

Consultation Paper

May 2015

Comments requested by July 3, 2015

Proposed
IFAC Member Compliance
Program Strategy, 2016-2018



This Consultation Paper is issued by the International Federation of Accountants® (IFAC®) with the advice and oversight of the Compliance Advisory Panel (CAP).

The mission of IFAC is to serve the public interest by: contributing to the development of high-quality standards and guidance; facilitating the adoption and implementation of high-quality standards and guidance; contributing to the development of strong professional accountancy organizations and accounting firms and to high-quality practices by professional accountants, and promoting the value of professional accountants worldwide; and speaking out on public interest issues.

REQUEST FOR COMMENTS

The proposals in this Consultation Paper may be modified in light of comments received before being issued in final form as the *IFAC Member Compliance Program Strategy, 2016-2018*. **Comments are requested by July 3, 2015.**

This publication may be downloaded from the IFAC website at www.ifac.org. The approved text is published in English.

Respondents' Guide

Current and prospective IFAC Members and Associates, Regional Organizations (ROs), Accountancy Groupings (AGs), development agencies, accountancy firms and practices, and other interested parties are invited to comment on this public consultation.

Respondents are asked to submit their comments electronically through [an online survey](#) or the IFAC website, using the "Submit a Comment" link. If submitting via the IFAC website, please submit comments in both a PDF and Word files. Also, please note that first-time users on the website must register to use this feature. All comments will be considered a matter of public record and ultimately may be posted on the IFAC website. Although IFAC prefers that comments are submitted via the online survey or its website, responses can also be sent to IFAC Quality and Membership staff at compliance@ifac.org.

Questions

The following questions, which make up the survey, are provided as a tool to guide respondents; IFAC welcomes additional general comments as explained below.

Strategic objectives

1. Do you support the IFAC Member Compliance Program's strategic objectives of:
 - (a) Enhancing monitoring of member bodies' compliance with membership requirements, including the SMOs and strengthening the Program's enforcement framework;
 - (b) Enhancing reporting on the status of adoption of international standards and best practices; and
 - (c) Increasing support for adoption and implementation efforts of member bodies and national authorities.

Dashboard Report Initiative

The Dashboard Report Initiative encompasses the use of Dashboard Reports (DBRs) and related methodology to monitor and assess the status of adoption of international standards and best practices in the jurisdictions as well as IFAC member bodies' compliance with SMOs.

2. Do you support the Dashboard Reporting Initiative as outlined in the proposed IFAC Member Compliance Program Strategy?

General Comments.

3. Please provide any additional comments or suggestions with respect to the planned areas of focus for the Program for the 2016-2018 period.

4. Please provide additional suggestions and general comments about the Program and its role in delivering on IFAC's mission.

Consultation and Approval Timeline

Timeline	Actions
May-June 2015	60-day public consultation period
July 2015	Consideration of consultation responses Preparation of a revised Strategy incorporating responses Review of the revised Strategy by the CAP and the PIOB
August 2015	Consultation with the PIOB on due process
September 10-11, 2015	Submission of the final Strategy to the IFAC Board

Overview of the IFAC Member Compliance Program

The IFAC Member Compliance Program	
Structure and Oversight	<p>The IFAC Member Compliance Program (the Program) is the responsibility of the IFAC Quality & Membership (Q&M) staff reporting to the Chief Executive Officer. The IFAC Board established the Compliance Advisory Panel (CAP) to oversee the implementation and operation of the Program.</p> <p>In developing the strategy and work plan, as well as making recommendations to the IFAC Board for revisions to and issuance of the Statements of Membership Obligations (SMOs), the CAP and Q&M staff follow an agreed-upon due process, under the oversight of the Public Interest Oversight Board (PIOB).</p>
Mandate	<p>The Program serves the public interest by promoting the adoption and support of implementation of international standards on public and private sector accounting, auditing, ethics, and education as well as the establishment of related quality assurance review systems and enforcement mechanisms.</p> <p>The Program influences the actions and drives behaviors of IFAC member bodies around the world by focusing attention and resources on the role of professional accountancy organizations (PAOs) in improving the quality of the accountancy profession, thereby supporting the IFAC mission and strengthening public confidence in the global profession.</p> <p>The Program’s Strategy is aligned with IFAC’s mission and strategy and benefits from the inputs received as part of IFAC’s strategic planning process, including inputs received from member bodies and other stakeholders.</p>
Core Activities	<p>The Q&M staff and the CAP actively support the commitment of current and prospective member bodies to fulfill IFAC membership criteria, particularly the SMOs.</p> <p>A dedication to quality, commitment to transparency, and appreciation of diversity are the guiding values of the Program.</p> <p>The Program’s primary activities are focused on:</p> <ul style="list-style-type: none"> • Maintaining robust application and compliance processes; • Gathering and sharing knowledge about the adoption of international standards, best practices, and fulfillment of SMOs; • Maintaining the SMOs as a global benchmark for the accountancy profession; and • Developing assessment methodology, tools, and guidance to support the Program. <p>These activities fulfill the Program’s mandate and are expected to remain valid over the long term.</p>

Introduction

1. The proposed *IFAC Member Compliance Program Strategy, 2016-2018* (the Strategy) was prepared based on the review performed by the IFAC Q&M staff of the accomplishments of the Program to date; discussions with the CAP; comments and suggestions received from member bodies and other stakeholders during the revision of the [SMOs](#) in 2012; and observations made by the chief executives of IFAC member bodies and the IFAC Board with respect to IFAC's 2016-2018 Strategy.
2. Since its inception in 2004, the Program has accumulated a wealth of knowledge about requirements in the jurisdictions on financial reporting and auditing, education and certification of professional accountants, regulation of the accountancy profession, and the specific roles and responsibilities of IFAC member bodies.
3. This information proved to be instrumental in establishing collaboration and information exchange between IFAC, the international standard-setting boards, and other stakeholders on different approaches and ways to have international standards and best practices adopted or otherwise incorporated in different jurisdictions. In addition, it allows IFAC to authoritatively speak out on the status of adoption of international standards and the important role PAOs play in supporting implementation of the standards and establishing processes to monitor and regulate the work of professional accountants.
4. Initially developed by the IFAC Board as a set of requirements for IFAC membership, the SMOs are now globally recognized as the benchmarks for establishing strong PAOs and regulation of the accountancy profession. SMOs are being used, inter alia, by the World Bank in evaluating the state of the development of the accountancy profession as part of the Reports on Observance of Standards and Codes (ROSCs) on Accounting and Auditing.
5. The Program has brought attention to the capacity challenges and resources needed to strengthen and grow the profession, and serves as an information resource for PAO development initiatives such as [MOSAIC](#) and the [UK Department for International Development \(DFID\)'s recent grant](#) to IFAC. [SMO Action Plans](#), prepared by IFAC member bodies as part of the Program, provide a basis for pragmatic discussions with donor agencies and have facilitated communication and mentoring relationships between PAOs.
6. The Program has also highlighted the processes and structures developed by more established PAOs and national authorities to address SMO challenges. In doing so, it provides useful information to those PAOs that embark on SMO-related initiatives. The Program thus serves as a platform for IFAC to effectively support its member bodies and other national stakeholders in addressing their challenges, consider public policy issues, and provide input to regulatory and policy consultations.
7. Regional organizations and accountancy groupings have been essential in supporting the Compliance Program's implementation.¹ These organizations have undertaken a range of activities, including co-hosting workshops with Q&M staff to raise awareness about the SMOs and IFAC membership requirements, assisting with follow up with PAOs with respect to Program commitments, and providing feedback about the unique adoption and implementation challenges facing their membership. The Compliance Program will continue to seek opportunities to work with regional organizations and accountancy groupings.

¹ Complete listings of the [Recognized Regional Organizations](#) and [Acknowledged Accountancy Groupings](#) are available on the IFAC website.

Our Strategic Objectives for 2016-2018

8. The CAP and Q&M staff believe that the Program’s mandate remains relevant. Advancing the quality of the accountancy profession worldwide and supporting the adoption and implementation of international standards and best practices should continue to be a priority.
9. However, the strategic objectives, initiatives, and projects envisioned for 2016-2018 reflect a shift in emphasis. While the first 10 years of the Program focused on information gathering and development of SMO Action Plans, it is proposed that during the next three years more focus be placed on increasing monitoring and reporting activities with a view to produce qualitative and quantitative analyses of the adoption of standards and best practices and to enhance the quality of IFAC membership.
10. Consequently, more emphasis should be placed on the qualitative results of the PAOs’ activities, which will require a revision of the existing enforcement framework. The CAP and staff believe a fit-for-purpose enforcement framework should ensure that a member body makes measureable progress in each SMO Action Plan revision; this will complement the Program’s encouragement of PAOs to use their best endeavors to address the SMOs.
11. Gathering relevant information on the capacity of PAOs in a systemic way will also serve as valuable input into the global accountancy development and advocacy agendas.
12. The proposed strategic objectives for the IFAC Member Compliance Program are therefore as follows:

IFAC Member Compliance Program Strategic Objectives for 2016-2018
<ul style="list-style-type: none"> A. Enhancing monitoring of member bodies’ compliance with membership requirements, including the SMOs, and strengthening the Program’s enforcement framework B. Enhancing reporting on the status of adoption of international standards and best practices C. Increasing support for adoption and implementation efforts of member bodies and national authorities

13. The remainder of this document sets out the initiatives to be undertaken by the Q&M staff, with advice and oversight by the CAP, to implement the strategic objectives.

Enhancing Monitoring of Member Bodies’ Compliance with Membership Requirements, including the SMOs, and Strengthening the Program’s Enforcement Framework

14. The Program to date has required Q&M staff to review individual member bodies’ SMO Action Plans as part of the publication process. However, less has been done to monitor the progress or lack thereof of member bodies in *implementing* their SMO Action Plans. Q&M staff believe that by monitoring member bodies progress in a comprehensive and systematic way will allow for appropriate actions to be taken to assist those member bodies that require more support or address those that may not be prioritizing their SMO and other membership requirements.
15. To support the monitoring process as well as other reporting needs (discussed later in this strategy), the Q&M staff started the Dashboard Report Initiative in 2013. The initiative encompasses the use of

Dashboard Reports (DBRs)² and related methodology to monitor and assess the status of adoption of international standards and best practices in specific jurisdictions as well as IFAC member bodies' compliance with the SMOs. DBRs will serve as a primary vehicle for delivering on the 2016-2018 strategic objectives, including enhancing monitoring with IFAC membership requirements.

Reducing the Reporting Burden on Member Bodies

The use of DBRs will permit the creation of efficiencies and making the Program more fit-for-purpose. The relevant information regarding the regulatory and standard-setting framework and responsibilities of the PAOs is recorded and assessed within the DBR, making the extensive Part 1 and Part 2 questionnaires obsolete for existing IFAC Members and Associates participating in the Program. Staff have developed a more nimble web-based questionnaire to be used for prospective members only, which are required to provide more detailed and comprehensive information as part of the IFAC admission process.

A biennial reporting schedule for Members demonstrating ongoing commitment to the Program has also been introduced, which reduces the reporting burden of member bodies. Members that submit updated SMO Action Plans on time for two consecutive years are eligible for the biennial reporting cycle. Ninety-four (94) Members have been approved for biennial reporting since 2012.

16. The CAP and Q&M staff recognize that SMO progress is rarely made quickly or follows a set path due to national differences, PAO stage of development, and role of PAOs and other authorities. With this understanding, and building on experience working with IFAC's member bodies and aspiring member bodies, the staff have developed a system of high-level indicators to assess SMO fulfillment.³ By tracking and monitoring SMO fulfillment over time, the DBRs will allow the CAP and Q&M staff to more clearly identify areas where member bodies are not progressing.
17. The Q&M staff have also developed guidelines and processes to ensure consistency in the application of the indicators, accuracy of information, and completeness of the DBRs. The DBRs are shared with the member bodies as feedback to their SMO Action Plans to highlight missing relevant information, provide advice and guidance, and confirm the assessments made for the adoption status and compliance with the SMOs. DBRs will be uploaded into a secure web-based database, which will enable the information to be cross-referenced, collated, and extracted to provide highly relevant insights for IFAC and its stakeholders on the level of maturity of individual PAOs as well as the trends and challenges in the development of the global accountancy profession.
18. In addition to compliance with SMOs, the Q&M staff will monitor other IFAC membership requirements set out in the IFAC Bylaws, such as financial viability, governance, and organizational structures as well as technical, human, and other resources available to the organization.
19. Since the inception of the Program, its focus has been on ensuring member bodies' participation in the Program (first to complete Part 1 and Part 2 self-assessment questionnaires and then to develop

² Please see the Appendix for an example Dashboard Report for the Institute of Chartered Accountants of Zimbabwe, which has given IFAC permission to include it.

³ *Not Active, Consider, Plan, Review & Improve, and Sustain* are the five categories used to assess PAO's SMO fulfillment. According to the applicability framework of the SMOs, member bodies are required to adopt and implement international standards and best practices where they have direct responsibility, and to promote and support adoption to the responsible organizations where they do not have direct responsibility. Member bodies prepare, execute, and update their SMO Action Plans to demonstrate how they already fulfill SMO requirements or their plans to fulfill requirements.

SMO Action Plans based on the staff's policy recommendations). Since 2008, the focus of the Program has been the development and regular updates of the SMO Action Plans.

20. The Q&M staff plan to focus on identifying, tracking, and understanding member bodies making slower progress and, in consultation with the CAP, request that they modify their SMO Action Plans and provide additional information on other membership criteria. The staff will also continue to recommend PAOs seek assistance from ROs, AGs, and the IFAC PAO Development Committee.
21. Member bodies that fail to effectively participate in the Program are subject to sanctions, as set out in the IFAC Bylaws. These include suspensions (requiring IFAC Board approval) and expulsions (requiring IFAC Board and IFAC Council approval).
22. The CAP and Q&M staff believe that the existing enforcement framework needs to shift from focusing on IFAC member bodies' compliance with the requirement to *participate* in the Program to focusing on qualitative progress in the implementation of their SMO Action Plans, and, consequently, improved compliance with the requirements of SMOs. This will drive improvements to the quality of PAOs and IFAC membership and increase the credibility of IFAC and the profession as a whole. Furthermore, an enhanced focus on the qualitative results of the PAOs' actions and gathering relevant information on the capacity of PAOs in a systemic way will also serve as valuable input into the global accountancy development and advocacy agendas.
23. As stated, the CAP and Q&M staff will monitor member bodies' SMO progress. Where progress has not been made, the enforcement framework will require consideration for the reasons and the further actions required of the member body with respect to its SMO Action Plan. For example, if an SMO Action Plan has proven to be too ambitious relative to the resources available to the PAO, the PAO may be required to complete a revision of its SMO priorities with clearer consideration of its resources.
24. The CAP and Q&M staff believe this will assist PAOs in focusing their efforts and resources and allow IFAC to address PAOs that may not be equipped to address SMOs at even a minimal level. In doing, so, it is expected that this will ultimately drive improvements to the quality of PAOs and IFAC membership.
25. The member bodies that do not demonstrate progress in the execution of SMO Action Plans, nor provide explanation for delays, will be prompted by Q&M staff to address concerns. Staff will continue to provide recommendations and policy advice to member bodies with a view to addressing existing shortcomings and avoiding sanctions. Q&M staff will continue to work closely with member bodies; provide early, iterative suspension warnings; and seek the assistance of ROs, AGs, and other parties to avoid the need for these sanctions.
26. The DBR categories for assessing SMO fulfillment will allow staff to signal enforcement risks to the CAP and the IFAC Board. When member bodies demonstrate an unwillingness to address staff recommendations, the body will be issued a warning. Bodies will be given an additional year to address recommendations and seek assistance. In some cases, lack of progress may be due to a lack of commitment to the Program on the part of the PAO—sometimes demonstrated by non-responsiveness to stated concerns. In such situations, after consultation with ROs and AGs, Q&M staff will consider, with the advice and oversight of the CAP, the need for suspension or other enforcement action.

Enhancing Reporting on the Status of Adoption of International Standards and Best Practices

27. Since the first publication of SMO Action Plans in 2008, the Q&M staff have received increasing inquiries about the status of adoption from international standard setters and the donor and development community as part of diagnostic assessments for accountancy or financial reform projects as well as from other users of the Program's information such as academics, researchers, and the PIOB. The CAP and Q&M staff believe that monitoring and reporting on the status of adoption should remain a priority.

Reporting on Adoption of International Standards

In recent years, the Q&M staff have informed the IFAC Board and leadership of progress in adoption, as a means to track IFAC's impact on supporting international standards and raising awareness of the work and role of IFAC member bodies, including:

- (a) Summary of adoption of the International Standards on Auditing™ (ISAs™) based on information submitted in SMO Action Plans and review of other publicly available sources;
- (b) Country or region briefing notes for IFAC leadership in support of IFAC's advocacy and outreach activities;
- (c) G-20 country summaries prepared in 2012 and 2014 on the status of adoption of ISAs, International Education Standards™ (IESs™), the *Code of Ethics for Professional Accountants™*, and International Public Sector Accounting Standards™ (IPSASs™); and
- (d) Input into the International Auditing and Assurance Standards Board® (IAASB®) and International Ethics Standards Board for Accountants® (IESBA®) staff reports on the process progress of adoption, as well as the status in specific jurisdictions.

28. The development and the implementation of the Dashboard Report Initiative has been a major step toward improving the monitoring and reporting on the worldwide implementation of the international standards issued under the auspices of IFAC and by the IASB. DBRs will be instrumental in delivering on the Program's objective to enhance reporting on adoption of the standards and best practices.
29. The use of sound methodology and consistent indicators will enable staff to identify trends in global adoption and implementation of international standards and best practices, approaches to the adoption, challenges to implementation, and success stories to be shared with the IFAC membership and other stakeholders.
30. Once entered into a secure web-based database, the information contained in the DBRs will be cross-referenced, collated, and extracted to provide highly relevant insights for IFAC and its stakeholders. The DBRs and associated database will enable real-time reporting on the status of adoption and increase the accessibility of relevant, comparable, and up-to-date information. The information gathered and assessed through the DBR process will be made available through user-friendly reports, online tools, and publications.

31. The staff of the independent standard-setting boards⁴ will continue to be regularly consulted to confirm the approach to assessing adoption. In addition, Q&M staff will continue to regularly share status summaries with IFAC's Public Policy and Regulation and Global Accountancy Profession Development Departments and seek assistance from ROs and AGs to confirm the information.
32. Transparency has always been a core value of the Program. Publishing the self-assessments and SMO Action Plans on the IFAC website has provided donors, national standard setters with responsibility for SMO requirements, and other PAOs access to important, previously unavailable information. It has also increased the level of accountability by member bodies for the quality and relevance of the information provided, and in many instances has helped member bodies establish credibility with national standard setters and regulators, as well as regional and international donors.
33. The CAP and Q&M staff believe that publishing the DBRs is the next logical step. By making the DBRs publicly available on the IFAC website, the Program will continue to be transparent. It will continue to provide Members and Associates with strong incentive to make the information as complete and accurate as possible. In addition, the Program's data may be further validated by users who inform the Q&M staff about their observations and subsequent developments.

Increasing Support for Adoption and Implementation Efforts of Member Bodies and National Authorities

34. Over the years, the Q&M staff have been asked to provide advice to PAOs, national standard setters, regulators, and other national authorities with adoption and implementation challenges. Providing encouragement and advice is a central part of the Program, and leads to successful delivery of planned actions. This technical support also includes discussions regarding the experiences of other PAOs; responding to requests from PAOs and regulators to comment on draft accountancy laws and regulations; contributing to terms of reference for PAO development and legal reforms projects; and, as previously mentioned, reviewing the World Bank ROSCs on Accounting and Auditing.

Natural Facilitators

The Q&M staff have built close working relationships with IFAC member bodies, and have gained solid understanding of their organizations, operating and regulatory environment, and strengths, challenges, and needs. The Q&M staff connect member bodies, IFAC leadership, the international standard-setting boards, and IFAC leadership, committees, and departments, such as Communications and Intellectual Property. While working with member bodies on SMO Action Plans, the Q&M staff is strategically positioned to identify member bodies' needs and direct them to available resources within and outside of IFAC. As key contacts within IFAC, Q&M staff receive requests for support for initiatives as well as speakers for events.

35. As indicated regarding monitoring of SMO compliance, there is currently a need to maintain an ongoing process for delivering updated recommendations to member bodies on areas requiring improvement based on their changing plans and initiatives or in response to changes in the member

⁴ International Auditing and Assurance Standards Board®, International Accounting Education Standards Board™, International Ethics Standards Board for Accountants®, International Public Sector Accounting Standards Board®, and the International Accounting Standards Board

bodies' regulatory and standard-setting environment. The DBRs will include policy recommendations and technical advice on SMO fulfillment, which is provided by Q&M staff.

36. The CAP and the Q&M staff believe providing recommendations and follow-up support and advice is an essential part of the Program's evolution to ensure PAOs fulfill their SMO obligations. Consequently, these recommendations will be retained through the database to ensure follow up during annual and biennial updates. The recommendations also provide a useful source of information for IFAC's development and support functions to identify trends in issues, needs, and demand for assistance.
37. Additionally, by having access to relevant DBR information and a focus on "gaps" in compliance with the SMO requirements, the Q&M staff, in collaboration with IFAC's Public Policy and Regulation Department, will be better positioned for advocacy and advisory initiatives and to prioritize their efforts accordingly. The results of adoption monitoring and reporting will be used by IFAC in collaboration with its member bodies to engage relevant national, regional, and global stakeholders to identify and enable concrete and relevant actions.

Dashboard Report for the Institute of Chartered Accountants of Zimbabwe

**IFAC Member Compliance Program
Dashboard Report
March 2015**

For more information on IFAC Member Compliance Program Dashboard Reports (DBRs) and the legends used to describe the status of adoption of international standards, best practices, and fulfillment of SMO requirements please refer to [IFAC Member Compliance Program–Dashboard Report Explanatory Note](#)

This DRB for the Institute of Chartered Accountants of Zimbabwe (ICAZ) is included as an example to demonstrate the structure, information provided regarding the PAO and its jurisdiction's operating environment, and to highlight the valuable data that DBRs provide on status of adoption, level of responsibility ICAZ has for the SMOs, and the status of SMO fulfillment. The DBR was shared with ICAZ as part of the SMO Action Plan update process. ICAZ verified the accuracy of the information, and agreed to take on board the recommendations. ICAZ supports the DBR initiative and is in favor of having the DBR published on the IFAC website alongside its SMO Action Plan.

Zimbabwe/The Institute of Chartered Accountants of Zimbabwe (ICAZ)	
Established:	1918
IFAC status:	Member since 1981
Recognition:	Law
Membership:	Mandatory
Commitment to the IFAC mission:	Demonstrated
Capacity to actively participate in the IFAC Compliance Program:	Demonstrated
Financial and operational viability:	Appropriate
Governance structure:	Appropriate
Internal operational structure:	Appropriate

Membership Composition (2012)		Sector Profile (2012)	
Auditors	112	Business / Industry	1405
Students & Associates	778	Public Practice	111

Not practicing	1583	Public Sector	1
Accountants	1516	Other Sector	1516
Accounting and Auditing Firms	47	Retired	178
Total:	4,036	Total:	4,036

Legal and Regulatory Framework

Accounting and auditing requirements in Zimbabwe are stipulated in the following laws and regulations:

- Companies Act (Chapter 24:03) defines basic requirements for accounting, auditing, and financial reporting for companies registered under the Act. The Act requires application of international accounting standards as adopted by the Zimbabwe Accounting Practices Board (ZAPB), a standard-setting board functioning under Public Accountants and Auditors Board (PAAB), and prescribed in regulation. Under the Act, all public companies must be audited. Private companies are not required to be audited if they are not subsidiaries of public companies. Auditing standards to be applied are not specified.
- The Banking Act and the Insurance Act establish reporting requirements for banks and insurance companies, respectively. However, the applicable accounting and auditing standards are not specified. The requirements, enforced by the Central Banks and the Insurance Commission for banks and insurance companies, respectively, are those established by the accounting profession. As a result, both types of entities are required to apply IFRSs. Financial statements of banks must be audited by an auditor registered with the PAAB. Such a requirement is not contained in the Insurance Act. All registered auditors apply ISAs as self-regulated by the profession.

Regulation of the Accountancy Profession

Under the Public Accountants and Auditors Act (Chapter 27:12), which became effective in 1996, the accountancy profession in Zimbabwe is regulated by the Public Accountants and Auditors Board (PAAB). The Act provides for the registration of public accountants and public auditors and establishes the PAAB as the registering and regulatory body for public accountants and auditors and their representative bodies. Its functions, under section 5 of the Act, include considering and determining applications for registration of individuals as public accountants or auditors; maintaining the Register of Public Accountants and Auditors; defining and enforcing ethical practice and discipline among registered persons; evaluating and monitoring the standards of qualifying examinations, courses and training set or offered by the constituent bodies; evaluating and monitoring training courses of foreign institutions with a view to making recommendations to its constituent bodies; and promoting the standardization of qualifying examinations on common subjects, among other tasks.

The Institute of Chartered Accountants of Zimbabwe (ICAZ) established by the Chartered Accountants Act (Chapter 27:02) and Institute of Chartered Secretaries and Administrators in Zimbabwe (ICSAZ) established by the Chartered Secretaries (Private) Act (Chapter 27:03) are authorized by the above-mentioned acts to regulate their members. The Acts and related by-laws give ICAZ and ICSAZ the authority to administer examinations, register members, and firms, administer continuing professional development (CPD), conduct practice reviews, enforce compliance with code of professional conduct, conduct investigations, and take appropriate disciplinary actions on members.

Professional Accountancy Organizations

There are several national professional accountancy organizations operating in Zimbabwe:

- Institute of Chartered Accountants of Zimbabwe (ICAZ);
- Institute of Certified Public Accountants in Zimbabwe (ICPAZ);
- Institute of Chartered Secretaries and Administrators in Zimbabwe (ICSAZ), a division of the Institute of Chartered Secretaries and Administrators of the United Kingdom established by the Chartered Secretaries (Private) Act (Chapter 27:03);
- Association of Chartered Certified Accountants (ACCA), Zimbabwe branch; and
- Chartered Institute of Management Accountants (CIMA), Zimbabwe branch.

The Institute of Chartered Accountants of Zimbabwe (ICAZ), a statutory body incorporated under the Chartered Accountants Act (Chapter 27:02), is the largest body and the main provider of the audit services. ICAZ is the longest established and the largest Zimbabwean professional accountancy organization. It is a member of the Eastern, Central, and Southern Africa Federation of Accountants (ECSAFA) and IFAC.

Institute of Certified Public Accountants of Zimbabwe (ICPAZ) is a successor to a body that used to specialize in public sector finance and accounting but is now aligned to the Institute of Certified Public Accountants of Ireland. It is a member of PAFA but not IFAC.

Projects and Other Initiatives

Following the request of the Government of Zimbabwe, in 2010, the World Bank conducted a review of the accounting and auditing environment in the country and reported on the conclusions of the review in a Report on the Observance of Standards and Codes (ROSC) published in 2011. It was noted in the ROSC that there was a need to update the legal framework and the tertiary education programs to support implementation of accounting and auditing standards, strengthening the capacity of PAAB and some professional accountancy bodies, and for enforcing application of accounting and auditing standards.

According to a number of sources, the Public Accountants and Auditors Act is being revised and, as of 2015, the Public Accountants and Auditors Amendment Bill is under consideration. However, it is not clear whether the Bill addresses the above-mentioned shortcomings.

Public Oversight Arrangements

There are no independent audit public oversight arrangements in Zimbabwe. However, under the Public Accountants and Auditors Act (Chapter 27:12) of 1996, the Public Accountants and Auditors Board (PAAB) functions as the regulatory body for public accountants and auditors. Its functions, under section 5 of the Act, include among other tasks considering and determining applications for registration of auditors; maintaining the Register of Public Accountants and Auditors; and defining and enforcing ethical practice and discipline among registered persons.

Status of Adoption

	Status	PAO Responsibility	Notes
QA	 Adopted	No Direct	<p>Since August 2012, Quality Assurance (QA) reviews have been conducted by the Public Accountants and Auditors Board (PAAB), the accounting and auditing profession’s regulatory body in Zimbabwe. As of 2014, PAAB is in the process of building its capacity in order to effectively carry out the practice reviews. ICAZ reports that it discontinued conducting its Practice Reviews as the QA review system introduced by the PAAB meets the requirements of SMO 1.</p> <p><i>More information is needed on the legal foundation for the establishment and implementation of the QA reviews. Also, although ICAZ reports that the system operated by the PAAB complies with the requirements of SMO 1, details on the QA system, including the scope of its mandatory application, would be beneficial. .</i></p>
IESs	 Adopted	Shared	<p>Under the Public Accountants and Auditors Act (Chapter 27:12), the Public Accountants and Auditors Board (PAAB) is responsible for evaluating and monitoring the standards of qualifying examinations, courses, and training set or offered by the constituent bodies; evaluating and monitoring training courses of foreign institutions with a view to making recommendations to the constituent bodies; and promoting the standardization of qualifying examinations on common subjects, among other tasks. Universities provide professional education for professional accountants, while the profession establishes the education requirements. According to Karreman et al. (2013), pre- and post-qualification requirements in Zimbabwe demonstrate a high level of alignment with IESs.</p> <p>Under the Chartered Accountants Act (Chapter 27:02), ICAZ has the authority to administer examinations, register members, and firms, and administer continuing professional development (CPD). The ICAZ reports that its education program is fully aligned with that of the South African Institute of Chartered Accountants</p>

	Status	PAO Responsibility	Notes
			(SAICA). Qualifying examinations are fully outsourced and are the same as the qualifying examinations for SAICA, except for a modification of tax aspects to suit the local environment. ICAZ has in place a CPD program and enforces compliance with its requirements by its members. ICAZ reports that its system meets the requirements of IESs.
ISAs	 Adopted	Shared	Companies Act (Chapter 24:03) requires all public interest entities to be audited. Private companies are not required to be audited if they are not required under the Act to appoint an auditor. The Act, however, does not specify the auditing standards to be used in conducting audits. In practice, however, in accordance with PAAB regulations, all ISAs and other pronouncements issued by the International Auditing and Assurance Standards Board (IAASB) are adopted as issued, without any amendments or modifications. ICAZ in its turn also requires its members to apply ISAs. ISAs are not translated as English is the official business language in Zimbabwe.
IESBA Code of Ethics	 Adopted	Shared	Under the Public Accountants and Auditors Act (Chapter 27:12), the Public Accountants and Auditors Board (PAAB) is responsible for defining and enforcing ethical practice and discipline among registered persons. Under the Chartered Accountants Act (Chapter 27:02), ICAZ has the authority to set ethical requirements and enforce compliance with code of professional conduct of members. ICAZ reports that in 2010 it adopted the Code of Ethics of the International Ethics Standards Board for Accountants (IESBA) with no amendments. Subsequently, all the revisions to the IESBA Code have been adopted as and when published by the IESBA.
IPSASs	 Not Adopted	No Direct	Public sector accounting in Zimbabwe is regulated by the Public Finance Management Act (Chapter 22:19) which requires the financial statements of public entities, other than those that apply IFRSs by virtue of them being companies, to be prepared

	Status	PAO Responsibility	Notes
			<p>on a customized cash accounting basis. The Government of Zimbabwe, through the Ministry of Finance (Office of the Accountant General), has decided to adopt IPSASs, starting with the adoption of cash-based IPSAS. However, the IPSASs are still to be implemented and have the requirement to apply IPSASs has not been incorporated in the existing legal framework. The IMF has been working with the PAAB and the Government in a bid to expedite the IPSASs adoption in the country. A number of awareness workshops have been organized to map the way forward with regard to adopting IPSASs.</p>
I&D	▲ Partially Adopted	Shared	<p>Under the Public Accountants and Auditors Act (Chapter 27:12), the Public Accountants and Auditors Board (PAAB) is responsible for the discipline of the registered persons. <i>More information is needed on the legal framework for I&D in the jurisdiction and the role of the PAAB in administering the I&D system.</i></p> <p>Under the Chartered Accountants Act (Chapter 27:02), ICAZ has the authority to conduct investigations and to take appropriate disciplinary actions on its members. ICAZ has established a system of investigating and disciplining its members that complies with most of requirements of SMO 6 (please refer to Appendix I for more details).</p> <p><i>It is not clear, however, whether there is an on-going cooperation between ICAZ and other bodies with the PAAB in the I&D process.</i></p>
IFRSs	■ Adopted	No Direct	<p>Companies Act (Chapter 24:03) requires application of accounting standards adopted by the Zimbabwe Accounting Practices Board (ZAPB), a standard-setting board functioning under Public Accountants and Auditors Board (PAAB), and prescribed in regulation.</p> <p>ZAPB has adopted all International Financial Reporting Standards (IFRSs) and other pronouncements issued by the International Accounting Standards Board (IASB) as the financial reporting framework applicable in the country through the Statutory Instrument 62 of</p>

	Status	PAO Responsibility	Notes
			<p>1996. IFRSs are not translated as English is the official business language in Zimbabwe. To incorporate amendments to existing IFRSs and adopt new IFRSs, the reporting regulations are updated by statutory instruments issued by the Minister of Justice, Legal and Parliamentary Affairs from time to time. The ZAPB is advocating the amendment of the law to give immediate legal backing to new and revised IFRSs.</p> <p>There is no separate local GAAP in Zimbabwe. The PAAB adopted IFRS for Small and Medium Enterprises (SMEs) in January 2010, effective for periods commencing on or after January 1, 2011 but as of 2015 is still working on the relevant legal instrument. The Banking Act and the Insurance Act do not specify applicable accounting standards; however, in practice, IFRSs are applied by banks and insurance companies.</p>

Status of SMO Fulfillment by the PAO

	Status	Notes
SMO 1	 Sustain	<p>Prior to 2012 when the Public Accountants and Auditors Board (PAAB) took over the responsibility for conducting QA reviews, ICAZ had in place a Practice Review Committee (PRC) responsible for reviewing each practicing accountant at least once every three years. The Practice Reviews were conducted in accordance with SMO 1 requirements and were designed to address the International Standards on Quality Control (ISQC 1). Since 2012, the focus of ICAZ has been to assist the PAAB in conducting the QA reviews through the participation of the PRC members both in the PAAB and in the actual reviews; to ensure that the PAAB Practice Reviews meet the SMO 1 requirements; and to raise awareness about the results of the reviews among its members through publications, CPD programs, trainings, and assessor training sessions. Internally, ICAZ carries out its own Quality Assurance program, which includes reviewing the Training Offices' compliance with the ICAZ training regulations and monitoring of audit reports.</p> <p><i>ICAZ is encouraged to provide details in its SMO Action Plan on the legal framework underlying the QA review system and more information on the system per se, including the scope of its mandatory application.</i></p>
SMO 2	 Sustain	<p>ICAZ reports that it continues to ensure that the new developments to the training of chartered accountants and post qualifications are consistent with all IESs. This falls under the responsibility of the Examination Board Education and CPD committees of ICAZ. As the education program is fully aligned with that of the South African Institute of Chartered Accountants (SAICA) and the qualifying examinations are fully outsourced from SAICA, ICAZ provides administrative assistance to students studying toward qualifying as Chartered Accountants from undergraduate level to the Qualifying Examination stage. It also continuously reviews and improves its CPD program to ensure members' compliance with its requirements. Since</p>

	Status	Notes
		2013, ICAZ has been working on promoting to the local universities the need to incorporate IFRSs, ISAs, and the IESBA Code of Ethics into their curriculum.
SMO 3	 Sustain	With ISAs applied by auditors in practice, ICAZ has established ongoing processes to monitor the international standard-setting activity with a view to incorporate all newly issued ISAs and practice statements by the IAASB into the ICAZ CPD and training programs. ICAZ also participates in the IAASB standard-setting activities by providing comments to the Exposure Drafts and participating in other public consultations.
SMO 4	 Review & Improve	<p>ICAZ reports that it continues to support the ongoing adoption and implementation of the IESBA Code of Ethics. This includes organizing workshops to the members and advising members and the public on the revisions of the IESBA Code of Ethics. The CEO of ICAZ is a member of the IFAC PAIB Committee and through his involvement on the Committee, ICAZ has contributed to the development of the IESBA strategy.</p> <p><i>Although the 2014 SMO Action Plan indicates that the ongoing processes related to the ethical requirements are in place, more specific information and examples of planned and past activities would be beneficial.</i></p>
SMO 5	 Sustain	ICAZ indicates that its primary objective in the SMO 5 area is to promote the adoption and implementation of IPSASs in Zimbabwe. The Public Sector Committee (PSC) of ICAZ was established in 2009 to address issues related to public sector reporting. This Committee works closely with the Government through the Auditor General and Accountant General's Offices to ensure implementation and adoption of IPSASs. With the establishment of the similar committee in the PAAB, however, most of the PSC members have gone on to sit on this PAAB Committee and the ICAZ PSC now only meets to discuss issues they may deem are not being covered fully at PAAB level.

	Status	Notes
SMO 6	 Consider	<p>ICAZ reports that it carries out evaluation and review of the I&D system to ensure it is operating effectively and conforms to SMO 6 requirements. As part of the 2015 update of its SMO Action Plan, ICAZ conducted a self-assessment of the existing I&D system against the requirements of SMO 6 (Appendix I). <i>ICAZ is encouraged to analyze areas of less than full compliance with the requirements of the SMO 6 and to consider actions aimed at eliminating the existing gaps and share with the Quality & Membership staff its action plan during the next update of its SMO Action Plan.</i></p>
SMO 7	 Sustain	<p>With no direct responsibility for the adoption of IFRSs and given the adoption of the international standards in the country, ICAZ focuses on raising awareness of its members and the general public on the developments in the international standard-setting through CPD programs, publications and continues to support the implementation of IFRSs in Zimbabwe on an ongoing basis through the provision of training and education. ICAZ is involved in evaluating the effects of the adoption of IFRS for SMEs in Zimbabwe and promoting to the Government (mainly tax authorities), PAAB & other relevant stakeholders the need to recognize IFRS for SMEs as the standard to be applied by all Non-Public Interest entities in Zimbabwe. ICAZ also participated in the international-standard setting process by providing comments to the IASB Exposure Drafts.</p> <p><i>ICAZ is encouraged to provide more specific, concrete information on the activities it undertakes to support the implementation of IFRSs and to address the Quality & Membership staff's comments regarding the legal framework for accounting and the due process for the adoption of the international standards.</i></p>

Sources

Relevant Organizations

- [Institute of Chartered Accountants of Zimbabwe \(ICAZ\)](#)
- [Public Accountants and Auditors Board \(PAAB\)](#)

Relevant Legislation

- [Chartered Accountants \(Amendment\) By-laws, 2002](#)
- [Public Accountants and Auditors Act No. 13/1995, 22/2001 \(Chapter 27:12\)](#)

Relevant Publications

- [Institute of Chartered Accountants of Zimbabwe, 2015 SMO Action Plan, February 2015](#)
- [Institute of Chartered Accountants of Zimbabwe Annual Reports 2006-2014](#)
- [Deloitte, IPSASs in Your Pocket, 2013](#)
- [IFRS Foundation, IFRS Application around the World–Jurisdictional Profile: Zimbabwe, June 2013](#)
- [International Forum of Independent Audit Regulators \(IFIAR\) website](#)
- [Karreman, Gert H. et al. "GAE 2012–Dynamics of Global Accountancy Education," 2013](#)
- [World Bank, Report on the Observance of Standards and Codes–Accounting and Auditing: Zimbabwe, 2011](#)

Definitions of Legends

Standards/Best Practices	 Adopted	 Partially Adopted	 Not Adopted
<p style="text-align: center;">QA</p>	<p>QA review system has been established that is in-line with at least the following requirements of SMO 1:</p> <ul style="list-style-type: none"> a. Scope of QA review system b. Quality control standards and other quality control guidance c. Review cycle d. QA review team e. Reporting f. Corrective and disciplinary actions g. Consideration of Public Oversight <p>Regular review of implementation and effectiveness</p>	<p>QA review system does not fully incorporate the requirements a-h of SMO 1.</p>	<p>There is no QA review system or SMO 1 requirements a-h have not been incorporated.</p>
<p style="text-align: center;">IESs</p>	<p>Jurisdiction has adopted/incorporated the requirements of IESs in effect at the time of the assessment into its education and certification programs.</p>	<p>Jurisdiction has adopted IES requirements with modifications; or not all requirements are addressed.</p>	<p>Jurisdiction has not adopted or incorporated IES requirements.</p>
<p style="text-align: center;">ISAs</p>	<p>Clarified ISAs have been adopted for application in all audits mandatory in the jurisdiction. If modifications have been made, those are in-line with the IAASB Modification Policy.</p>	<p>Clarified ISAs have been adopted with modifications that are not in-line with the IAASB Modifications Policy; or Selected Clarified ISAs have been adopted; or</p>	<p>ISAs have not been adopted.</p>

Standards/Best Practices	 Adopted	 Partially Adopted	 Not Adopted
		Pre-Clarified ISAs have been adopted; or Clarified ISAs are required for only selected types of audit.	
<p style="text-align: center;">IESBA Code of Ethics</p>	Jurisdiction has adopted the provisions of the IESBA Code of Ethics issued in 2009 or later for application by all professional accountants. If modifications are made, the resulting requirements are no less stringent than the corresponding requirements of the IESBA Code.	Jurisdiction has adopted the provisions of the IESBA Code of Ethics issued between 2004 and 2009; or Modifications have been made to the 2009 version of the IESBA Code so that the resulting requirements are less stringent than the corresponding requirements of the IESBA Code; or PAO is in the process of convergence /eliminating differences with the IESBA Code	<p>Jurisdiction has not adopted the provisions of the IESBA Code of Ethics or adopted a version of the IESBA Code of Ethics that precedes the 2004 version.</p>
<p style="text-align: center;">IPSASs</p>	IPSASs in effect at the time of the assessment have been adopted in the jurisdiction as accounting standards for public sector entities.	Accrual IPSASs have been adopted with modifications that are less stringent than the corresponding requirements in IPSASs; or selected accrual IPSASs have been adopted; or the decision to adopt accrual IPSASs has been formally	IPSASs have not been adopted. ¹

Standards/Best Practices	 Adopted	 Partially Adopted	 Not Adopted
		announced and a timeline is in place; or cash basis IPSAS has been adopted; or an older version of accrual IPSASs has been adopted; or Accrual accounting standards broadly consistent with accrual IPSASs have been adopted.	
<p style="text-align: center;">I&D</p>	Jurisdiction implemented I&D system for all professional accountants that is in-line with the following requirements of SMO 6: <ul style="list-style-type: none"> a. Scope of the system b. Initiation of Proceedings c. Investigative process d. Disciplinary process e. Sanctions f. Rights of representation and appeal g. Administrative Processes h. Reporting and public interest considerations i. Liaison with outside bodies 	Jurisdiction has not fully adopted SMO 6 requirements a-j.	<p>There is no I&D system or the jurisdiction has not adopted SMO 6 requirements a-j.</p>

Standards/Best Practices	 Adopted	 Partially Adopted	 Not Adopted
	Regular review of implementation and effectiveness.		
IFRSs	IFRSs in effect at the time of the assessment have been adopted with no or allowed modifications for application for public interest entities as defined in the jurisdiction.	IFRSs have been adopted with modifications; or not all currently effective IFRSs have been adopted; or older version of IFRSs has been adopted; or IFRSs have been adopted for application for selected types of companies.	IFRSs have not been adopted in the jurisdiction.

SMO Fulfillment Status	Compliance Staff Assessment
 Sustain	PAO maintains well-established ongoing processes. PAO in fulfilling the SMOs, considers, plans, executes, reviews and improves as part of an ongoing commitment to continuous improvement.
 Review & Improve	PAO has recently fulfilled the obligation and is reviewing the implemented plan to identify and apply improvements.
 Execute	PAO demonstrates it is executing the plan.
 Plan	PAO has a defined plan to fulfill the requirements of this SMO.
 Consider	PAO is considering how to fulfill the requirements of this SMO.
 Not active	PAO is not active in this SMO area.

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