for auditors performing audit in non-public interest entities, the final decision is taken by AAAPVIM. For sanctions related to public-interest entity audit AAAPVIM both initiates and provides sanctions. AAAPVIM carries out enforcement measures for all quality assurance inspections but enforcement measures for non-PIE audits are proposed by LCA. AAAPVIM constantly develops I&D systems integrating CEAOB insights and recommendations but these updates are not so highly communicated publicly and is more internal information of AAAPVIM.</p> <p>LCA established the Auditors' Court of Honor, which is powered to give sanctions regarding questions of ethics. The Auditors' Court of Honor is entitled to bring disciplinary action against the auditor regarding questions of ethics impose penalties for non-compliance with the Code of Ethics of Professional Accountants.</p> <p>The investigation of the Lithuanian auditors is performed by AAAPVIM. The investigation can be started if the complaint is provided, in the matter of inappropriate inspection or other basis. The investigation always has to be started if during inspection were determined sufficient violations of ISAs, ISQC 1.</p> <p>In case of audit firms of the European Union (EU) member states registered in the list of audit firms, the inspections and investigations of these audits may be performed only according to the procedure established by legal acts of the Republic of Lithuania. These actions would be performed by AAAPVIM.</p>					
<i>Improvement of System of Investigation and Discipline</i>					
36.	September 2008	Continue discussions with Ministry of Finance and AAA to improve legislative requirements for investigations and discipline to bring it in line with the SMO 6 requirements.	Continuous activity	LCA Quality Control Committee	LCA staff
37.	September 2008	Continue to raise awareness with the Ministry of Finance and AAA regarding the components and key aspects of SMO 6.	Continuous activity	LCA Quality Control Committee	LCA staff
<i>Maintaining Ongoing Processes</i>					
38.	September 2008	Update the Action Plan for future activities where necessary.	Continuous activity	LCA director	LCA staff
39.	September 2021	Review LCA's SMO Action Plan and update relevant sections as necessary.	December 2021	LCA Director	LCA staff

Main Requirements of SMO 6

Requirements	LCA Yes No Partially	AAAPVIM Yes No Partially	Comments
Scope of the System 1. A system of investigation, discipline and appeals exists for the accountancy profession. The system is operational.	Y		All the process for non PIE audits starts at the Presidium of the LCA which initiates investigation and takes all the follow-up actions. The Presidium is accountable to the General Meeting of Members. <u>Investigation</u> – Audit Quality Control Committee of the LCA / Ethics Committee of the LCA / Authority. <u>Discipline</u> – Auditors' Court of Justice of the LCA. <u>Appeals</u> – Presidium of the LCA / external courts. We also agree that the AAAPVIM has I&D procedures that meet the SMO 6
2. Information about the types of misconduct which may bring about investigative actions is publicly available.	Y		Published on a website of the LCA www.lar.lt and freely available – all the regulations, descriptions of the procedure, etc.
Initiation of Proceedings 3. Both a “complaints-based” and an “information-based” approach are adopted.	Y		Both either through mail (printed form), e-mail or special e-mail box regarding professional ethics (etika@lar.lt).
4. Link with the results of QA reviews has been established.	Y		The same LCA's staff responsible for complaint/information investigation and QA reviews.
Investigative Process 5. A committee or similar body exists for performing investigations.	Y		Audit Quality Assurance Committee, if needed – Ethics Committee.
6. Members of a committee are independent of the subject of the investigation and other related parties.	Y		If any member is related to the subject of the investigation, he/she is required to withdraw not only from decision-making, but also from the process in

Requirements	LCA Yes No Partially	AAPVIM Yes No Partially	Comments
			general. Withdrawal is documented in the minutes of the Committee meeting.
Disciplinary Process 7. A separate disciplinary committee/entity exists to make disciplinary decisions on referrals from the investigation committee.	Y		Auditors' Court of Honor.
Members of the committee/entity include professional accountants as well as non-accountants.	Y		4 members are auditors, 5 members – from Chambers of Commerce, Vilnius University, National Audit Office, Association of controllers for local authorities, Ministry of Justice.
The tribunal exhibits independence of the subject of the investigation and other related parties.	Y		
Sanctions 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.	Y		All of indicated, plus public warning, termination of the certificate for a particular time, requirement for additional CPD hours, re-examination.
Rights of Representation and Appeal A third appeals body exists which is separate from both the disciplinary committee and investigative committee.	Y		30 days are given to appeal against a decision of the Court. The complaint shall be submitted to the Presidium of the LCA or to external court.
Administrative Processes Timeframe targets for disposal of all cases are set.	Y		Within the Regulation of the Court published on a website of the LCA.

Requirements	LCA Yes No Partially	AAPVIM Yes No Partially	Comments
Tracking mechanisms to monitor progress in investigation and discipline and related procedures are established.	Y		Head of the Auditor's Court of Honor shall report to the Presidium of the LCA on the decisions taken.
Records of investigations and disciplinary processes are established.	Y		Based on the documentation requirements established by the LCA.
Public Interest Considerations Activities are supported to ensure that the public is aware that an investigative and disciplinary system exists in the jurisdiction.	Y		Information freely available on a website of the LCA.
A process for the independent review of complaints on which there was no follow-up is established.	Y		All the decisions of the LCA's bodies are subject to the appeal which shall be submitted to the outside bodies within 30 days.
The results of the investigative and disciplinary proceedings are made available to the public.	Y		See 15.
Liaison with Outside Bodies There is an appropriate process for liaison with outside bodies on possible involvement in serious crimes and offences.	Y		Based on the laws of the Republic of Lithuania, for example, the LCA shall report to the Financial Crime Investigation Service (http://www.fntt.lt/en/) on annual or case-basis regarding preventive measures against money laundering and terrorist financing implemented in each audit firm.
Regular Review of Implementation and Effectiveness Regular review of implementation and effectiveness of the system are performed and corrective actions are implemented.	Y		The LCA activities are under supervision of the Authority (<i>The Authority of Audit, Accounting, Property Valuation and Insolvency Management</i> , see http://www.avnt.lt/en/Home/).

Action Plan Subject: SMO 7 and International Financial Reporting Standards (IFRSs)

Action Plan Objective: Use Best Endeavors to Continue to Support Convergence with IFRS and Support Implementation

#	Start Date	Actions	Completion	Responsibility	Resource
<i>Background:</i>					
Some categories of Lithuanian entities have the duty to implement IFRSs. Since 2008, all entities have the opportunity to choose to either implement IFRSs or Business Accounting Standards (BAS). All listed entities, brokerage companies, regulated market operator, Central Securities Depository of Lithuania, management companies, operating under the Law on Collective Investment Undertakings, and management companies, operating under the Law On the Supplementary Voluntary Accumulation of Pensions, and credit institutions (excluding unions) are obligated to implement IFRSs. Profit-seeking legal persons with limited civil liability shall handle accounting in pursuance of BAS or IFRS, meanwhile legal persons with unlimited civil liability shall observe BAS.					
<i>Promotion of IFRSs</i>					
40.	October 2008	Support the preparation and implementation of BAS participating in Accounting Standard Setting Committee of AAA.	Continuous activity	LCA Accountancy and Tax Committee	LCA staff
41.	October	Support the AAA Commission for IFRS translation to Lithuanian language review.	Continuous	LCA Accountancy	LCA staff
42.	2010	Promote implementation of IFRS and IFRS for SME's.	Continuous	LCA Accountancy	LCA staff
<i>Maintaining Ongoing Processes</i>					
43.	October 2008	Continue to use best endeavors by identifying opportunities to further assist in implementation of IFRS. This includes review of the existing activities and updating the Action Plan for the future activities where necessary.	Continuous activity	LCA director	LCA staff

44.	September 2021	Review LCA's SMO Action Plan and update relevant sections as necessary.	December 2021	LCA Director	LCA staff
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