

TOOLS AND RESOURCES TO SUPPORT THE DEVELOPMENT OF THE ACCOUNTING PROFESSION



International
Federation
of Accountants

The mission of the International Federation of Accountants (IFAC) is to serve the public interest, strengthen the accountancy profession worldwide and contribute to the development of strong international economies by establishing and promoting adherence to high-quality professional standards, furthering the international convergence of such standards and speaking out on public interest issues where the profession's expertise is most relevant.

Copies of this paper may be downloaded free-of-charge from the IFAC website at www.ifac.org.

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GOVERNANCE

GOVERNANCE GUIDANCE AND ASSESSMENT FOR PROFESSIONAL ACCOUNTANCY ORGANIZATIONS

GOVERNANCE GUIDANCE

MODEL GUIDE FOR PROFESSIONAL ACCOUNTANCY BODIES

IFAC has developed a Model Guide for Professional Accountancy Bodies (Model Guide). IFAC has developed the Model Guide based on Good Governance a Code for the Voluntary and Community Sector (The Code). The Code was created by the Code Steering Group made up of Acevo, ICSA, CTN, NCVO and supported by the Charity Commission for England and Wales. The Model Guide has been specifically developed to assist professional accountancy organizations in setting principles of good governance for the establishment and functioning of their Council. The Model Guide can be accessed at:

www.ifac.org/system/files/uploads/PAODC/Model%20Guide%20for%20Professional%20Accountancy%20Bodies.pdf

IFAC'S GOOD PRACTICE GUIDANCE ON EVALUATING AND IMPROVING GOVERNANCE IN ORGANIZATIONS

IFAC's International Good Practice Guidance *Evaluating and Improving Governance in Organizations* (2009) includes a framework, series of fundamental principles, supporting guidance and references for professional accountants in business and others on improving governance in organizations. The Guidance can be accessed at:

www.ifac.org/publications-resources/evaluating-and-improving-governance-organizations

GOVERNANCE SELF-ASSESSMENT FOR PROFESSIONAL ACCOUNTANCY ORGANIZATIONS

An assessment tool has been developed to assist professional accountancy organizations in reviewing how they meet the principles and practices of the Model Guide and the International Good Practice Guidance on Evaluating and Improving Governance in Organizations. The part of the assessment tool focusing on the Model Guide is also based on the Good Governance a Code for the Voluntary and Community Sector (The Code), which was created by the Code Steering Group made up of Acevo, ICSA, CTN, NCVO and supported by the Charity Commission for England and Wales.

The Governance Assessment Tool document can be accessed at:

www.ifac.org/system/files/uploads/PAODC/Governance%20Assessment%20for%20PAOs.pdf

DEVELOPMENT OF THE ACCOUNTANCY PROFESSION

NATIONAL PROFESSIONAL BODIES OF ACCOUNTING AND AUDITING: HOW TO ESTABLISH AND COMMUNICATE THEIR ROLE IN SOCIETY

BRIEFING FOR MINISTERS OF FINANCE AND OTHER GOVERNMENT OFFICIALS

PURPOSE OF THIS SECTION

This section is designed to be used as a framework for developing a local, country-specific text which can be used to gain the support of Ministers of Finance and other key stakeholders for professional bodies of accountants and auditors.

It provides a summary of the main reasons why countries need strong professional bodies of accountants and auditors, and how those bodies can be created and developed.

A simple document that is clear and concise, and based on this section, could be helpful as a basis for a discussion or to give to stakeholders.

WHY ARE PROFESSIONAL ACCOUNTANTS AND AUDITORS IMPORTANT?

Accountants produce financial information, and auditors verify its accuracy.

Financial information is used by all kinds of decision makers in both the private and public sectors, for example to make decisions about investment or levels of spending. This information needs to be of a high standard and must be understood in a consistent way. Accountants and auditors are trained to adhere to consistent, high professional standards. This means that those who are interested in the information which they produce, like investors in the private sector or lenders to the public sector, can trust the information that they are given and feel confident about the decisions they make.

Investing and lending, particularly in the private sector, is a vital part of national wealth creation. In the public sector, governments and donors want to be sure that the money they provide is used for its intended purpose. In both sectors, good financial information and professional ethical standards help to reduce the likelihood for corruption and improve governance, and therefore make more money available for poverty reduction.

RELIABLE FINANCIAL REPORTING—THE FOUNDATION FOR ECONOMIC GROWTH

High quality financial information, prepared by accountants and verified by auditors, contributes to economic growth by:

- Encouraging investment
- Assisting government in economic planning and taxation decisions
- Helping to avoid damaging accounting scandals
- Supporting anti-fraud and anti-corruption efforts
- Assisting good governance and management control
- Supporting poverty reduction

High-quality financial information is produced and audited according to internationally accepted standards. Those who produce and audit the information, the profession, should be properly trained, display high standards of ethical behavior, and be subject to schemes of monitoring and enforcement. In each country, this needs to be supported by a statutory framework.

WHY DO WE NEED PROFESSIONAL BODIES OF ACCOUNTANTS AND AUDITORS?

Around the world, economically successful countries have strong, independent professional accountancy and auditing bodies that are supported by government and speak confidently in the public interest. Such bodies derive their authority from the quality and ethical standards of their members. They act as a single voice for the profession, expressing its views impartially and without bias.

Through their membership to international standards setting bodies, professional bodies help to ensure that, in an increasingly globalized world, information is produced in a consistent and uniform way. These bodies also ensure that their members work to the highest professional standards by maintaining their professional skills and knowledge throughout their working lives and by acting to discipline their members if necessary.

WHAT IS THE ROLE OF THE GOVERNMENT IN SUPPORTING PROFESSIONAL ACCOUNTANCY AND AUDITING BODIES?

Government has a critical role to play in supporting professional bodies of accountants and auditors. If professional bodies have not yet been established, government can help to bring together the stakeholders who have an interest in their establishment (for example, business and public sector leaders). Government can provide funding for the

establishment of these bodies, or can help to make it available from other sources. Where bodies already exist, but have not yet been fully recognized and established, government can seek to involve them in the decision-making process by seeking their advice where appropriate and by involving them in technical areas such as drafting the relevant laws and regulations.

Government can also do a great deal to nurture professional bodies, particularly in the early years. However such nurturing should never be seen as compromising the independence of the bodies, who must always feel able to express their views without fear or favor.

Government has the legislative authority to establish the accountancy and auditing profession, and to ensure proper oversight of the profession. In some countries, government is responsible for setting professional standards, although there is an increasing global dimension to this responsibility.

Government itself should be a large and significant trainer of accountants and auditors to work in public financial management. Government therefore has a very direct interest in the establishment, maintenance and development of strong professional accountancy and auditing bodies.

Successful and effective professional bodies around the world have a direct and strong working relationship with government, representing the views of accountants and auditors throughout the economy.

MOST COMMON ACTIVITIES AND SERVICES PROVIDED BY A PROFESSIONAL BODY

1.	Professional practice standards
2.	Ethical requirements for all professional accountants
3.	Education (entry level and continuing professional development)
4.	Quality Assurance review systems
5.	Investigation and discipline
6.	Licensing and certification of accountants and auditors
7.	Member support programs
8.	Spokesmanship, advocacy and representation (nationally, regionally and internationally)

TOOLS AND RESOURCES

These activities are increasingly being harmonized around the world through the work done by the International Federation of Accountants (IFAC), the International Accounting Standards Board (IASB) and the International Organization of Supreme Audit Institutions (INTOSAI). Further explanation of each is provided below.

Standards

1.	Professional practice standards
2.	Ethical requirements for all professional accountants
3.	Education (entry level and continuing professional development)
4.	Quality Assurance review systems

The knowledge, skills and abilities necessary to develop accounting and auditing, education, ethics and quality assurance standards resides primarily with those who practice as accountants and auditors in the various fields of professional accountancy. The professional body can organize the relevant skills and knowledge from its membership in all of these areas to adopt the international standards. They can also provide spokespersonship to, and participate directly with, IFAC and the IASB.

Investigation and Discipline

5.	Investigation and discipline
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Investigation and discipline programs vary depending on government statutes and rules, the nation's legal structures, and the membership requirements of the professional accountancy body. The most effective programs will have developed a co-operative and integrated system for some form of joint enforcement.

Licensing and Certification of Accountants and Auditors

6. Licensing and certification of accountants and auditors

Licensing of accountants is necessary to assure society that professionals have the necessary qualifications and expertise. The licensing function is carried out very efficiently and cost-effectively for government, academia and the profession by the professional accountancy body sponsoring the programs in cooperation with all three entities. The structures and systems need to accommodate the existing structures of any particular nation.

Member Support Programs and Spokesmanship

7. Member support programs

8. Spokesmanship, advocacy and representation (nationally, regionally and internationally)

Member support programs and spokesmanship are, by necessity, established and implemented to accommodate the needs and the composition of the professional body. Member support is composed of a variety of programs that serve the needs of the various disciplines in the accountancy organization. They include technical information programs, education, forums, publications, advocacy, and public relations among other activities that are important to professional growth. As with many of the activities, they vary by nation due to the cultural, social, government and economic systems.

The organization has the collective talent to provide the specialized knowledge required for publications, continuing education, ethics issues, and training and other member information and professional growth programs.

The member body can select from its membership the most qualified individuals to serve as spokespeople for the various outreach programs and relationship activities required within the nation and with regional and international organizations.

BRIEF DESCRIPTIONS OF THE INTERNATIONAL FEDERATION OF ACCOUNTANTS (IFAC) AND THE INTERNATIONAL ACCOUNTING STANDARDS BOARD (IASB)

IFAC is the worldwide organization for the accountancy profession dedicated to serving the public interest by strengthening the profession and contributing to the development of strong international economies. IFAC is comprised of 167 members and associates in 127 countries, representing more than 2.5 million accountants in public practice,

education, government service, industry and commerce. Through its independent standard-setting boards, IFAC sets international standards on ethics, auditing and assurance, education, and public sector accounting. It also issues guidance to encourage high quality performance by professional accountants in business.

The IASB's Board members are drawn from various countries and have wide international experience and a variety of functional backgrounds. The IASB is committed to developing, in the public interest, a single set of high quality, global accounting standards that require transparent and comparable information in general purpose financial statements. In pursuit of this objective, the IASB cooperates with national accounting standard setters to achieve convergence in accounting standards around the world.

BRIEFING FOR THE PROFESSION

PURPOSE OF THIS SECTION

This section can be used as a basis for a more detailed briefing that can be used by the profession itself to understand the rationale behind the need for a strong professional accountancy body. It may also be used to provide a more detailed explanation to key stakeholders who are directly involved with the development of the professional body.

INTRODUCTION

A strong and vibrant accountancy profession plays a fundamental role in national capital markets and in assisting countries in their economic growth and development. An active and well-established professional accountancy body is essential to developing an accountancy profession that is able to provide consistently high quality service in the public interest.

This paper is designed to assist those involved in establishing or maintaining a professional accountancy organization. The paper sets out the need for national bodies of accountants and auditors, and explains the process for establishing and supporting such organizations. It addresses such critical areas as licensing, certification, training and examination, and the importance of involving the accountancy profession in carrying out or providing substantial input to these processes, particularly in developing nations. It also emphasizes the importance of working with government, academia and other key parties in developing a strong accountancy profession.

The content of this paper is based on more than 30 years of IFAC experience in fostering the development of high quality professions on every continent around the globe, as well as on the experiences of its member bodies.

CONTRIBUTIONS OF PROFESSIONAL ACCOUNTANTS TO ALL SECTORS OF SOCIETY

Nations receive considerable benefits from the development of a recognized group of professionally qualified accountants. Nearly all developed economies have active, vibrant, effective, and independent professional accountancy bodies. These national bodies were founded with guidance and support from their governments, which recognize that these bodies are critically important to economic success. Today, the members of these professional bodies function in virtually all sectors of society, including industry and commerce, public practice, the public sector, and academia. In fulfilling their various roles, professional accountants serve the public interest by providing high quality services while adhering to the values of integrity, transparency and expertise.

PUBLIC PRACTICE

Professional accountants in public practice play a central role in contributing to the improved quality of financial reporting, thus enabling existing and potential investors to make better informed decisions. Investors are far more apt to invest their money in markets that promote reliable and credible financial information. Professional accountants, working as auditors, help to facilitate fair well-informed capital markets. Professional accountants, working as advisors, contribute to economic growth through wealth creation and financial planning services. Professional accountants in practice, therefore, serve the public interest by contributing to investor confidence, enhancing economic development and, ultimately, improving the financial well-being of citizens.

BUSINESS AND INDUSTRY

Professional accountants employed in businesses and industry serve the public interest by supporting strong governance and sound financial reporting within their

ABOUT IFAC

Founded in 1977, IFAC is the global organization for the accountancy profession, dedicated to protecting the public interest and supporting the development of the accountancy profession worldwide. IFAC's 167 members and associates in 127 countries represent 2.5 million accountants in public practice, industry and commerce, the public sector, and academia.

Through its independent standard-setting boards, IFAC sets international standards on ethics, auditing and assurance, education, and public sector accounting. IFAC committees also focus on serving developing nations, professional accountants in business, and small and medium practices.

IFAC also actively participates in the oversight and regulation of the profession and worked with international regulators and other international bodies to establish the Public Interest Oversight Board (PIOB), in 2005, to oversee IFAC's public interest activities.

organizations. They help to promote improved business performance through fiduciary controls and process analysis, thus generating greater value for their organizations. Professional accountants in business also serve the public interest by support management in setting the “tone at the top” and maintaining an ethical corporate culture.

ACCOUNTING TECHNICIANS

Accounting technicians also contribute to improved financial reporting and effective business performance. Accounting technicians function in organizations of all sizes, serving in a variety of accounting, finance and office management roles.

PUBLIC SECTOR

In the public sector, professional accountants are essential to the effective, efficient and ethical operation of governments and to the protection of the rights of their citizens. Professional accountants in the public sector play a critical role in protecting the public interest by promoting accountability, effective financial management and good governance. This helps to ward off corruption and ensure more efficient and effective use of limited public sector funds. Professional accountants in the public sector are involved in supporting performance and encouraging innovation in the delivery of public services to citizens, consumers and other stakeholder groups.

ROLE OF PROFESSIONAL ACCOUNTANTS IN CAPITAL MARKETS

Efficient and reliable credit and capital markets are a prerequisite for a nation’s economic stability and growth and to the health and welfare of its citizens. The bedrock of sound credit and capital markets is high quality and reliable financial information—information that is based on ethics and integrity, on high quality international accounting and auditing standards, and on the work and sound judgment of both internal and external professional accountants.

Credible and reliable financial information is fundamental to investment. It builds investor confidence which, in turn, facilitates business development, contributes to job growth, and leads to a reduction in poverty, and individual financial prosperity. Banks and lenders are more likely to provide credit to business

HIGH QUALITY FINANCIAL REPORTING AND AUDITING BENEFITS ECONOMIC GROWTH BY:

- Encouraging investment from internal and external sources;
- Assisting government in areas of economic planning and taxation;
- Helping to prevent damaging accounting scandals;
- Supporting anti-fraud and anti-corruption efforts;
- Assisting good governance and management control; and
- Supporting poverty reduction efforts.

entities that demonstrate a commitment to reliable financial reporting and to good corporate governance. As business and industry prospers, so does the surrounding economy and, ultimately, the living standards of all citizens are raised. The public interest is thus served by promoting an economy where investors have the information they need to make informed decisions and where businesses can raise the capital and credit they need to hire workers and expand into new markets.

By contrast, a lack of confidence in financial reporting is detrimental to capital market efficiency resulting in increased risk and cost of capital, decreased economic competitiveness and job creation, higher unemployment, diversion of economic activity to competitors and other nations, and national instability among a host of other disadvantages. If the financial information is not reliable, the suppliers of credit and capital will be reluctant or even refuse to provide the necessary support to the market and will look to other venues for opportunities to provide their services. Thus, the capital market system that is so vital to economic growth starts with, and is based on, reliable financial information.

COMPONENTS OF RELIABLE FINANCIAL REPORTING

High quality and reliable financial information is supported by six pillars:

- Statutory Framework
- Accounting Standards
- Auditing Standards
- Accounting Profession and Ethics
- Education and Training
- Monitoring and Enforcement

All of these pillars must be strengthened and maintained to ensure confidence in financial reporting. When financial infrastructures are strong, so too are capital market efficiencies. When one of the pillars is weak or does not exist, then the financial reporting process is compromised and marketplace risks can ensue.

IMPORTANCE OF ETHICS TO RELIABLE FINANCIAL REPORTING

An essential pillar of the financial reporting infrastructure is strong ethical and independence standards. Ethics and integrity are essential to maintaining public trust and confidence and to protecting the public interest. Confidence in capital markets is predicated on reliable financial reporting information. The credibility of that financial reporting is dependent on professional accountants and auditors adhering to high

standards of ethical conduct. Ethics and integrity, therefore, establish the foundation upon which confidence in capital markets is maintained.

The internationally recognized ethics standards contained in IFAC's international *Code of Ethics for Professional Accountants* help to foster an ethical accountancy profession that recognizes the primacy of public interest. The IFAC Code of Ethics establishes five fundamental values that apply to all professional accountants, whether they work in public practice, business, the public sector, or any other area. These principles are integrity, objectivity, professional competence and due care, confidentiality and professional behavior. Under the Code, all professional accountants are required to be vigilant in identifying and responding to any threats to these principles.

Professional accountancy bodies serve a vital function in mandating ethical and independence requirements, such as those contained in the Code of Ethics; educating their members about ethical standards and issues; and monitoring and taking any necessary enforcement or disciplinary action.

INTERRELATED ROLES OF GOVERNMENT AND THE ACCOUNTANCY PROFESSION

Supporting economic growth and protecting the public interest are objectives shared by governments and professional accountancy bodies alike. A mutually supportive relationship between the accountancy profession and government is essential to establishing and developing a competent and ethical accounting and auditing profession.

THE NEED FOR GOVERNMENT

Government has a critical role to play in supporting the establishment and development of professional bodies of accountants and auditors. If a professional body has not yet been established, government can provide the impetus by bringing together the stakeholders, such as business and public sector leaders, who have an interest in establishing a professional body. It can also make sources of funding available for the establishment of such bodies. Where a professional body exists, government can do much to nurture its growth and development, particularly in the early years.

Government has the legislative authority to establish and empower the accountancy profession within a local economy. As the representative of the public, the government may provide the appropriate oversight of the profession. In some instances, and where capabilities do not exist with an established accountancy organization, governments may also be responsible for the authorization of professional standards.

Successful and effective professional accountancy bodies around the world have a strong and direct working relationship with government, representing the views of professional accountants and auditors throughout the economy.

THE ROLE OF THE PROFESSION

It is the responsibility of the profession to provide integrity in financial reporting and, thereby, contribute to the necessary confidence in the credit and capital markets. The professional accountancy body has the practical day-to-day practice experience to be knowledgeable of the need for and adequacy of all professional standards and, therefore, should be a participant and/or contributor to this process. (See below.) As a direct result of its work, the practicing profession has the awareness of the ever-changing and increasing complexity of the economic and business environment to be responsive to the constant need for changes in standards.

IMPACT ON STANDARD SETTING

When government and a professional accountancy body establish, expand, improve or modify professional standards, they should adopt the recognized standards of the international leaders of accountancy, namely those of IFAC and the International Accounting Standards Board (IASB). (See Appendix A for descriptions.) These organizations have established generally accepted standards of practice, ethics and education that provide the foundation for transparency, competence and integrity of financial information internationally. These international standards also help to promote comparability across jurisdictions, which enhance common understanding of financial information and can help to promote external investment.

REGULATION OF THE PROFESSION

IFAC has developed a policy paper entitled “Regulation of the Accountancy Profession”. Please refer to page 20 of this document to access it.

USEFUL PUBLICATIONS AND RESOURCES

The following publications and guidance, all of which are available free-of-charge from the IFAC website at www.ifac.org/publications-resources, have been developed to promote a high quality practice by professional accountants.

- IFAC Statements of Membership Obligations
- IFAC Code of Ethics for Professional Accountant
- International Standards on Auditing and related guidance
- International Education Standards and related guidance
- International Public Sector Accounting Standards and related guidance
- Guidance and resources for professional accountants in business

- Guidance and resources for small and medium practices

ROLES AND ACTIVITIES OF A PROFESSIONAL ACCOUNTANCY BODY

The development of a sustained, cohesive national accountancy profession that is committed to delivering high quality performance in the public interest is best achieved by the creation of a professional accountancy body. Largely all developed economies have a government-recognized and independent professional accountancy organization. These organizations have been formed to provide a forum for their members to share experiences; solve practice problems; collect, centralize and disseminate information; establish accounting, auditing and ethical standards; and establish a constructive and ongoing relationship with government and other professional organizations of other disciplines in the world economy.

In countries where the accountancy profession is at an earlier stage of development, it is generally appropriate to centralize the profession's knowledge, activities and financial resources in a single professional body. This helps to promote efficiency within the national profession, clarifies the working relationship with government, and enables more cost effective and efficient public oversight.

As professional bodies and economies develop and become more sophisticated, it may be appropriate to consider creating specialized accountancy bodies (e.g., bodies that represent public sector accountants, management accountants, etc.).

ACTIVITIES OF A PROFESSIONAL ACCOUNTANCY BODY

The following are the most common activities and services a professional organization provides, followed by further explanation.

1.	Professional practice standards
2.	Ethical requirements for all professional accountants
3.	Education (entry level and continuing professional development)
4.	Quality
5.	Investigation and discipline
6.	Licensing and certification of accountants and auditors
7.	Member support programs
8.	Spokesmanship, advocacy and representation (nationally, regionally and internationally)

As previously mentioned, the standards developed by IFAC and the IASB should be adopted whenever possible to accomplish international convergence and to enhance the national effort for economic growth.

Standards

1.	Professional practice standards
2.	Ethical requirements for all professional accountants
3.	Education (entry level and continuing professional development)
4.	Quality Assurance review systems

IFAC has established standards and guidelines for professional practice standards, ethical requirements, education, and practice quality assurance programs. The IASB develops accounting standards. The standards and guidelines established by these two organizations have been accepted internationally. This is essential for a nation to realize its own economic growth potential in harmony with a world economy.

While nations may have laws that impact some aspects of the adoption of IFAC and IASB standards, each nation should strive to achieve full convergence. The IAASB has developed a policy statement to assist entities in adopting International Standards on Auditing (ISAs). The policy statement, *Modifications to International Standards of the International Auditing and Assurance Standards Board – A Guide for National Standard Setters That Adopt the IAASB's International Standards but Find It Necessary to Make Limited Modifications*, sets out IAASB's views on what modifications a national standard setter may make to the ISAs while still asserting that the resulting national standards conform to the international standards.

The knowledge, skills and abilities necessary to develop accounting and auditing, education, ethics and quality assurance standards resides primarily with those who practice as accountants and auditors in the various fields of professional accountancy. The professional body can organize the relevant skills and knowledge from its membership in all of these areas to adopt the international standards. They can also provide the spokesman ship to, and participate directly with, IFAC and the IASB.

Investigation and Discipline

5.	Investigation and discipline
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Investigation and discipline programs vary depending on government statutes and rules, the nation's legal structures, and the membership requirements of the professional

accountancy body. Such programs are necessary in ensuring and demonstrating the profession's commitment to quality. The most effective programs have developed a cooperative and integrated system for some form of joint enforcement.

Licensing and Certification of Accountants and Auditors

6. Licensing and certification of accountants and auditors

Licensing of accountants is necessary to assure society that these professionals have the necessary qualifications and expertise. The licensing function has been carried out very efficiently and cost-effectively for government, academia and the profession by the professional accountancy body sponsoring the programs in cooperation with all three entities. The structures and systems need to accommodate the existing structures of any particular nation.

Member Support Programs and Spokesmanship

7. Member support programs

8. Spokesmanship, advocacy and representation (nationally, regionally and internationally)

Member support programs and spokesmanship are, by necessity, established and implemented to accommodate the needs and the composition of the professional body. Member support is composed of a variety of programs that serve the needs of the various disciplines in the accountancy organization. They include technical information programs, education, forums, publications, advocacy, and public relations among other activities that are important to professional growth. As with many of the activities, they vary by nation due to the cultural, social, government and economic systems.

The organization has the collective talent to provide the specialized knowledge required for publications, continuing education, ethics issues, and training and other member information and professional growth programs.

The national professional body can select from its membership the most qualified individuals to serve as spokespeople for the various outreach programs and relationship activities required within the nation and with regional and international organizations.

CONCLUSION

An organized accountancy profession is a central element in any society seeking to establish and maintain a sound and stable financial infrastructure, attract domestic and

foreign investment, and operate efficiently and effectively and in the best interest of its citizens.

BRIEF DESCRIPTIONS OF THE INTERNATIONAL FEDERATION OF ACCOUNTANTS (IFAC) AND THE INTERNATIONAL ACCOUNTING STANDARDS BOARD (IASB)

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The IASB's Board members are drawn from various countries and have wide international experience and a variety of functional backgrounds. The IASB is committed to developing, in the public interest, a single set of high quality, global accounting standards that require transparent and comparable information in general purpose financial statements. In pursuit of this objective, the IASB cooperates with national accounting standard setters to achieve convergence in accounting standards around the world.

IFAC POLICY POSITION ON REGULATION

IFAC's policy position sets out IFAC's view that professional accountancy bodies, acting in the public interest, must play an active role in the regulation of the profession and that professional accountancy bodies and governments need to work together to ensure that regulation is effective and efficient.

The policy position can be accessed by clicking on the following link:

www.ifac.org/publications-resources/regulation-accountancy-profession-1

All IFAC Policy Position papers are frequently updated. Their latest version should be accessed on the IFAC website.

PUBLIC SECTOR

PUBLIC SECTOR COMMITTEE REMIT

The content of this section was provided by the Institute of Chartered Accountants of Scotland.

OVERALL TECHNICAL POLICY OBJECTIVES

To Maintain and Promote the Value of the Professional Accountancy Organization's (PAO) Brand on the National, European and International Stages by Means of a High Quality Technical Contribution to the Development of the Profession.

COMMITTEE MISSION STATEMENT

To influence those responsible for making laws and regulations; and issuing standards and guidance affecting public sector and not-for-profit organizations, with the aim of:

- Improving accountability and financial reporting in the public and not-for-profit sectors; and
- Reducing and seeking to prevent the imposition of requirements where the cost of implementation clearly outweighs the benefits.

SCOPE

The Committee shall monitor and respond to developments led by and impacting on the public and not-for-profit sectors, where it has a comparative advantage and where these matters are likely to affect a significant number of the PAO members. The devolved administration in Country X provides the Committee with a unique opportunity to influence developments locally. In addition, the Committee shall seek to monitor and influence international developments in the interests of the PAO members and the general public. Developments shall include those matters identified by members of the Committee which have come to light during the course of their normal business and which the Committee as a whole wishes to pursue further.

The following segments of the public and not-for-profit sectors shall fall within the scope of the Committee's work plan:

Local Government

The Parliament

Departments with a Country X remit, particularly the Treasury, and the Parliament

The National Health Service

Tertiary Education

Government Agencies, Executive NDPBs and other public sector organizations

Registered Social Landlords

Charities

Where developments impact on the audit of public and not-for-profit bodies, the Committee shall liaise with the Audit and Assurance Committee and the Accounting Standards Committee where necessary to establish arrangements for joint working.

In discharging its remit; the Committee shall have regard to both the public and members' interests. In discharging its remit, the Committee may:

- Set up working parties which may include non-Committee members; and
- Decide not to deal with a matter which has a specialist or limited nature.

The public interest generally equates with the members' interests over the longer-term. On the rare occasion where there is a conflict between the public interest and that of members, the public interest is paramount.

COMMITTEE OBJECTIVES

To identify, develop and build on relationships, with key individuals and policy makers at the national, European and international level, especially with those PAO's members in positions of influence by:

- Developing and operating a liaison strategy which identifies the key organizations (in the Country X and elsewhere) and key individuals (including the PAO's members) within these organizations.
- Setting out the frequency and format of the contact to be made e.g. invitation to a PSC meeting, business lunch, etc.
- Developing closer working relationships with the Country X's Executive and the Parliament, through its parliamentary committees, and other appropriate national organizations.
- Offering views and guidance to the Country X's Executive, the Parliament and

other appropriate organizations on matters within the scope of the Committee's remit arising from present or proposed (i) Country X's legislation, (ii) regulations made under legislation or some other authority and (iii) changes to standards and guidance pertaining to accounting, auditing and accountability.

- Keeping a watchful eye on the work of the relevant Regional Organization and the IFAC Public Sector Committees to identify opportunities where the PAO can influence developments or provide assistance.
- Monitoring how the PAO can more effectively influence the work of the Country X's Executive, and potentially the Government, and where appropriate relay its suggestions to the Technical Policy Board and/ or other Board(s)/ Committee(s) of the PAO as deemed necessary.

To achieve an optimal balance between reactive work and proactive work by:

- Developing and maintaining an action plan which is flexible enough to accommodate both reactive and planned proactive work.
- Responding to consultations which are of greatest importance to our members and where we believe we are best placed to influence developments.
- Focusing responses on key issues and only focusing on the detail if appropriate.

Considering, on a regular basis, areas where proactive work could be undertaken that would influence developments and promote the value of the PAO's brand. The aim is to have at least one proactive project on the go at one time.

To become smarter at identifying and anticipating issues and to become faster at taking those issues forward, but prioritizing and letting others take the lead where the Committee cannot add significant value and/or influence by:

- Reacting swiftly to ideas for proactive Committee initiatives, and promptly referring those ideas for Task Force projects to the Technical Policy Board. Ideas should be prioritized and taken forward only if the topic meets the aims of the PAO's technical strategy and if the resources are available.
- Anticipating events and developments thus identifying opportunities for proactive projects.
- Considering ways of reacting to change more swiftly through articles, news releases and email alerts on emerging issues.

TOOLS AND RESOURCES

To engage effectively with members, by encouraging their involvement in notifying the PAO of their needs and problems, suggesting proactive initiatives, assisting committees and working parties, and by ensuring the provision of timely technical information by:

- Making more use of the PAO website and email alerts to publicize the work of the Committee.
- Asking members by means of targeted emails, liaisons with other PAO Committees (e.g. Members in Business) or through the PAO website for suggestions on proactive work and areas of concern (where further guidance or articles would be of value).
- Encouraging member involvement by advertising and promoting, on the website, opportunities available to take part in consultations or proactive projects.
- Keeping up to date with developments in the public and not-for-profit sectors and monitoring members' needs with regard to these matters by ensuring that members are kept informed of all relevant issues through the general press, the PAO website, training courses, and by the development of additional guidance where necessary.
- Implementing a communications strategy possibly linking in with a cross PAO client relationship management strategy.

To ensure that the Committee's distinctive views are promoted and communicated effectively to the public, opinion formers and members by:

- Promoting the organization's work through the issue of press releases for every submission made to public consultations. Press releases should be well-timed, user friendly and highlight the practical effect on the public or not-for-profit sector.
- Committee members suggesting topics for PAO publications (e.g. CA magazine, Technical Bulletin).
- Developing relationships with key journalists (e.g. CA magazine and national newspapers).
- Co-operating in a proactive manner with other PAO Committees where such co-operation will be of mutual benefit.
- Advising the Technical Policy Board on matters falling within the Committee's remit.

THE ROLE OF THE PROFESSIONAL PUBLIC SECTOR ACCOUNTANCY BODY IN EFFECTIVE PUBLIC ADMINISTRATION

The Chartered Institute of Public Finance and Accountancy (CIPFA) developed a technical paper which examines the link between economic growth in developing countries and the role of effective public administration. The paper details the benefits of establishing and developing professional accountancy bodies and the provision of training and support. It also demonstrates how sound financial management lies at the heart of good governance.

This paper draws on a case study of these principles based on work done by CIPFA in Ethiopia in 2005. The Guide can be accessed by clicking on the following link:

www.cipfa.org.uk/international/download/Role_Prof_Sector.pdf

EDUCATION, TRAINING AND DEVELOPMENT OF ACCOUNTANTS AND ACCOUNTING TECHNICIANS

ACCESS TO IAESB INTERNATIONAL EDUCATION STANDARDS

The International Accounting Education Standards Board (IAESB) develops pronouncements following a due process that includes input from the general public, IFAC member bodies and their members.

The IAESB International Education Standards (IESs) issued by the IAESB express the benchmark that IFAC member bodies are expected to meet in the preparation and continual development of professional accountants. They establish the essential elements of the content, process of education and development at a level that is aimed at gaining international recognition, acceptance and application.

The IESs include eight standards which are all accessible on the IFAC website:

www.ifac.org/publications-resources/handbook-international-education-pronouncements-2010-edition

The eight IESs are:

IES 1: *Entry Requirements to a Program of Professional Accountancy Education*

IES 1 lays down the entry requirements for an IFAC member body's program of professional accounting education and practical experience

IES 2: *Content of Professional Accounting Education Programs*

IES 2 prescribes the knowledge content of professional accounting education that candidates need to acquire to qualify as professional accountants

IES 3: *Professional Skills and General Education*

IES 3 sets the mix of skills that candidates require to qualify as professional

IES 4: *Professional Values, Ethics and Attitude*

IES 4 lays out the professional values, ethics and attitudes professional

accountants should acquire during the education program leading to qualification

IES 5: *Practical Experience Requirements*

IES 5 sets down the practical experience IFAC member bodies should require their members to obtain before qualification as professional accountants

IES 6: *Assessment of Professional Capabilities and Competence*

IES 6 stipulates the requirements for a final assessment of a candidate's professional capabilities and competence before qualification

IES 7: *Continuing Professional Development: A Program of Lifelong Learning and Continuing Development of Professional Competence*

IES 7 prescribes that member bodies: (a) foster a commitment to lifelong learning; (b) facilitate access to continuing professional development opportunities and resources; (c) establish benchmarks for developing and maintaining the professional competence necessary to protect the public interest; and (d) monitor and enforce the continuing development and maintenance of professional competence of professional accountants

IES 8: *Competence Requirements for Audit Professionals*

IES 8 fixes competence requirements for audit professionals, including those working in specific environments and industries

ACCESS TO ADDITIONAL IAESB GUIDANCE AND PRONOUNCEMENTS

The IAESB publishes additional standards and guidance such as the International Education Practice Statements (IEPSs). The IEPSs interpret, illustrate, elaborate or expand on matters related to IESs. They assist IFAC member bodies with implementing the standards. IEPSs may also recommend practice that is wider or deeper than the practice described in the IESs.

The IEPSs include three Practice Statements which are accessible on the IFAC website at: www.ifac.org/publications-resources?publication-type=&source=32&issues=&language=&sort=date&x=30&y=13.

The three IEPs are:

IEPS 1: *Approaches to Developing and Maintaining Professional Values, Ethics, and Attitudes*

IEPS 1 sets out two possible approaches to the development of professional values, ethics and attitudes. It also contains guidance on a number of methods for the delivery of ethics education, stressing the importance of workplace learning and assessment

IEPS 2: *Information Technology for Professional Accountants*

IEPS 2 provides guidance for IFAC members, associates and other educators in implementing the information technology knowledge component of prequalification professional accounting education programs

IEPS 3: *Practical Experience Requirements–Initial Professional Development for Professional Accountants*

IEPS 3 provides guidance to IFAC member organizations and others in establishing effective practical experience programs. It covers the period of practical experience, content of practical experience requirements, and the roles and responsibilities of IFAC members as well as mentors and employers.

In addition, the IAESB issues Information Papers which provide a detailed exploration into education issues and practices. These papers can also be descriptive, aiming to promote awareness of, and transfer knowledge and information on, education and development issues or practices relating to the accountancy profession. The IAESB has published two Information Papers which can be accessed on the IFAC website at: www.ifac.org/publications-resources?publication-type=&source=32&issues=&language=&sort=date&x=30&y=13. These papers are:

- Information Paper on the Approaches to Continuing Professional Development (CPD) measurement. It explains the elements of an effective continuing professional development program, examines current practices by accountancy and other professional associations, and discusses approaches to measure a program's effectiveness.
- Information Paper on the Approaches to the Development and Maintenance of Professional Values, Ethics and Attitudes in Accounting Education Programs.

This paper was issued to promote discussion and debate on the subject of ethics.

In 2000, the IAESB also published a Discussion Paper on *Assistance Projects in Accountancy Education and Development*, which is based on the experience of several IFAC member bodies, and provides guidance on how to prepare requests for aid. This paper is available at: www.ifac.org/publications-resources/assistance-projects-accountancy-education-and-development-accountancy-educati

GOOD PRACTICE GUIDANCE: THE EDUCATION, TRAINING, AND DEVELOPMENT OF ACCOUNTING TECHNICIANS

The PAO Development Committee's Good Practice Guidance *The Education, Training, and Development of Accounting Technicians* is designed to assist professional accountancy organizations in understanding the role of accounting technicians and in developing qualified accounting technicians through education, training, and assessment of skills and competences. The Guide also sets out possible mechanisms to ensure accounting technicians comply with ethical requirements. The Guide, however, is not intended to set out specific membership criteria into a professional accountancy organization.

IFAC Guidance is frequently updated. The latest version should be obtained from the IFAC website.

The Good Practice Guidance is accessible at:
www.ifac.org/publications-resources/education-training-and-development-accounting-technicians

CONVERGENCE WITH IFRS, ISAS AND IPSASS

CASE STUDIES ON THE IMPLEMENTATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

This section provides an overview of the experience of two countries when working towards implementation of International Financial Reporting Standards. Their experience, together with the challenges and successes they faced, may be of assistance to other countries.

IMPLEMENTATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (EXPERIENCE OF AN ESTABLISHED STANDARD SETTER—AUSTRALIA)

The implementation of International Financial Reporting Standards (IFRS) will, out of necessity, be different for each country. Situations may vary from transition to IFRS from a country's own developed standards (e.g. Australia) to the adoption of IFRS from a limited base of previously developed International Accounting Standards.

In almost all situations, the adoption of IFRS will be a significant project for all countries involved, and will require careful planning and commitment.

Below are some of the significant issues confronted, or to be confronted, when planning the adoption of IFRSs.

COMMITMENT

The single most important but least tangible issue is to gain a solid commitment from all essential stakeholders to the process and the timeframe of development. Identifying key stakeholders is a major issue and is likely to differ in each country but will include professional accountancy bodies, government, regulators, secondary and tertiary educational institutions, capital market participants, regulators, and Boards of Directors.

RESOURCES

Notwithstanding the extent of transition required, resources to implement IFRS will be considerable. Experience has shown that it may be a 3 or 4 year project, during which time existing financial reporting requirements will need to operate side by side with the development of IFRS. Each of the key stakeholders will need to have resources to develop the various strategies of transition and educate all involved. Significant resources are required, while existing resources are already considerably stretched.

The majority of resource impact tends to lie with major accounting firms and their audit and assurance sections, as well as corporate financial accountants.

TRAINING

The most important commitment by stakeholders should revolve around training and typically begins with training the trainers. Despite the commitment to IFRS expressed by many stakeholders, existing ongoing commitments can interfere with the priority of training all involved. Assistance should be provided to the accounting staff during implementation.

PIECEMEAL VS SINGLE POINT TRANSITION

Two alternative strategies may apply in the adoption of IFRS: adoption of a proposed number of standards each year, to stagger the transition workload, or adoption of all IFRSs at one single point in time.

To avoid periods of confusion, it is suggested that a transition to all IFRS at a single point in time is the most suitable. This is despite the heavier initial workload in taking on the single point strategy.

The Australian experience in the adoption of IFRS has been as follows:

- A date selected for the commencement date for the adoption of IFRS (in Australia, this being for financial statement periods commencing 1 January 2005);
- The financial statements first adopting IFRS have as comparatives the previous financial statements recompiled using IFRS;
- No early adoption of any IFRSs was allowed, thus avoiding confusion of inter-corporate comparisons, until full adoption commenced/began.

OTHER MATTERS

Other matters to be considered and mitigation strategies put in place include:

- Re-negotiation of loan covenants which may be effected by new accounting standards;
- Income tax and other statutory revenue raising laws may require amendment;
- Dividend strategies may need to be revised;
- Performance management (e.g. budgets, plans, forecasting, remuneration, KPI's) will need reformatting and contracts may need amending;
- Earnings volatility will need to be understood by corporate and market analysts alike;

TOOLS AND RESOURCES

- Reporting systems considered (e.g. chart of accounts, systems for share-based payments, comparatives);
- Corporate audit committees to be informed of consequences; and
- Hedging strategies may need to be revised.

STRATEGY FOR IMPLEMENTATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) IN JAMAICA

INTRODUCTION AND BACKGROUND

The Institute of Chartered Accountants of Jamaica (herein referred to as “the Institute”) was established on 18 January 1965, and formally incorporated under the Public Accountancy Act (1968), which regulates the practice of accounting in Jamaica. At the time of this case study, the Institute had over 860 members. The Institute’s members are employed in industry, commerce, academia and the public sector.

The Institute is responsible for setting accounting standards and monitoring compliance with these standards locally. Until 1 July 2002, the Jamaican Accounting Standards (GAAP) used locally were based primarily on International Accounting Standards (IAS), now recognized as International Financial Reporting Standards (IFRS).

The Jamaican standards were developed by the Institute’s Accounting Standards Committee.

The Jamaican Accounting Standards comprised a mix of IAS, adapted IAS and other standards developed by the Accounting Standards Committee (ASC) to meet the needs of Jamaican companies. The International Accounting Standards Committee however, issued a new directive that prohibited countries, such as Jamaica, from claiming to be in substantial compliance with IAS.

Following the development of the improvement project by the International Accounting Standards Committee (IASC) to strengthen its standard-setting process and to reduce or eliminate alternative treatments, the Institute decided to accelerate its standard setting process and to ensure harmonization of its standards with IAS (hereafter called IFRS) in all respects, except where a comparable standard was not available.

However, the changes that resulted from the International Organization of Securities Commission (IOSCO) project exposed resource challenges that were inherent within the Institute.

In 2000, the Institute took the decision to adopt International Accounting Standards (hereafter International Financial Reporting Standards) as its national accounting standards and advised its members accordingly.

ASSESSMENTS

Following the decision to adopt IFRS, the Institute carried out an assessment of the implications of adopting the standards and identified, inter alia, the following challenges:

CHALLENGES

-
- Coping with the cost of conversion for both the INSTITUTE and its wider membership.
-
- Designing an effective communication plan that would keep members informed of the implications of the change and how it would affect them, their clients, employers, employees and related stakeholders.
-
- Designing an effective communication plan to inform other publics, including financial analysts, directors, shareholders, owners, internal auditors, investors, regulators, inland revenue agencies, regulatory entities and other interest groups.
-
- Determining the extent of compliance with existing accounting standards.
-
- Defining the gap between local accounting standards and IFRS.
-
- Determining an effective date for full adoption of IFRS and an implementation strategy for listed and regulated companies that have interim reporting requirements
-
- Developing an effective Country Action Plan to guide the process of conversion.
-
- Gaining the concurrence of regulators and other constituents and providing them with the appropriate training.
-
- Addressing concerns about the continuous revisions to the global standards and the likelihood that IFRS may not fully address some key local issues.
-
- Addressing concerns of small companies in regards to the increased costs that were expected to result from the conversion.
-

BENEFITS

A number of significant benefits were also identified which the INSTITUTE believed were important drivers to be included in the communication and public education plan. These included:

- Enhanced transparency, clarity, comparability and consistency that would result from the adoption of high quality global standards. IFRS was internationally recognized and more adequately met the interest of the foreign direct investor whose confidence would be “sustained” by the assurance that financial statements were being prepared in a reporting framework that meets internationally acceptable standards.
- An increasing number of countries were adopting IFRS, including Jamaica’s regional trading partners.
- Adoption of IFRS would significantly enhance the reporting framework and create a greater level of attractiveness for Jamaican companies.
- The credibility of the local reporting system would be enhanced and, similarly, the quality of financial reporting.
- The local standard-setting process would benefit from the release of resources to support monitoring activities.

STRATEGIC CONVERSION PLAN

Following the initial assessment, the Institute developed a strategic conversion plan which identified a series of activities to be carried out in a phased basis.

Step 1: Appoint the Accounting Standards Committee that has responsibility for standard setting and monitoring to lead the process of change and assure the Committee of the Institute’s full support.

The Committee responded by broadening its membership. Members were assigned specific IFRSs to review. They were required to interpret the provisions of the standards and to make presentations and/or serve as resource persons to provide guidance on the standards.

Step 2: Undertake a gap analysis of the standards and the level of compliance.

The objective of this exercise was to identify the level of compliance with existing local standards. This was achieved by undertaking an accelerated review of published financial statements

The World Bank assisted the Institute in undertaking a Report on the Observance of Standards and Codes (ROSC) review, aimed at identifying the/a “standards gap” and “compliance gap” among listed companies.

The review identified certain specific issues that required attention in the transition from local accounting standards to IFRS. The issues noted were, inter alia, the need for public education and training, development of interpretations and implementation guidance and establishment of a compliance monitoring system.

Step 3: Establish agreement with funding agency.

The Institute initiated negotiations with the Inter-American Development Bank and subsequently entered into a cooperation agreement for grant funding to develop a sustainable program to address the findings of the ROSC review.

The Accounting Standards Committee was also mandated to intensify its program to review financial statements and to identify and target any general area of weakness.

COUNTRY ACTION PLAN

A Country Action Plan was developed to cover a series of outcome objectives and measures to achieve these objectives within a defined timeline. Under the Plan, the following broad objectives and strategic action plan were established:

Establish a targeted implementation date

Strategic Action: 1 July 2002—This date was set to facilitate a transition period of approximately 2 years to full adoption of IFRS.

Launch an extensive publicity campaign for the conversion program

Strategic Action: A high level event to launch the conversion program was effected. Key business leaders were invited as keynote speakers, thereby providing public endorsement of the decision to adopt IFRS. This event was widely advertised and promoted in the leading print and electronic media as well as the Institute’s newsletter publication, which is circulated locally and overseas.

Develop a series of road shows to include the major cities of the country

Strategic Action: Interest groups were specifically targeted for public education. Specific individuals were also identified to help lead the change within their target group.

In order to achieve this objective, the country was zoned into four areas. Members of the Accounting Standards Committee were assigned to make presentations to these groups on IFRS. The presentations highlighted the reasons for adopting the standards and the potential impact on businesses.

The targeted interest groups included business associations such as the Chambers of Commerce, private and public sector interests, educators, financial analysts, regulators, company executives, shareholders, investors, inland revenue agencies, practitioners and other stakeholders.

A template for the presentations was developed to facilitate consistency in the message delivered to the various interest groups. The presentations were not intended to cover detailed issues that were more appropriately addressed at planned seminars, but to build awareness and to sensitize persons about the impending change.

Create a central message for the membership

Strategic Action: The Institute developed a clear and decisive message with a central theme prepared specifically for the Institute's leadership and the general membership. The message focused on the compelling reasons for adopting IFRS as of the targeted implementation date, the steps being taken to ensure a successful transition process and the benefits to be derived.

Sensitize Ministers of Government with responsibilities for Commerce and Inland Revenue

Strategic Action: Specific meetings were arranged with these Government Ministers to outline the Institute's plan to adopt IFRS and the benefits to be derived.

Inform IASB of the Institute's intent to adopt IFRS

Strategic Action: A process of communication was established with IASB to advise them of the Institute's plan and to negotiate favorable prices and secure supplies of Handbooks, updates, and online access to relevant material.

Host strategic forums with key business leaders as part of the on-going education program

Strategic Action: Meetings were arranged with business leaders aimed at communicating the Institute's action plan and sensitizing them about changes that will

be required within their organizations and the associated costs that would be necessary to implement the change.

Inform Regulators and Relevant Government Agencies

Strategic Action: Meetings were arranged with the Inland Revenue and other regulatory agencies to sensitize them about the proposed change and the likely implications. Additionally, an agreed training program for their key staff was developed. This program was aimed at educating them about key IFRS issues and the expected changes in the financial reporting framework.

Another objective of this effort was to deepen their understanding of potential conflicts that would result from the change, and to seek their cooperation in effecting relevant regulatory changes necessary to facilitate a harmonized reporting environment.

Ensure the support of local accounting firms

Strategic Action: All the leading and key SME firms were strategically represented on the Accounting Standards Committee. As part of the strategy to ensure support by the firms for the adoption of IFRS, decisions taken at the Committee-level were expected to be communicated to the accounting firms by these representatives on the Committee for action.

The accounting firms were also encouraged to assist by guiding and monitoring their clients in converting to the standards. Firms also held training sessions for their staff, client and other interests on IFRS application issues.

TASK-DRIVEN ACTION PLAN

Arising from the Country Action Plan, a task-driven action program was developed to cover the period leading to implementation and the period thereafter.

The program was designed to provide a template of the activities to be carried out and the timeline within which they should be achieved.

The following are the actions carried out as part of this program:

- A consultative group was appointed to act as a “panel of experts” or resource team to serve as leaders and facilitators in addressing the issues and concerns of members and interest groups.
- A budget for the implementation of the conversion program was formulated and funding was secured.

TOOLS AND RESOURCES

- A publicity and education program was strategically developed and implemented on a phased basis.

With the guidance of the Public Relations Officer, a carefully designed publicity program was developed and implemented over a fifteen-month period. The campaign included identifying key persons to prepare articles on IFRS for publication in the media.

Additionally, specific issues were identified and addressed in articles published in the Institute's newsletter for the benefit of members.

Radio interviews were also arranged over the period aimed at informing the Institute's publics about the progress of the implementation.

The interviews were strategic in providing a platform to address the concerns of different interest groups.

- Categorize the IFRS into clusters based on the degree of public education that would be required to familiarize the users with the requirements of the standards

Using the results of the gap analysis, the standards were grouped into the following three categories to adequately determine the level of effort and focus that would be required to ensure proper interpretation and application of each standard:

- Standards for which no local equivalents exist and therefore no compliance was required
- Standards for which local equivalents exist but for which material differences exist
- Standards for which local equivalents exist and for which substantial or full compliance was required

Working in collaboration with the Continuing Professional Education Committee of the Institute, a number of training seminars and workshops were organized over the period leading up to and beyond the implementation date of 1 July 2002. Some of the workshops were conducted by highly recognized trainers from the UK, with the support of local IFRS experts.

At least four seminars were held in the first year. These seminars were organized to benefit Chief Executive Officers (CEOs), other non-financial directors, regulators, inland revenue agencies, educators and financial and accounting personnel, including practitioners.

In the second year, the focus of the workshops was to provide hands-on training in applying the standards

Seminar participants were also sensitized about the availability of the consultative “panel of experts” to assist persons requiring guidance in interpreting and applying the standards.

The public education strategy also included the conversion of a model set of financial statements that were created on the basis of local accounting standards to IFRS compliant financial statements utilizing detailed guidance notes prepared for the purpose of:

- Promoting the effort to legislate the requirements for companies to prepare their financial statements using accounting standards promulgated by the Institute
- Liaising with accounting firms and sector interests.

A system was established to facilitate communication with listed companies. These companies were at risk of not completing the conversion of their financial statements to IFRS to ensure that they were compliant by the reporting date.

A series of meetings were held with regulators including the Jamaican Stock Exchange to seek their support in granting extension where determined to be appropriate to companies that experienced undue delays in meeting the regulated reporting deadlines.

The Institute also granted a three month extension to listed companies to become IFRS compliant.

The Institute organized training workshops to specifically address challenging aspects of the standards and assist in the effective transition from local standards to IFRS. A program of ongoing hands-on training was established to ensure broad based understanding of the standards, proposed changes as well as new standards.

The Institute also placed significant emphasis on the review of financial statements to ensure that there was ongoing compliance by companies with the standards. Consultative guidance to members was provided on an ongoing basis as well.

In order to ensure sustained awareness of IFRS all students sitting affiliated qualifying examinations were required to include IFRS as one of their qualifying courses. Through the cooperation agreement with the IDB, the Institute had been increasing its IFRS training program:

- Conduct training workshops to coincide with the period when firms would be preparing financial statements
- Identify institutional or environmental gaps

A review of the conflicts with the requirements of certain standards within the context of our emerging market was carried out. The conflicts included the discount rate to be

TOOLS AND RESOURCES

applied in valuing employees' obligations under IAS 19, and applying the appropriate interest rate based on as stipulated in IAS 39.

The Institute had a number of discussions with Bloomberg of New York to be aimed at having them build a yield curve for Jamaican investment securities.

- Develop a "train the trainer" program

The 'train the trainer' program was organized to conduct regular training workshops and to ensure that the process of public education is sustainable.

CONCLUSION

The Institute is gratified by the results of the conversion program it undertook by changing from local GAAP to IFRS. The results have been manifested, inter alia, in the significant improvement of financial statement disclosure and enhanced clarity in published reports.

The improved quality of financial reporting has been a basis for a higher level of investor confidence in companies' financial reports.

Most companies have been successfully preparing their financial statements using IFRS and have been able to compare their financial performance more accurately. Similarly, regulators, lending institutions, monitoring agencies and financial analysts are better able to assess the performance of companies across industries.

The success of the Institute's strategy for migrating to IFRS is attributed in part to its commitment to the change and level of detailed planning which was a critical component of the exercise.

IFAC POLICY POSITION—IFAC’S SUPPORT FOR A SINGLE SET OF AUDITING STANDARDS: IMPLICATIONS FOR AUDITS OF SMALL- AND MEDIUM-SIZED ENTITIES

This IFAC Policy Position sets out IFAC’s views that the International Auditing and Assurance Standards Board’s (IAASB) International Standards on Auditing (ISAs) are designed to be applicable to the audits of entities of all sizes around the world. If auditors intend to issue an ISA audit report, they must comply with all the ISAs. The Policy Position encouraged the establishment of ongoing processes for adoption of ISAs at the national level. The Policy Position can be accessed by clicking on the following link:

www.ifac.org/publications-resources/single-set-auditing-standards-audits-small-and-medium-sized-entities

All IFAC Policy Position papers are frequently updated. Their latest version should be accessed from the IFAC website.

IFAC TRANSLATION POLICY

SAMPLE TRANSLATION PLAN

When an organization wishes to reproduce, or translate and reproduce publications or standards issued by IFAC, it must first submit a written Permission Request to: permissions@ifac.org as the basis for drafting an appropriate agreement with IFAC. The Permission Request includes required information as set out in the appendix of the applicable policy.

A sample permissions request and translation proposal can be accessed at:

www.ifac.org/about-ifac/translations-permissions

The applicable policy will depend on whether the organization wishes to reproduce, or translate and reproduce an IFAC publication, or whether it wishes to translate and reproduce a standard issued by IFAC.

The applicable IFAC policies can be accessed on the IFAC website:

- IFAC Publications: Policy for Reproducing, or Translating and Reproducing, Publications Issued by the International Federation of Accountants – December 2008: www.ifac.org/about-ifac/translations-permissions
- Translation and Reproduction of IFAC Standards: Policy for Translating and Reproducing Standards Issued by the International Federation of Accountants – December 2008: www.ifac.org/about-ifac/translations-permissions

The key difference between the two policies is that the IFAC Policy for Translating and Reproducing Standards Issued by the International Federation of Accountants – December 2008 sets out specific objectives related to translation of standards, e.g. to :

- Encourage one quality translation of the standards per language
- Achieve a faithful translation
- Achieve a timely translation
- Ensure the translated standards are regularly updated

This policy establishes criteria for an organization to become a 'translating body'. Furthermore, it sets out a specific translation process that should be followed, involving a principal translator, review committee members and translators appointed by the translating body. IFAC staff may, at its discretion, elect to perform a high level quality review of the translation of the standards.

Final copies of publications as well as lists of key terms (for translations) should be provided to IFAC.

Both policies recognize that IFAC strives to make its publications widely available, but at the same time wishes to protect its intellectual property rights. Both policies have specific procedures for requesting permission from IFAC to reproduce, or translate and reproduce material by contacting permissions@ifac.org and for including appropriate copyright acknowledgements in the publications.

STANDARD TRANSLATION AGREEMENT

An organization wishing to reproduce, or translate and reproduce any final IFAC publication, including standards, is required to enter into a written agreement with IFAC. The first step, as mentioned above, is to request permission by contacting permissions@ifac.org and providing relevant information as per the applicable IFAC policy.

If IFAC considers it appropriate to grant the requested permission, IFAC will prepare an agreement based on the information in the permission request. The agreement will be in English and signed by IFAC and the interested party.

ACTION PLANS FOR SMOS SUBJECT MATTERS

This section provides general guidance on how to develop Action Plans for matters related to IFAC SMOs. It also includes illustrative Action Plans.¹

The sub-section on SMO 2, *International Education Standards for Professional Accountants and Other IAESB Guidance* provides specific guidance on how to specifically develop an Action Plan for establishing a Continuing Professional Development (CPD) system.

GUIDANCE ON DEVELOPING ACTION PLANS

ACTION PLANS

Developing a coherent, well organized plan to address specific issues and challenges is key to any successful project to establish and develop a professional accountancy body. This section provides broad guidance regarding developing action plans which can be adapted to a range of projects and situations. An example of an action plan implemented by a professional accountancy body is also provided as a practical example.

The process of developing and monitoring an action plan involves the following 6 key steps:

- Identify the issue, challenge or problem
- Evaluate the issue
- Create goals
- Construct action steps
- Formalize the action plan
- Monitor the action plan

IDENTIFY THE ISSUE, CHALLENGE, OR PROBLEM TO BE ADDRESSED

The purpose of an action plan is to organize and develop solutions to address a specific issue, challenge or problem. The challenge could range from the lack of an appropriate quality assurance review program to creating a strategic plan for the growth of your organization. The first step is to identify the issue or problem to be addressed. It is important to identify this in the broadest context, so all aspects of the problem can be

¹ All illustrative action plans included in this document are entirely fictitious.

evaluated. This guidance will also be useful to IFAC members and associates in developing action plans for the Part 3 – Action Plan process. The Part 2 — SMO Self-Assessment Questionnaire will be one source for identifying issues related to professional standards and guidance.

EVALUATE THE ISSUE

Next, re-examine the list of issues and begin to prioritize those items that require the most urgent attention. One should keep in mind that education, ethics and enforcement are particularly important in establishing a robust professional organization. Furthermore, areas impacting the public interest should also be considered as high priorities.

Once this is done, the next step is to evaluate the issues objectively and thoroughly. Evaluate the issues in relation to five primary areas: background, need, constraints, resources available, and resources needed.

Background refers to the history of the issue/challenge, including the cause and other individuals and programs that have tried to address it. If there is unfamiliarity with the issue, this may take a little research. However, based upon what is already understood, consider what the history of this issue is in the given context.

Need has to do more with solutions to the issue or challenge. Essentially ask: “What needs to happen to effectively address this issue?”

Constraints are those factors that keep one from addressing the challenge. They might include lack of time, money, knowledge about the issue, volunteers, etc. Brainstorm a list of possible restrictions.

Resources available are those resources that are easily and readily available and accessible right now to address the issue.

Resources needed are those resources that are not easily, readily available or accessible right now to address the challenge.

CREATE GOALS

Goals function as a kind of thesis statement for the action plan. They explain exactly what the intended tasks will be in order to fulfill the mission. Keep in mind that effective goals are action oriented, clear (who, what, where, by when), and are directly related to the problem. They should be:

- Specific
- Measurable
- Achievable
- Realistic

TOOLS AND RESOURCES

- Time-bound

CONSTRUCT ACTION STEPS

Essentially, the action steps are a realistic list of solutions and activities that will address the challenge, thus fulfilling the goals and working to achieve the mission. But to develop the action steps, one must first brainstorm a list of possible solutions using background evaluation earlier developed. Mainly, keep in mind the need, constraints, resources available, and resources needed assessment.

Next decide:

- Who will be responsible for coordinating or carrying out the action?
- What is the time frame in which that action should occur?
- What is the intended outcome of the action or how will progress be measured?

FORMALIZE THE ACTION PLAN

Now arrange the plan into a formal document that can easily be distributed to those in the organization or anyone interested in knowing these plans. A template for a formalized action plan is included on the next page.

MONITOR THE ACTION PLAN

Determine which individual or group responsible for governance of the organization will routinely monitor progress toward the goals/measures. Be sure to include timing, the group or individual/ who will monitor progress, and how and to whom progress will be reported.

ACTION PLAN TEMPLATE

DESCRIPTION OF THE TEMPLATE COLUMNS

For more detailed and updated guidance, please refer to the Guidance Notes on the Part 3, Action Plans available from the Compliance Program website at

www.ifac.org/about-ifac/membership/compliance-program

When drafting Action Plans, members and associates are required to use the template. In summary, the three main information columns (Actions, Responsibility, and Resource) should indicate the following information:

Actions column should indicate steps to establish key committees or seek funding / resources to carry out the planned activities as well as description of the key activities. It should also include key governance steps like approval by the Council.

Responsibility column should indicate the person / position responsible for carrying through specific action, for example president, CEO or committee chair.

Resource column should indicate those specific resources [human and financial] that are required to carry out the action. In many cases those resources already exist at the organization (for example, technical staff, volunteer members of the Council and committees) and are part of the normal operation of the organization. Where there is some additional resource needed, please indicate the cost (at least the estimate) and whether external funding will be sought. Also where an action requires use of consultants (designing the processes, etc.) it should be also indicated in this column.

ACTION PLAN TEMPLATE²

Professional Body: [Name of Organization]

Action Plan Subject: [Provide a description of the programs, mechanism or process addressed by this Action Plan]

Approved by: [Name of the governing body that approved this Action Plan e.g. Council, Board]

Approval Date: [Date approved by governing body]

#	Start Date	Actions	Completion Date	Responsibility	Resource
[Insert a subhead to group actions where several areas of improvement are addressed and/or any new developments]					
		[ADD ADDITIONAL ROWS AND SUBHEADS AS NECESSARY]			
Maintaining Ongoing Processes					
		[INDICATE WHAT ACTIONS MAY BE REQUIRED IN THE FUTURE TO FURTHER IMPROVE ESTABLISHED PROCESSES AS WELL AS THE NEED TO REGULARLY			

² The updated template should be accessed on the IFAC website (www.ifac.org).

#	Start Date	Actions	Completion Date	Responsibility	Resource
		REVIEW AND UPDADE ACTION PLAN AS NECESSARY]			
Review of ORGANIZATION's Compliance Information					
		[INDICATE THE NEED TO PERFORM PERIODIC REVIEW OF RESPONSES TO THE IFAC COMPLIANCE SELF-ASSESSMENT QUESTIONNAIRES AND UPDATE SECTIONS RELEVANT TO RELEVANT SMO. ONCE UPDATED INFORM IFAC COMPLIANCE STAFF ABOUT THE UPDATES IN ORDER FOR THE COMPLIANCE STAFF TO REPUBLISH UPDATED INFORMATION.]			

ACTION PLAN AND SMO 2

ACTION PLAN SMO 2 AND WORK PROGRAM—DEVELOPMENT OF A CPD PROGRAM

Developing a coherent, well organized plan to address specific issues and challenges is essential to the success of any accountancy development activity. The required actions, planned timetable, responsibilities and resources are often set out in the action plan with another document such as a work program setting out much more detailed and specific actions and tasks.

The following example Action Plan and the related work program focus on the IFAC Statement of Membership Obligation (SMO) 2, *International Education Standards for Professional Accountants and Other IAESB Guidance*, and specifically the development of a Continuing Professional Development (CPD) program. As background information, professional accountancy bodies should also refer to IES 7, *Continuing Professional Development: A Program of Lifelong Learning and Continuing Development of Professional Competence*, to understand requirements established by IFAC's International Accounting Education Standards Board.

Professional body: Institute of Professional Accountants of Erehwon (IPAE)

Approved by Governing Body: 6 / 2008 IPAE Council (Date Month / Year)(Approved by)

Action plan Subject: Develop and implement a continuing professional development program based on IES 7 and IEP 2.

Start Date	Actions	Completion Date	Responsibility	Resource
1/1/2008	Under authority of the Council of IPAE establish CPD Steering Committee to be responsible for the development of an Action Plan and work program for the development of the IPAE CPD program.	1/15/2008	Chairman and CEO of IPAE	Chairman and 11 members
1/1/2008	Obtain a detailed understanding of CPD requirements and the processes to support a CPD program: Contact IFAC member Institute of Certified Public Accountants of Basco (ICPAB) to understand how they developed and implemented their CPD program Request a copy of ICPAB's translation of IES 7. Agree to work with ICPAB on the translation of IEP 2.	1/15/2008	CPD Steering Committee	Chairman and 11 members
1/1/2008	Identify the technical and financial resource requirements and perform an initial	1/15/2008	Chairman and	Chairman and 11 members

TOOLS AND RESOURCES

Start Date	Actions	Completion Date	Responsibility	Resource
	assessment of available resources and needed resources.		CEO of IPAE	
1/15/2008	Establish a communications plan for announcing proposed CPD program to members and outside stakeholders throughout the development process.	1/30/2008	Chairman and CEO of IPAE	Chairman and 11 members
2/1/2008	<p>Begin developing the work program:</p> <p>establish priority topics and size of market,</p> <p>identify providers of CPD courses (trainers) and other training materials;</p> <p>decide whether initial CPD program will be voluntary or mandatory;</p> <p>decide whether program will include all members or certain sectors; prepare business plan and identify available and potential resources to implement CPD program</p> <p>[Note: the work program will set out the scope of initial CPD program, based on agreed priority areas, market size, availability of resources, etc. See further below for the illustrative program]</p>	5/31/2008	CPD Steering Committee and senior staff of IPAE	6 meetings of Steering Committee and side meetings with outside stakeholders and members, to establish CPD needs and priorities and identify potential CPD providers [Note: potential providers may include practicing members of IPAE, professional accountants and other professionals in business and public sector, academics, professionally qualified staff of IPAE, other members of IFAC and commercial trainers]
6/1/2008	Prepare a proposal to Council/Board which	6/15/2008	Chairman of	Proposal to Council/Board will

Start Date	Actions	Completion Date	Responsibility	Resource
	sets out the objectives and outcomes of the CPD program		IPAE and Steering Committee	include scope (number and outline content of course), nature (voluntary or mandatory) and application of CPD regime (to all members or to certain sectors) with work program and outline timetable for roll out of CPD program
6/15/2008	Present proposals to Council of IPAE for approval in principle, subject to preparation of action plan.	6/15/2008	Chairman of IPAE and CEO of IPAE	Presentation to Council/Board
6/16/2008 and ongoing	Communicate plans for the development of a CPD program and provide ongoing communication about the progress made during the development phase until the implementation phase.	6/16/2008 and ongoing		
7/1/2008	Issue media release under authority of Council/Board announcing commencement of CPD program September 2009	7/1/2009	Steering Committee and senior staff of IPAE	See Work Program
2/27/2009	Ongoing reporting of results to Council	3/31/2009 and every 6 months	Chairman of IPAE	Steering Committee and Senior staff of IPAE

EXAMPLE WORK PROGRAM

Professional body: Institute of Professional Accountants of Erehwon (IPAE)

Action Plan Subject: Develop and implement a continuing professional development program based on IES 7 and IEP 2.

Date	Action	Objective	Completion Date	Responsibility	Resource
10/1/2008	Invite tenders from commercial providers and/or agree prices with other providers for provision of agreed courses and other training materials; agree course content and methodology (face to face/distance learning)	Identify cost of provision of specific number of courses and other materials, identify providers and training methodology	12/1/2008, with target date 12/1/2009 for commencement of CPD courses	Steering Committee and senior staff of IPAE	Steering Committee and senior staff of IPAE – preparation of documentation, meetings with potential providers, etc.
12/1/2008	Article in IPAE Journal/letter from Chairman of IPAE to every member, advising 12/1/2009 commencement of voluntary CPD program in core subjects – ethics, accounting, auditing and tax updates, implementation of IFRS and ISA, with plans to introduce a mandatory	Target of 50% of practicing members and 25% of members in business and public sector undertaking CPD by 12/1/2010	12/1/2009	Chairman and CEO	Chairman and CEO

Date	Action	Objective	Completion Date	Responsibility	Resource
	scheme for practicing members effective 1/1/2011 and to extend program to all members with effect from 1/1/2012				
1/1/2009	Establish CPD Administrative unit in IPAE; prepare and issue CPD program with details of courses and price list to membership; invite subscriptions (season tickets/single course reservations); issue logbooks to all members who subscribe to a course	Provide a mechanism to administer the CPD program and encourage membership to attend CPD courses and buy other training materials and to record their formal and informal CPD commitment	12/1/2009 and ongoing	CEO	Two new IPAE staff – one managerial (Director of CPD) and one administrative assistant, using existing Finance function of IPAE
3/1/2009	Article in IPAE Journal reporting progress and inviting experienced members of IPAE to offer their services as CPD trainers [The article might report that another IFAC member Body has agreed to provide training of potential IPAE trainers and an initial block of courses in core subjects during first	Develop membership interest in and commitment to CPD, provide material for informal (reading) CPD through IPAE Journal, encourage membership	9/1/2009 and ongoing	Chairman, CEO and Editor of IPAE Journal	Chairman, CEO and Editor of IPAE Journal

TOOLS AND RESOURCES

Date	Action	Objective	Completion Date	Responsibility	Resource
	half of 2010, that the Erewhon Ministry of Finance will meet CPD costs of members of IPAE in Government Service and that one of the major firms operating in Erewhon is contributing expertise in audit and tax updates in IPAE Journal for informal CPD]				
5/1/2009	Review response of membership to CPD courses; identify the needs of members in finance, commerce and industry (F, C & I) through correspondence in the Journal of IPAE, focus groups, etc. and develop new courses for such members – e.g. business ethics, corporate governance, function of audit committees; consider courses for non-members, such as company directors and board members. Invite members in these sectors	Extend commitment to CPD to members in non-practicing sectors, through the provision of bespoke CPD and other materials; encourage professional discussion through focus groups; encourage informal CPD and submission of educational articles on F, C & I subjects and issues; encourage F, C & I members to act as trainers	Ongoing	F, C & I representatives of the CPD Steering Committee and other volunteers, Chairman and CEO	Volunteer input, cost of focus group and other meetings

Date	Action	Objective	Completion Date	Responsibility	Resource
	to submit articles to the Journal and act as trainers, in part fulfillment of their CPD commitment; issue CPD logbooks to interested F, C & I members.				
12/1/2009	Commencement date of first CPD Courses; all in attendance at all courses to be issued with assessment and suggestions forms for review by the Director of CPD and the Steering Committee; CEO and Director CPD consult public sector representatives and other stakeholders	Quality control of CPD courses and other materials, to ensure that CPD meets needs and encourages CPD commitment among members. Obtain suggestions for new courses from participating members. Director of CPD to review and take action and to report to the CPD Steering Committee for progress review 3/1/2010	3/1/2010 and ongoing	CEO and Director CPD	CEO and Director CPD
3/1/2010	Review by CPD Steering Committee of progress to date; development of new CPD courses; development of plans for consultation with employers and senior/managing partners of firms during remainder of	Measure success of first ¼ year of CPD program, assess take up rate and ensure that the number and quality of staff in the CPD Unit is adequate for ongoing process.	3/1/2010 and ongoing – next review 6/1/2010	CEO and Director CPD CPD Steering Committee	CEO and Director CPD CPD Steering Committee

TOOLS AND RESOURCES

Date	Action	Objective	Completion Date	Responsibility	Resource
	year 2010, to confirm the relevance and efficacy of CPD; Review adequacy of staffing of CPD Unit of IPAE, in light of CPD take up. Progress report to membership through Journal	Report to Council/Board			
6/1/2010	Discuss the establishment of a process of measurement of CPD learning or outcomes and a verification process, based on IES 7 AND IEP 2; develop processes during second half of 2010. Self-certification and sample monitoring to be considered, as this is the least resource intensive process. Liaison with the investigative and disciplinary unit of the IPAE, to establish referral and punishment of non-compliant members. Letter to membership with information on above matters, in preparation for	Preparation for introduction of mandatory CPD for Practicing members effective 1/1/2011 and for all members effective 1/1/2012 and update of members.	6/1/2010 and ongoing	CEO and Director CPD CPD Steering Committee and Head of Investigation and Discipline	CEO and Director CPD CPD Steering Committee and Head of Investigation and Discipline

Date	Action	Objective	Completion Date	Responsibility	Resource
	introduction of mandatory CPD				
12/1/2010	Report to Council/Board with details of measurement, verification and disciplinary processes relevant to mandatory CPD for approval. Information packs, log books and other documentation to practicing members for launch of mandatory CPD 1/1/1011	Obtain authority of Council/Board for commencement of mandatory CPD for practicing members and inform membership of detail of scheme	21/1/2010 and ongoing	CEO and Director CPD CPD Steering Committee	CEO and Director CPD CPD Steering Committee
1/1/2011	Launch of mandatory CPD regime for practicing members 1/1/2011; Throughout 2011, ongoing reviews of progress, preparation of measurement, verification and disciplinary processes for other members ready for extension of mandatory CPD to all members; ongoing consultation with non-practicing members, employers and outside stakeholders, to ensure	Ensure efficacy of existing CPD regime; preparation for monitoring of CPD compliance as of 1/1/2012 and for extension of mandatory CPD to all members.	1/1/2011 and ongoing	All above	All above

TOOLS AND RESOURCES

Date	Action	Objective	Completion Date	Responsibility	Resource
	ongoing relevance and efficacy of CPD courses, etc.; regular reports to Council/Board; periodic review of adequacy of CPD staff				
12/1/2011	Report to Council. Information packs, log books and other documentation to all members for launch of mandatory CPD for all on 1/1/1012	Ensure smooth transition to mandatory CPD for all members	1/1/2012 and ongoing	All above	All above
1/1/2012	Introduction of universal mandatory CPD. Commencement of monitoring and issuance of requirements to defaulting members to make good any shortfall in CPD during 2012.	Introduction of lifelong learning requirement for all members. Commencement of fair and effective monitoring and follow-up of non-compliant members, designed to enforce compliance and foster a culture of renewal and development of professional knowledge and competences.	1/1/2012 and ongoing	CEO and CPD Unit	CEO and CPD Unit
1/1/2013	Commencement of	To ensure respect for the	1/1/2013	CEO and CPD	CEO and CPD Unit

Date	Action	Objective	Completion Date	Responsibility	Resource
	disciplinary proceedings against any non-compliant members who have failed, without reasonable cause to meet catch up and other requirements. Penalties should include suspension of and removal from membership.	CPD process and to gain and maintain public confidence in the Institute and the profession.		Unit Investigative and Disciplinary Processes	Investigative and Disciplinary Processes

ADDITIONAL NOTES ON THE PREPARATION OF AN ACTION PLAN FOR CONTINUING PROFESSIONAL DEVELOPMENT

INTRODUCTION

These notes are designed to help professional bodies to prepare an action plan to establish and administer a program of mandatory continuing professional development (CPD) for their members based on the requirements of IES 7, *Continuing Professional Development: A program of Lifelong Learning and continuing Development of Professional Competence*. These guidance notes, the action plan and work program are examples only. It is recommended that each professional body should develop and implement its plan in accordance with its operating structure, base it on a realistic timetable and plan the use of resources to ensure that the program maintains momentum and the actions are effectively implemented.

IFAC recognizes that details of the CPD program will vary from country to country, although there may be significant commonality approach.

FIRST STEPS

Professional bodies that do not have a CPD program, or who wish to expand or update an existing scheme to further address the requirements of IES 7, should:

- Translate IES 7 and International Education Paper (IEP) 2, *Towards Competent Professional Accountants* into the operating language of the country in which they are based and review their requirements with care;
- Form a committee, referred to here as the “steering committee” to be the responsible for preparing and overseeing implementation of the action plan. Ideally, the committee should include individuals from different sectors of the accounting and auditing profession, academia and other education and training providers, and relevant members of staff from the professional body. Government or other agencies that participate actively in the education requirements, registration and oversight of the profession should be represented in the committee;
- Obtain guidance from the IFAC International Accounting Education Standards Board staff on any initial points of difficulty in IES 7 and IEP 2; and
- Ask another IFAC member who has already implemented IES 7 for help in preparing and implementing the action plan. Major firms operating in the jurisdiction may also be prepared to offer guidance on the content and provision of CPD. These major firms often have the benefit of mature training departments and, as a result, national partners of such firms are likely to have significant experience in educational and training processes.

PLANNING AND IMPLEMENTATION

The purpose and general concepts of CPD are set out in paragraphs 1 to 12 of IES 7. These are fundamental and should form the basis of the CPD scheme.

The concept of promotion by the professional body of lifelong learning is set out in paragraphs 14 to 16 of IES 7. A CPD scheme will be more effective if individual professional accountants and auditors appreciate the benefits they and their professional body will derive from the scheme. Professional bodies who are establishing a CPD scheme for the first time or who are updating or expanding an existing scheme may find it useful, at an early stage in the process, to explain the benefits of lifelong learning to their members. These benefits include:

- The maintenance of professionalism and ethical awareness;
- Increased competence;
- The ability to offer better services to clients, employers and others whom they serve and work with; as well as
- Enhanced status and reputation as members of a responsible and caring profession focused on the public interest.

The professional body, as provider and administrator of the scheme, will also enjoy an enhanced status in the eyes of government, regulators and the public which its members serve. Professional bodies may consider issuing media releases and separately advising authorities of their proposed CPD regime, its objectives and its value to the profession and the public it serves.

Effective marketing of CPD and lifelong learning should also lead individual members to see the process as an investment, rather than a cost. This will enable the professional body to charge appropriate fees for CPD courses and the related administrative costs, to ensure that, as a minimum, a break-even position is achieved.

ACCESS TO CPD

The duty of professional bodies to provide access to CPD is set out in paragraphs 17 and 18 of IES 7.

In countries where CPD is new to the professional body and the profession, identifying suitably qualified providers can be a particular challenge. As the market for CPD increases, new educational providers will be established. Initially, however, the professional body may have to resort exclusively to experienced practitioners and academics from within its own membership to provide CPD courses and materials. Major firms operating in the jurisdiction may also be in a position to provide assistance in this area. In cases where CPD relates to regulatory provisions and other legislation relevant to the profession, representatives of the regulator and or government may be prepared to provide courses, to ensure that their pronouncements are understood and implemented.

The problem of sourcing an adequate supply of CPD teachers and trainers increases if the professional body attempts, in the early stages, to meet the full requirements of paragraphs 19 to 21 of IES 7. IFAC recognizes that, in these early stages, it may be necessary for the professional body to limit subject matter of CPD to areas of particular importance to the public interest, sometimes described as ‘high risk’ areas. It is essential that competences be maintained, skills developed and knowledge updated in regulated areas, such as audit. Similarly, particular attention should be paid to on-going refresher courses and updates in professional ethics. As the professional body develops capacity and the market brings new providers on stream, the scope of CPD should be extended to cover professional accountants in all sectors.

It is better for a professional body that is in the early stages of developing a CPD regime to provide a smaller number of high quality courses, rather than to risk any dilution of quality in an attempt to provide a wider spectrum of courses.

RELEVANCE

Paragraphs 22 to 25 of IES 7 cover this topic.

It is important that professional bodies consult with their members to identify their needs and priorities. The professional body will have its own priority areas, but it is essential that individual members feel that the CPD program covers areas that are important and relevant to them. Members in particular specialties may be encouraged to establish special interest groups. Such groups promote discussion of best practice and can assist the professional body in providing CPD in their particular spheres of interest. The same process can be achieved by groupings of practitioners, public sector and academic accountants, which can serve as advisory roles to the professional body and provide teachers and trainers as the profession develops. Professional bodies should also consult with outside stakeholders, such as regulators and employers, to ensure that the courses and other materials provided are perceived as relevant and comprehensive.

The emphasis of CPD programs will vary from country to country and should, in general terms, reflect the spread of the profession as between the private and public sectors. The profile of the profession in highly developed economies is likely to be very different from that in emerging and transition economies, and the content and emphasis of CPD programs should reflect such differences if they are to be seen as relevant. Discussion with regulators and others who use the services of professional accountants may reveal hotspots of inadequate professional services, which might be addressed by focussed CPD.

VOLUNTARY TO MANDATORY CPD

IES 7 requires professional bodies to establish a mandatory CPD program for all members linked with the right to remain in membership.

In countries where the accounting and auditing profession is well established, it has long been recognized that the profession has a responsibility to ensure that professional

accountants continue to develop and maintain the competence demanded by their professional roles and the users of their services. Until relatively recently, the view was that a voluntary CPD requirement was sufficient to meet this responsibility. In recent years, there has been an increasing acceptance that a mandatory process is more effective from the standpoint of the profession and that it gives greater assurance to the public that the profession is meeting its obligations in this regard. One of the risks of a voluntary process is that those individuals who most need CPD may use pressure of work as an excuse not to attend courses and undertake other studies. Similarly, employers who do not understand the value of CPD are sometimes reluctant to allow their accountant employees time to attend courses. Mandatory CPD deals with these risks and ensures that all professional accountants undertake CPD at an appropriate level. As noted above, the professional body should communicate the importance of CPD not just to its members but also to employers and regulators.

IES 7 makes it clear in Paragraph 43 that mandatory CPD requires professional bodies to put in place a systematic process to monitor whether professional accountants meet the CPD requirements and provide for appropriate sanctions for failure to meet the requirement, including failure to report or failure to develop and maintain competence.

IFAC recognizes that the establishment of monitoring and enforcement processes may be difficult for professional bodies in the early stages of development. Accordingly, it is accepted that a professional body might, as an initial step, establish a system of voluntary CPD with a plan to make it mandatory. This would save the professional body the time and expense of establishing monitoring and enforcement processes at the outset and enable an early commencement of the CPD process.

An additional advantage of this approach in the early stages is that the profession has time to buy into the concept of CPD and lifelong learning and can inform and assist the professional body in the development of a mandatory process going forward. If a sense of ownership can be developed among members of the body, quality control measures can be developed with the assistance of members, to ensure that the CPD being provided is relevant to needs and effective in meeting its objectives. Members who enthusiastically participate in a voluntary scheme will also be ready to assist in developing monitoring and enforcement processes in preparation for the introduction of a mandatory process.

Similarly, the initial scheme might provide for a lesser number of hours or equivalent learning units in the initial stages with a plan for staged increases. This would save initial pressure on the professional body and enable it to identify an adequate number of well qualified providers and to increase the scope and application of its CPD program over a planned period.

The professional body must have a long term strategy of strengthening its membership requirements so that CPD becomes mandatory. Appropriate transitional arrangements and timetables may be necessary during the change period.

MEASUREMENT, VERIFICATION AND CPD APPROACHES

These areas are dealt with, in detail, in paragraphs 26 to 42 of IES 7, with further examples in the Appendix to the Standard. Once the CPD scheme is established, attention can be given to these areas.

MONITORING AND ENFORCEMENT

IES 7 makes it clear that a mandatory CPD process requires effective monitoring of compliance and enforcement of the obligations of members, with appropriate sanctions. Paragraphs 43 to 55 of IES 7 contain detailed requirements and guidance in this area, which ultimately depends upon the legal and environmental conditions in each country.

OUTLINE PROCESS FOR DEVELOPMENT OF ACTION PLAN

Arrange for translation of IES 7 and IEP 2.

Establish a responsible committee (referred to as the “steering committee”). Membership should include President of the professional body or other influential senior member as chair and spokesman, representatives of main sectors of the profession, accounting academic and other education/training provider, and a representative of government or regulator.

At an early stage, establish a communications process to ensure that the membership is kept informed of progress and to ensure membership buy-in. Also, consider similar process for periodic media releases and delivery of information to government, regulators and other stakeholders. Plan and hold meetings with members to discuss implementation and to encourage member participation.

Steering Committee should study and review annually IES 7 and IEP 2 followed by discussion and a decision on approach to formulation and the implementation of an action plan, including timeline.

Approach another IFAC member for assistance in preparation and implementation of an action plan or, at a minimum, to learn about the IFAC member’s experience in establishing a CPD program.

Consider what resources are available or can be made available to implement the action plan. Matters for consideration will include:

1. Size of potential market
2. Availability of highly qualified teacher/trainers (Academia, professional body, practitioners, government/regulatory departments, major firms, etc.)
3. Scope and number of CPD courses to provide (national profile of profession, relevance, etc.)

4. Teaching methodology – face to face and/or distance learning
5. Short term achievability of measurement and verification processes, and an effective monitoring and enforcement process
6. Achievement of financial viability – fee structure, firm-by-firm and corporate levy, government or outside grant assistance, membership subscription, etc.
7. Prepare business plan for submission to the Council/Board of the professional body.

In light of 6, consider and decide:

- If voluntary or mandatory CPD will be implemented. If voluntary, decide on a timetable for transition to mandatory CPD
- Application of the CPD scheme – whether to all members or to certain sector(s) only. If limited application, decide on a timetable for transition to all professional accountants in membership.
- Prepare an action plan with a full timetable of deliverables for approval of the council/board of the professional body.
- Publish the action plan and proceed to its implementation in accordance with the agreed timetable.

DEVELOPING AN ACTION PLAN AND SUGGESTED TIMETABLES

This section adds some detail to the outline process for the Development of Action Plan above and suggests alternative approaches and indicative timetables for the development and implementation of the action plan.

Each professional accountancy body has its own challenges, depending on its size, the level of its financial and human resource, the stage of development of the profession and the economic and cultural environment in which it operates. Although larger bodies are generally better resourced, individual members of small bodies can have the advantage of a stronger collegiate spirit and a greater readiness to give something back to the profession. Even the wealthiest and longest established professional bodies rely heavily on the willingness of their own members to contribute to their ongoing work and the secret for all bodies is to win the loyalty of the membership and make full use of this resource.

Above all, it is necessary for the body that is developing a new CPD regime to create a culture within the profession that welcomes and supports CPD as an essential feature of a responsible profession from the beginning of the development process.

Once the steering committee has reviewed and analyzed IES 7 and IEP 2, it should identify priority areas and develop CPD in those areas in the first instance. Regulated professional activities and other high risk and public interest functions, such as audit,

will naturally fall into the high priority category. Mature professional bodies typically provide a very wide range of CPD courses, specialist seminars, conferences and other products to meet the diverse needs of the various sectors of the profession. For bodies in earlier stages of development, the prime objective should be to identify the priority topics and start with a small and manageable number of courses in key areas.

As part of this process, the CPD steering committee should develop a dialogue with a representative group of members and communicate more widely with the membership through the journal or newsletter. A communications program for outside stakeholders should also be developed. The objectives of this process are:

- To explain the vital importance of CPD in maintaining and developing competences and helping the membership to deal with common problems;
- To deliver a message to government, regulators and other stakeholders that the accounting and auditing profession takes its responsibilities seriously and to obtain feedback on problem areas identified by regulators and other stakeholders;
- To deliver a message to the membership that increased knowledge and competence improves profitability and employment prospects; and
- To obtain feedback from the membership on the problems and CPD needs of each sector of the profession, so that CPD is designed to meet these needs.

This is a continuing process that will form an important part of the body's quality control process, once the CPD regime is established. CPD will be most effective if the members consider all courses and other materials issued to be an essential component of their professional development. CPD is a highly important service to the membership and feedback should be a continuing feature, to ensure that the CPD process is meeting the needs of its users and of clients and employers served by the profession.

Outside assistance in course design and content is particularly useful in situations where the body has little or no prior experience of such work. Ideally, an IFAC professional body might work with accounting academics, staff from the body developing the action plan and/or training providers on design and content. In general terms, CPD is weighted more towards practical, rather than theoretical knowledge. It is also essential that CPD courses reflect the laws, regulations and best practice in the country in question. This requires input from well qualified members of the relevant sector of the profession in the country in question. Typically, professional accountants in the employment of the major firms will have experience of CPD and senior partners may be persuaded to offer help and advice and/or provide CPD trainers.

It can be difficult to find an adequate number of trainers to meet CPD needs. It may be possible to address this problem by encouraging practicing members and those working in commerce, industry and the public sector to assume this role. Historically, many of the highly developed accountancy professions around the world used their more experienced members as teachers and trainers of students and young professionals.

What some of them may have lacked in teaching skills was more than compensated by their professional knowledge and skills. Using both professional educationalists and professional accountants can produce a good balance.

It is desirable to launch the first courses as soon as possible. A small number of courses in high priority areas will demonstrate to members and outside stakeholders the determination of the body to provide this essential service in the public interest and the interest of the profession.

In countries where ongoing membership of the professional body and compliance with its rules are a precondition of the professional designation and/or the right to practice or hold employment as a professional accountant, or if the body enjoys a high level of loyalty and support among its members, it should be possible to introduce mandatory CPD from the outset.

Mandatory schemes require effective monitoring and enforcement. This, in turn, requires the body to have an effective investigatory and disciplinary process.

Mandatory CPD has a number of advantages. First, it clearly demonstrates the commitment of the profession and its governing body to professional excellence and protection of the public interest, thus raising the status of both the organization and its members. Secondly, it will create a better educated and trained profession that can pass on its skills to the next generation of professional accountants through the professional body or directly in the place of work.

From the financial stand point, mandatory CPD maximizes the potential market base, making it easier for the body to cover the costs of providing the service. From the stand point of government, regulators and potential providers of grant aid, the commitment to mandatory CPD adds significant value and may be a very persuasive factor in any application by the body for financial assistance. Monitoring and disciplinary processes need not be too burdensome. Self-certification and monitoring by sample can be effective, provided that appropriate disciplinary action is taken in cases where members fail to meet the requirements of the scheme.

RESOURCES AND TIMETABLING

It is difficult to offer more than general guidance on resource requirements and timetabling, since these depend essentially on the size of the body, its financial position, the number of professional accountants, the scope of the profession and the state of development and financial position of the profession. In addition, there are a number of relatively low cost CPD activities that members may be encouraged to take up, including accessing free to air Web sites and local mentoring. The body could provide a portal to such Web sites, and provide advice on mentoring, at relatively low cost.

In terms of resource, a voluntary scheme of CPD will require for each area covered:

- Suitably qualified authors and course compilers;

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- Suitably qualified teachers/trainers/presenters;
- Administrative staff to cover marketing, reservations, venues, collection of fees, maintenance of records, quality control, etc.;
- Written and computer based materials;
- Computers, projection and other equipment.

If the professional body has suitably qualified teaching and training staff, an in-house team can be developed over time. Similarly, the administrative function can be covered by in-house staff, if the body has capacity. Alliances with universities and other training providers can also help to spread the financial load and give access to qualified teacher/trainers. Reference has been made above to using human resource from the membership and from the major firms. Ready-made course and other materials can also be made available by other IFAC members and/or the major firms.

CPD can and should include an element of home study. On this basis, some of the CPD provided by the body can be offered through the pages of the professional journal. The organization can also offer courses through the medium of CD's and DVD's, which allows individuals to study on computers in their firm, place of employment, or at home. This significantly reduces the requirement on the professional body to purchase or lease computers and related equipment.

In addition to the resources outlined above, a mandatory CPD regime requires:

- An administrative and executive resource to monitor compliance and actively follow up defaulters;
- A fair and effective disciplinary process to deal with persistent and recalcitrant defaulters.

Assuming the development of a culture of CPD, the organization should be able to rely largely on returns submitted by individual members, supported by sample monitoring. The most desirable outcome is that defaulters make good any deficit, but those who repeatedly fail to meet their CPD obligations or who fail to respond to requirements to make good deficits must be dealt with and punished meaningfully, with appropriate publicity as a warning to other potential defaulters and as assurance to the public of the integrity of the system.

Once the CPD scheme is up and running, it will become desirable to measure the impact of the courses and materials provided under the scheme. The purpose of this process is to establish whether CPD is producing an improvement in the quality of work delivered by professional accountants who have undertaken CPD. IES 7 gives full guidance on the various methods by which this can be achieved. A full measurement process can be quite resource intensive. In the early stages, feedback from members attending courses, or using materials can give a good indication of the efficiency of the CPD regime and can form a useful basis for reactive change and improvement.

Indicative preliminary and action plans with suggested outcomes and resource requirements are provided the example action plan and work program. The plans include elements that apply to countries where the profession operates in a number of different sectors. These elements should be disregarded by professional bodies, whose members' activities are confined to one sector only.

ACTION PLAN: SMO 3 AND INTERNATIONAL AUDITING AND ASSURANCE STANDARDS

Professional Body:	Institute of Professional Accountants of Erehwon (IPAE)
Approved by Governing Body:	IPAE Council June 30, 20XX
Action Plan Subject:	SMO 3 and International Auditing and Assurance Standards
Action Plan Objective:	To establish and maintain processes for ongoing adoption and implementation of IAASB Pronouncements

#	Start Date	Actions	Completion Date	Responsibility	Resource
Ongoing Adoption of IAASB Pronouncements					
1.	1 October 2008	<p>IPAE Council to expand the responsibilities of the existing Working Party and establish Financial Auditors Advisory Group (FAAG) with representatives from the Big Four audit firms and other auditors with significant experience. This group will be responsible for:</p> <ul style="list-style-type: none"> ▪ Ongoing review of IAASB Pronouncements ▪ Recommending the IAASB Pronouncements to be adopted by IPAE ▪ If necessary, and in accordance with IAASB Modifications Policy, recommending limited 	29 February 2009	IPAE President and CEO	Members of the Council (11) and IPAE staff to provide assistance to President and CEO to establish FAAG

#	Start Date	Actions	Completion Date	Responsibility	Resource
		modifications to IAASB Pronouncements adopted by IPAE.			
2.	3 March 2009	Prepare a statement describing IPAE convergence objective, approach used to adopt Clarity ISAs and implement them.	14 March 2009	Financial Auditors Advisory Group FAAG Chairman	FAAG Technical Manager and FAAG volunteer members (12)
3.	15 March 2009	Adopt its own clarity project whereby all existing and new Auditing Standards will be redrafted using the drafting conventions and format of the IAASB and will be based on and consistent with IAASB standards and in line with IAASB Modification Policy. The target date for adoption or clarified standards is January 2010. Effective dates of adopted standards will be the same as in the Clarity ISAs.	January 2010	FAAG Chairman	FAAG Technical Manager and FAAG volunteer members (12)
4.	16 April 2009	The statement describing IPAE convergence objective, approach used to adopt standards and implement them, the strategy for ongoing monitoring of IAASB work program to identify new drafts and final standards is forwarded to IFAC Compliance for advice and feedback.	16 May 2009	FAAG Chairman	FAAG Technical Manager
5.	17 March 2009	Financial Auditors Advisory Group reviews IAASB 2009 Handbook and gets it approved by the IPAE Council.	30 April 2009	FAAG Chairman	FAAG volunteer members (12)

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#	Start Date	Actions	Completion Date	Responsibility	Resource
Translation Activities					
6.	3 February 2009	<p>IPAE Council to establish the Group for Translations Reviews (GTR). This group will be responsible for:</p> <p>Ongoing translation process in accordance with IFAC Translations Policy</p> <p>Review of the translation into Erehwonian.</p>	3 March 2009	IPAE President and CEO	Members of the Council (11) and IPAE staff to provide assistance to President and CEO to establish GTR
7.	3 March 2009	The Group for Translation Reviews (GTR) to review the IFAC Translations Policy and design and document IPAE translations process accordingly	30 April 2009	GTR Chairman	<p>Translations Manager and GTR volunteer members (10)</p> <p>USD X.000 as cost of consultations with the translation company</p>
8.	3 March 2009	Develop a List of Key Words/Glossary to be used consistently throughout the process and submit it to the selected group of translators	30 April 2009	GTR Chairman	Translations Manager and GTR volunteer members (10)
9.	3 November 2008	Seek funding to cover the cost of the translation	30 April 2009	IPAE CEO and GTR Chairman	<p>IPAE CEO</p> <p>GTR Chairman</p> <p>Translations Manager</p>
10.	5 May 2009	Prepare the translation plan, permission to translate IFAC's final standards in accordance with the IFAC's Translations	30 May 2009	The Group for Translation Reviews GTR	GTR volunteer members (10)

#	Start Date	Actions	Completion Date	Responsibility	Resource
		policy and send it to IFAC.		Chairman	
11.	2 June 2009	Complete the translation in accordance with the agreed plan by the group of translators, specialized company selected to perform the ongoing translation of the standards and draft standards.	30 September 2009	GTR Chairman and IPAE CEO	Translations Manager USD XX.000 as the cost of the translation
12.	1 July 2009	Review the translated standards and draft standards.	1 November 2009	The Group for Translation Reviews GTR Chairman	Translations Manager and GTR volunteer members (10)
13.	2 November 2009	Approval by the IPAE Council of the translations as performed by the selected company and reviewed Translation Review Group in accordance with the approved plan	4 November 2009	IPAE President and CEO	Translations Manager and GTR volunteer members (10)
14.	1 November 2009	2009 IAASB Handbook is published in Erehwonian by the publishing house selected to perform the printing	10 December 2009	IPAE CEO	Translations Manager USD XX.000 as the cost of the publication
Education and Promotion Activities					
15.	1 April 2009	Department for Admission, Continuous Education and Trainees (DAPET) reviews changes in IAASB Pronouncements in the 2009 IFAC Handbook and update the curricula for professional education and training programs.	15 June 2009	DAPET Chairman	Education Manager and DAPET volunteer members (8)

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#	Start Date	Actions	Completion Date	Responsibility	Resource
		DAPET is also responsible for ensuring that the curricula for the professional education will be updated with the changes in the IAASB Pronouncements on an ongoing basis.			
16.	1 August 2009	New curricula become effective for all IPAE courses.	1 December 2011	DAPET Chairman	Education Manager and DAPET volunteer members (8)
17.	1 August 2009	The IPAE staff, the staff of the IPAE magazine and the academic environment to prepare and publish articles and other promotional materials in the IPAE magazine and on the IPAE website www.IPAE.org in order to increase the awareness of the financial auditors, trainees in the financial audit and the public in general about the standards and draft standards translated	28 November 2009	IPAE CEO	Public Relations Manager Academic volunteers USD X.000 as the cost of publishing the articles and other promotional materials
Monitoring Activities					
18.	1 July 2009	Develop monitoring activities to ensure compliance with new and revised standards adopted in Erehwon based on the revised Law on IPAE and its functioning and organization.	28 November 2009	IPAE CEO	This point is included in the Action Plan for SMO 1
Maintaining Ongoing Processes					
19.	Ongoing	Continue to support ongoing adoption and implementation of IAASB pronouncements. This includes review of the implementation of the Action Plan to	Ongoing	IPAE President, CEO and Chairs of respective committees	Council and respective committees members, technical staff responsible for respective committees

#	Start Date	Actions	Completion Date	Responsibility	Resource
		date and updating the Action Plan for future activities as necessary.			
Review of IPAE's Compliance Information					
20.	Ongoing	Perform periodic review of IPAE's response to the IFAC Compliance Self-Assessment questionnaires and update sections relevant to SMO 3 as necessary. Once updated inform IFAC Compliance staff about the updates in order for the Compliance staff to republish updated information.	Ongoing	IPAE President, CEO and Chairs of respective committees	Council and respective committees members, technical staff responsible for respective committees

ACTION PLAN: SMO 4 AND THE IFAC CODE OF ETHICS

Professional Body:	Institute of Professional Accountants of Erehwon (IPAE)
Approved by Governing Body:	IPAE Council June 30, 20XX
Action Plan Subject:	SMO 4 and IFAC Code of Ethics
Action Plan Objective:	Ensure alignment of IPAE Code of Ethics with IFAC Code

#	Start Date	Actions	Completion Date	Responsibility	Resource
Application of the Code of Ethics Standards					
1.	2005	Reviewed Code of Ethics (June 2005). Drafted an introduction to the Code.	Early 2006	Ethics Working Group	Chaired by a former IPAE President, with membership drawn from interested IPAE members and external experts. Secretariat provided by Policy & Technical Directorate
2.	2006	Adoption of full IFAC Ethics Code as an IPAE Standard of Professional Practice.	May 2006	IPAE Council	Ethics Working Group
Member Notification, Education and Promotion Activities					
3.	Early 2006	Produced collection of case study and explanatory material, published as “Ethics and You”.	May 2006	Ethics Working Group	Ethics Working Group Policy and Technical Directorate
4.	June 2006	Copy of “Ethics and You” and a personal letter sent to every member and student.	June 2006	Chief Executive	Policy and Technical Directorate

#	Start Date	Actions	Completion Date	Responsibility	Resource
5.	July 2006	Ethics included more specifically within the IPAE professional qualification syllabus.	Ongoing	Education and Training Directorate	Education and Training Directorate
6.	July 2006	Web based resource on the IPAE website	Ongoing	Policy and Technical Directorate	Policy and Technical Directorate
7.	July 2006	Presentations on the new Code to regional member events.	May 2007	Policy and Technical Directorate	Policy and Technical Directorate
Code of Ethics Interpretation / Advice / Counseling					
8.	2006	<p>Creation of Ethics Sounding Board (a panel of senior members willing to discuss ethical issues confidentially).</p> <p>Board's purpose and operating procedures explained on front page of Ethics section of website.</p> <p>Additional promotion by way of periodic articles in IPAE magazines/</p> <p>Unreasonable approaches avoided through an initial filter by IPAE Secretariat, which also helps questioners define their circumstances.</p>	Ongoing	Policy and Technical Directorate	<p>Ethics Sounding Board members</p> <p>Policy and Technical Directorate</p>

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#	Start Date	Actions	Completion Date	Responsibility	Resource
		Board Members all in senior roles, with long experience in different sectors. Board members provide counseling on confidential basis.			
9.	Ongoing	Issues reported by individual members and students monitored against the coverage of the Code	Ongoing	Ethics Sounding Board	Policy and Technical Directorate
Proposed Code of Ethics Revisions					
10.	Ongoing	Developments and amendments to the IFAC Code monitored through active membership of the Joint IPAE and ACAE Ethics group.	Ongoing	Policy and Technical Directorate	Policy and Technical Directorate
11.	Ongoing	Responses to consultations and proposed changes discussed with the other Institutes forming the membership of the Joint IPAE and ACAE Ethics Group.	Ongoing	Joint IPAE and ACAE Ethics Group	Policy and Technical Directorate
12.	Ongoing	Developments affecting IPAE members communicated by means of website, newsletters and similar media.	Ongoing	Policy and Technical Directorate	Policy and Technical Directorate
13.	2009	Adapt and communicate planned major revision of Code of Ethics. Details and exact timescales for	2010 (to be confirmed by IFAC)	IPAE Council	Ethics Working Group

#	Start Date	Actions	Completion Date	Responsibility	Resource
		the process to be established as work within IFAC proceeds.			
Review of Compliance					
14.	Ongoing	Periodic review of IPAE response to the IFAC Compliance Self-Assessment questionnaires and update sections relevant to SMO 4 as necessary. Once updated inform IFAC Compliance staff about the updates in order for the Compliance staff to republish updated information.	Ongoing	Policy and Technical Directorate	Policy and Technical Directorate

ACTION PLAN: SMO 5 AND INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS

Professional Body:	Institute of Professional Accountants of Erehwon (IPAE)
Approved by Governing Body:	IPAE Council June 30, 20XX
Action Plan Subject:	SMO 5 International Public Sector Accounting Standards
Action Plan Objective:	Continue to use best endeavors to support incorporation of IPSAS requirements into National Public Sector Accounting Requirements

#	Start Date	Actions	Completion Date	Responsibility	Resource
Incorporation of IPSAS requirements into National Public Sector Accounting Requirements					
1.	2006	IPSAS used as a 'benchmark' in development of IFRS-based version of the Government Financial Reporting Manual which will be the basis for budgeting and reporting in Erehwon central government and the National Health Service from 1 April 2009.	2008	Erehwon Treasury – IPAE has representation on the Financial Reporting Advisory Board (FRAB)	Policy and Technical Director and Directorate.
2.	2008	Formal recognition of IPSAS as second in the Erehwon public sector standard setting hierarchy (following EU-adopted IFRS). IPAE has responsibility for accounting standard setting for Erehwon local government. Completion of the move to IFRS in local government from 2010-11 will be accompanied by a change in the oversight framework for the Local	2009 then ongoing	FRAB Working Group (including IPAE)	Policy and Technical Directorate and IPAE/ Local Authority Accounting Code Board

#	Start Date	Actions	Completion Date	Responsibility	Resource
		Authority Code of Accounting Practice (to FRAB). The formal recognition for IPSAS in the Erehwon public sector standard setting hierarchy was negotiated by IPAE as part of the 'accession' process.			
Assistance with implementation of IPSAS requirements into National Public Sector Accounting Requirements					
3.	1990s	Promotion of IPSASs where relevant to the 'client' government as part of IPAE's international development and training work.	Ongoing	IPAE International Directorate	IPAE International Directorate
4.	2007	Explanation of the role of IPSASB and IPSAS as key part of IPAE public training on IFRS implementation in Erehwon central government and National Health Service.	Ongoing	Policy and Technical Directorate	Policy and Technical Directorate
Review of Compliance					
5.	Ongoing	Periodic review of IPAE's response to the IFAC Compliance Self-Assessment questionnaires and update sections relevant to SMO 5 as necessary. Once updated inform IFAC Compliance staff about the updates in order for the Compliance staff to republish updated information.	Ongoing	Policy and Technical Directorate	Policy and Technical Directorate

QUALITY CONTROL AND QUALITY ASSURANCE

This section provides resources to further assist professional accountancy organizations in establishing and developing a Quality Assurance review system, including an illustrative Action Plan on ensuring that a mandatory quality review program is in place for those members performing audits of financial statements of, as minimum, listed companies.

ACTION PLAN: SMO 1 AND QUALITY ASSURANCE

Professional Body:	Institute of Professional Accountants of Erehwon (IPAE)
Approved by Governing Body:	IPAE Council June 30, 20XX
Action Plan Subject:	SMO 1 and Quality Assurance
Action Plan Objective:	Ensure a mandatory quality review program is in place for those members performing audits of financial statements of, as minimum, listed companies

#	Start Date	Actions	Completion Date	Responsibility	Resource
Commence a 6 year Quality Assurance Review Cycle					
1.	January 2008	Sign a tripartite Monitoring Contract on 3 rd April 2008 with ICA/ROCA to monitor audit quality which will cover both engagement and firm reviews. The emphasis of the contract is on firms that have Public Interest Entities and the big firms. However in the year 2009 these reviews plan to be extended to medium firms.	April 2008	IPAE Council	IPAE Staff and IPAE Council. Council approved an increase in Practitioners' fees for the year 2008 to cover the cost of ICA practice reviews. It is Councils' hope that in the near future Government can fund these practice reviews so that the reviews are not financed by the practitioners themselves, as this could affect the independence of the review.
2.	April 2008	Conduct an orientation workshop of practitioners to ensure that the practitioners are ready for the reviews that will begin in the last quarter of the year. This workshop will be held on 13	August 2008	CEO of IPAE	ICA/ROCA Monitoring staff. The cost of the Workshop estimated at ER19 000 000 will be borne by the Institute no fees will be charged to the practitioners participating in the

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#	Start Date	Actions	Completion Date	Responsibility	Resource
		August 2008.			workshop.
3.	13 February 2009	Conduct another workshop for practitioners in February 2009 to learn from the reports received from ICA's first quarter monitoring visits	13 February 2009	CEO of IPAE IPAE Council	ICA/ROCA Monitoring staff. The cost of this workshop will also be borne by the Institute.
4.	April 2008	<p>Set up a Quality Monitoring Unit (QMU) within IPAE. The quality monitoring Unit will comprise a Monitoring Manager and three Assistant monitoring Officers. Two support staff will also be recruited in the Unit. The monitoring Officers will initially accompany ICA to learn on how to carry out the reviews. These Officers will also be sent on practical training attachments to other Institutes yet to be identified by Council.</p> <p>With the ICA monitoring team in place, the IPAE monitoring unit will start its work by going round the audit firms to inform and train auditors about the quality control requirements in accordance with ISQC1.</p>	September 2008	CEO of IPAE	<p>To set up the Unit, the Institute will be financed by the EU grant of €250 000 representing 78% of the total cost of setting up the Unit. The other €70 000 representing 22% of the total cost will be funded by the Institute from its own generated funds. However, the Funding from EU is only for a period of one year and so the Institute will need to source approximately</p> <p>\$190 000 per year to meet the salaries and other operation costs once the EU contract comes to an end.</p>
Maintaining Ongoing Processes					
5.	Ongoing	Continue to ensure that IPAE's Audit Quality review is operating effectively and continues to be in line with SMO 1 requirements. This includes periodic review of the operation of the quality	Ongoing	CEO of IPAE	IPAE Staff. The first review of the operations of the quality review system is planned for December 2008. Thereafter, the Institute plans to be carrying out the reviews on a

#	Start Date	Actions	Completion Date	Responsibility	Resource
		review system and updating the Action Plan for future activities where necessary.			quarterly basis.
Review of IPAE's Compliance Information					
6.	Ongoing	Perform periodic review of IPAE's response to the IFAC Compliance Self-Assessment questionnaires and update sections relevant to SMO 1 as necessary. Once updated inform IFAC Compliance staff about the updates in order for the Compliance staff to republish updated information.	Ongoing	CEO of IPAE	IPAE Staff

AVAILABLE IFAC MEMBER BODY QUALITY CONTROL IMPLEMENTATION GUIDANCE

Many IFAC member bodies have developed implementation guidance to assist their members in implementing the International Standard on Quality Control (ISQC) 1 or the related national quality control standards. A list of such guidance available from IFAC member bodies is provided below.

AUSTRALIA —CPA Australia	Quality Control Manual - A Guide for Public Practitioners
AUSTRALIA —National Institute of Accountants in Australia	NIA Public Practice Manual
AUSTRALIA —The Institute of Chartered Accountants in Australia	Quality Control Management in Accounting Practices Manual.
BELGIUM —Institut des Réviseurs d'Entreprises	Recommendation on Internal Quality Control (16 January 1998) and Implementation Guides 1 and 3
CANADA —The Canadian Institute of Chartered Accountants	Quality Assurance Manual and courses.
FRANCE —Conseil Supérieur de l'Ordre des Experts-Comptables	Guide de conduite du contrôle de qualité (issue 2005)
HONG KONG —Hong Kong Institute of Certified Public Accountants	A Guide to Quality Control
NEW ZEALAND —Institute of Chartered Accountants of New Zealand	Guidance Note: Examples of Quality Control Policies and Procedures (issued in 1998).
SPAIN —Instituto de Censores Jurados de Cuentas de España	The Internal Quality Control guide and examples (issued in 2005)
UNITED STATES —American Institute of Certified Public Accountants	AICPA Audit and Accounting Technical Practice Aid: Establishing and Maintaining a System of Quality Control for a CPA Firm's Accounting and Auditing Practice

IFAC MEMBER BODY QUALITY ASSURANCE REVIEW POLICIES, PROCEDURES AND GUIDANCE

A large number of IFAC member bodies have also developed Quality Assurance review policies, procedures and guidance. A list of such documents is provided below.

AUSTRALIA —CPA Australia	CPA Australia Reviewers Manual March 2006 Quality Review Reporting Guidelines Quality Control Manual Specific Engagement Questionnaires General Quality Control Questionnaire
AUSTRALIA —National Institute of Accountants in Australia	The NIA Public Practice Manual
AUSTRALIA —The Institute of Chartered Accountants in Australia	Guidelines for the preparation of reports to the Institute Review of Engagements Questionnaires Public Listed Audit Engagements Audit Engagements Compilation, Taxation and Company Secretarial Engagement Consulting and Audit Related Engagements Insolvency Engagements Forensic Accounting Engagements
BELGIUM —Institut des Réviseurs d'Entreprises	Implementation Guides 1, 2 and 3. These are the guidelines used by the reviewers during the quality assurance reviews.
CANADA —Certified General Accountants' Association of Canada	CGA-Canada Public Practice Review Standards

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CANADA —The Canadian Institute of Chartered Accountants	Practice Inspection Manual
FRANCE —Compagnie Nationale des Commissaires aux Comptes	Procédures de conduite du contrôle de qualité Questionnaires: questionnaires related to the internal quality control of audit firms and questionnaires related to audit files control with a breakdown dealing with specific sectors.
HONG KONG —Hong Kong Institute of Certified Public Accountants	Reviewer's Manual
INDIA —The Institute of Chartered Accountants of India	Statement on Peer Review Peer Review Manual Training Modules for Peer Reviewers
IRELAND —The Institute of Certified Public Accountants in Ireland	CPA Practice Review Guidance Document
IRELAND —The Institute of Chartered Accountants in Ireland	The Quality Review Regulations
ISRAEL —Institute of Certified Public Accountants in Israel	Guidelines for Peer Review Program
MALAYSIA —Malaysian Institute of Accountants	Quality Assurance and Practice Review
NEW ZEALAND —Institute of Chartered Accountants of New Zealand	Practice Review Policies and Procedures Manual
PAKISTAN —The Institute of Chartered Accountants of Pakistan	Quality Control Review Framework and Quality Control Review Checklist
TANZANIA —National Board of Accountants and Auditors (Tanzania)	AQR Guidelines and Checklist

<p>UNITED KINGDOM—The Institute of Chartered Accountants of Scotland</p>	<p>ICAS Audit Monitoring Methodology</p> <p>"Your Audit Monitoring Visit" (booklet)</p>
<p>UNITED STATES—American Institute of Certified Public Accountants</p>	<p>AICPA Peer Review Program Standards for Performing and Reporting on Peer Reviews</p> <p>Center for Public Company Audit Firms Peer Review Program (SECPS) Standards for Performing and Reporting on Peer Reviews</p>

QUALITY ASSURANCE AND IMPLEMENTATION GUIDE

This section is intended to provide assistance to member bodies in their implementation of a quality assurance review system.

INITIAL STEPS

The first point to consider is whether the member body or any other external body has been given the statutory right to operate a quality assurance review system.

Any relevant laws will need to be considered.

The next point to consider is whether the member body's constitution permits it to operate a quality assurance review system. If the constitution does not, then it should be altered accordingly. Similarly, the rules on client confidentiality need to be examined to ensure that the operation of system would not break those rules.

Member bodies should decide whether the reviews:

- Will be carried out by their own employees or by other firms of professional accountants in public practice; and
- Will be paid for on a "peer review basis" by firms that are reviewed or whether the cost of the review system is funded by a general levy on members as a whole or on members in public practice.

The scope of the review needs to be established at an early stage. The organization should determine if the scope will be of individual professional accountants or of firms of professional accountants and whether revisions will be conducted on a random basis, according to perceived risk or according to specific cycles, and also, whether the whole membership population will be covered or a defined sample size.

The member body will need to establish a mechanism to keep track of those providing professional services to provide a base for the selection of those being reviewed.

The member body needs to ensure that there are appropriate professional standards against which the practicing firm can be measured and the quality control standards have been adopted. In addition, the professional accountancy organization will need to assist its members with the implementation of these standards.

In other cases where an external body has responsibility for undertaking the reviews, the professional body will need to consider whether and how they can provide support and assistance to this organization.

THE NEXT STAGES

The member body needs to set up an appropriate infrastructure internally for considering the results of reviews. For example, a bad review (or a series of bad reviews) should lead to appropriate regulatory and disciplinary action, and may lead to professional accountants having their licenses to practice revoked. An appropriate committee and appeal structure needs to be put in place.

Where the reviews are to be carried out by employees of the member body, then the body needs to recruit sufficient professional accountants with appropriate experience. Those people need to be integrated into the body's structure.

Where the reviews are to be carried out by firms of professional accountants in public practice, criteria for selecting suitable firms need to be prepared. The body also needs to decide whether it will select the firm to carry out a particular review, or whether the firm being reviewed may select its own reviewer. Where firms may select their own reviewers then the body needs to establish a mechanism to ensure that the firm conducting the review is suitable.

Those conducting reviews (whether employees of the member body or firms of professional accountants) need to receive training in review procedures. A mechanism needs to be set up that ensures consistency between reviewers, and allows for the pooling of experience. This will include the design of suitable review programs for those conducting reviews.

INTRODUCING THE SCHEME

It is important that members are informed about the introduction of the quality assurance review system and what aspects of their work will fall within the scope of the review. In some cases member bodies may wish to set up practice advisory programs whereby professional accountants in public practice can receive confidential assistance on practice management or technical issues. Members should be told of the advantages of the scheme, e.g., increased credibility and standing for members of the body and help with continuous improvement/best practice guidance.

The purpose of a review is to help the firm, and the member body, be sure that work is carried out in accordance with professional requirements and quality control standards. The review process should not be confrontational, but should be carried out in a spirit of mutual cooperation. This also helps the review to be carried out speedily and efficiently. This factor should be borne in mind when designing the training programs for those conducting reviews.

In most cases it is essential for firms to be given advance warning of the review. This is because they will often need to gather information together and because the partners concerned will need to be available to answer questions when the review is being

TOOLS AND RESOURCES

carried out. Similarly, the reviewers should discuss their findings with the firm being reviewed before issuing the final report. The findings should be presented transparently and the member given an opportunity to comment on the findings.

There will need to be a system for monitoring the reviews. Where the outcome of a review is less than satisfactory, then that information needs to be passed on to the appropriate committee. It may also be appropriate to schedule the firm for a follow up visit earlier than would otherwise be the case.

NEEDS OF SMALL AND MEDIUM PRACTICES

ACCESS TO IFAC SMP COMMITTEE

The Small and Medium Practices (SMP) Committee represents the interests of professional accountants operating in small- and medium-sized practices and other professional accountants who provide services to small- and medium-sized enterprises. It develops papers on topics of global concern and provides input in the development of international standards and on the work of various IFAC boards and committees where appropriate.

The SMP Committee has produced various guides and resources to assist the profession in adopting and implementing international standards, which are accessible at:

www.ifac.org/publications-resources/?publication-type=&source=&issues=43&language=&x=72&y=5&sort=date

These Guides and resources include:

The *Guide to Quality Control for Small- and Medium-Sized Entities*. This guide provides non-authoritative guidance on applying the redrafted ISQC 1, which requires firms to establish systems of quality control in compliance with the standard by December 15, 2009. It is not to be used as a substitute for reading ISQC 1, but as a supplement to help practitioners understand and consistently implement this standard within their firms when developing a system of quality control for audits and reviews of financial information, and other assurance and related service engagements.

The *Guide to Using International Standards on Auditing in the Audit of Small- and Medium- sized Entities*. IFAC's Small and Medium Practices (SMP) Committee commissioned this guide, the first in a series of implementation guides, to assist SMPs and other auditors of small and medium entities (SMEs) in applying International Standards on Auditing to the audit of SMEs. The guide provides a detailed analysis of the standards and their requirements in the context of an SME audit.

In addition, the SMP Committee hosts an International Center for Small and Medium Practices which provides additional resources and facilitates the exchange of knowledge and best practices among SMPs and other accountants who serve small and medium entities (SMEs). The International Center for Small and Medium Practices can be accessed at: www.ifac.org/about-ifac/small-and-medium-practices-committee.

CAPACITY DEVELOPMENT

OVERVIEW OF ASSISTANCE DEVELOPMENT AND MENTORING

This section presents an overview of the range of capacity development activities some existing IFAC members are involved in. The information is provided as an indication of the range of development activities and the type of assistance and expertise which may be available.

In addition, the PAO Development Committee has developed the *Mentoring Guidelines for Professional Accountancy Organizations*, which are designed to foster strong mentoring relationships between professional accountancy organizations in developing countries and more established professional bodies. The guidelines provide a roadmap for accountancy bodies to identify a mentor, build sustainable capacity, and achieve compliance with IFAC's Statements of Membership Obligations. The guidelines can be accessed by clicking the following link:

www.ifac.org/publications-resources/mentoring-guidelines-professional-accountancy-organizations

IFAC guidance is frequently updated. The latest version of the mentoring guidelines should be accessed at the IFAC website (www.ifac.org).

The key areas of development activity where assistance is provided by mentoring bodies include:

1. Education and qualification programs
2. Establishment and development of professional accountancy bodies, including mentoring activity
3. Development of legislation and liaison with governments and regulators
4. Implementation of international standards
5. Training seminars

LISTING OF IFAC MEMBERS AND REGIONAL ORGANIZATIONS INVOLVED IN MENTORING ACTIVITIES

CERTIFIED GENERAL ACCOUNTANTS' ASSOCIATION OF CANADA

Support can be provided with the development of education and training programs, continuing professional development policies, establishment of professional

accountancy bodies, and providing guidance as well as support to government, regulators and the academic community.

Countries and regions where development activities have taken place include the People's Republic of China, various countries in the former Soviet Union, the Caribbean and Latin America. For more information, visit the website www.cga-online.org

ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS (ACCA)

ACCA has been involved in the transfer of sustainable professional and technical expertise in a number of developing and emerging economies around the world. It has responded to many approaches made by national governments and other bodies for assistance in developing their own accountancy professions. The types of projects undertaken by ACCA fall into two main categories:

Institutional capacity building—assisting with the establishment of legal and regulatory frameworks for the profession, independent oversight mechanisms, standard setting, development and strategic review of professional accountancy bodies, education and quality assurance programs in the developing and developed world; and

Designing and implementing professional accountancy and business training programs and courses to meet the needs of professional bodies, government departments, training institutions and other groups throughout the world.

For more information, visit the website www.accaglobal.com.

INSTITUTE OF CHARTERED ACCOUNTANTS OF SCOTLAND (ICAS)

ICAS has a well-established international development department which can provide advice and support in three key areas: technical advisory, institute building and education and training. As well as having its own full time international development specialists, ICAS can provide advice and support from any of its other specialist departments. ICAS is committed to assisting the developing profession and has been involved in collaborative work with partners throughout the world including Central and Eastern Europe, the former Soviet Union, Africa, Asia and the Pacific.

For more information, visit the website www.icas.org.uk.

DELEGATION INTERNATIONALE POUR L'AUDIT ET LA COMPTABILITE (DIPAC), FRANCE

Within DIPAC, the Direction du Développement et des Partenariats Internationaux (DDPI) is responsible for providing technical assistance on behalf of both the French Institute of Statutory Auditors (CNCC) and the French Institute of Certified Public Accountants (CSOEC), in developing nations. Since 1989, DDPI has been

implementing EU and World Bank-funded projects as well as bilateral projects, co-financed by the French Ministry of Finances, mainly in Central and Eastern Europe, Balkans, Northern and Sub-Saharan Africa as well as in Asia.

For more information, visit the website www.dipacint.com.

INSTITUTE OF CHARTERED ACCOUNTANTS IN AUSTRALIA (ICAA)

The Institute of Chartered Accountants in Australia is an active member of the Confederation of Asian and Pacific Accountants (CAPA) and the ASEAN Federation of Accountants (AFA). Through these bodies ICAA helps provide assistance, advice and resources to assist in development of the profession in the Asia Pacific region. ICAA also works closely with local bodies to provide assistance and materials or technical expertise in appropriate areas.

For more information, visit the website www.charteredaccountants.com.au.

CPA AUSTRALIA

Key areas of involvement include assistance to professional bodies in the Asia-Pacific region to create the necessary capacity required for sustained development, development of educational and training programs and continuing professional development programs, development of capacity to develop quality control standards for the professional body, mentoring professional bodies in the region, and partnership and cooperation with professional bodies in the region. Projects have been carried out throughout the Asia-Pacific region.

For more information, visit the website www.cpaaustralia.com.au.

THE JAPANESE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS (JICPA)

JICPA is a member of the Confederation of Asian and Pacific Accountants (CAPA) and provides professional bodies in the Asia and Pacific region with advice and support in improving these bodies' quality assurance schemes, education and training. Additionally, JICPA works closely with the Japanese government aid agency.

For more information, visit the website www.jicpa.or.jp.

INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA (ICAI)

Assistance projects include providing technical support for professional accountancy bodies, education and training programs, development of accounting and auditing standards, and liaison with governments and regulators. The ICAI has been involved in a number of assistance projects in South Asia as well as some countries in the former Soviet Union. Specifically, the ICAI has provided technical cooperation to Nepal in establishing The Institute of Chartered Accountants of Nepal.

For more information, visit the website www.icaig.org.

THE ASSOCIATION OF ACCOUNTING TECHNICIANS (AAT)

AAT is the largest specialist worldwide body dedicated to the training, development and regulation of accounting technicians. AAT is committed to the support of capacity building at technician level and is happy to share its expertise in education and training, assessment, quality assurance, continuing professional development, professional ethics, and disciplinary processes. AAT can offer information and guidance, will host visitors, provide expert facilitators for workshops, provide conference speakers and provide technical assistance solutions where funding is available.

For more information, visit the website www.aat.org.uk.

THE CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)

CIPFA offers advice and assistance to developing and transition economy countries and others to develop sustainable institutional capacity to improve the quality of public financial management in the country concerned. This assistance is often provided alongside the implementation locally of one of CIPFA's international schemes of education and training, in accounting, internal auditing and external auditing. It also includes help to establish, maintain and develop local professional bodies for public sector accountants and auditors.

CIPFA's work in this area and its schemes of education and training are described on our website at www.cipfa.org.uk/international/training_new.cfm.

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN (ICAP)

ICAP was established in 1961 to regulate the profession of accountancy in Pakistan. ICAP is now keen to share the benefit of its own skills and experience and to promote the development of the accountancy profession throughout Asia and beyond. The team of expert staff will be happy to participate in development programs and assist and advise in all areas of required operations.

For further details please visit the website www.icap.org.pk.

SAUDI ORGANIZATION FOR CERTIFIED PUBLIC ACCOUNTANTS (SOCPA)

SOCPA is a well-established professional accountancy body with highly skilled and experienced staff and members. SOCPA is keen to provide support, advice and assistance to other professional bodies in Arabic speaking countries.

For more detailed information about SOCPA, its projects and achievements, visit the website www.socpa.org.sa.

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES (ICAEW)

ICAEW is the only professional body to be admitted as a member of the World Economic Forum. It is actively engaged with international regulators such as the European Union to assess the impact of IFRS (International Financial Reporting Standard) and develop regulatory standards for efficient and ethical global capital markets. ICAEW is actively involved in the development of the accountancy profession in emerging capital markets, especially in Eastern Europe and Asia. As part of this work, it undertakes reviews of practices currently in operation, provides advice on education and training, and helps build accounting institutions and local capacity using internationally recognized practices and standards.

For further information on ICAEW, please visit the website www.icaew.com.

THE SOUTH AFRICAN INSTITUTE OF CHARTERED ACCOUNTANTS (SAICA)

SAICA has assisted many institutes in the African region on a technical, education and administrative level. Other Institutes, such as those from Zimbabwe, Swaziland and Namibia are participants in common exams. SAICA has also provided assistance with advice on administration, management of membership database as well technical advice, training courses for members and other related matters. SAICA continuously host other Institutes' staff in their offices.

For more information about SAICA, its projects and achievements, visit the website www.saica.co.za.

SOUTH ASIAN FEDERATION OF ACCOUNTANTS (SAFA)

SAFA works through its member bodies to promote the development of the accountancy profession and economic development in the South Asian Region. SAFA facilitates the harmonization of professional standards within the Region and promotes the quality of auditing, education, ethics and financial reporting. SAFA seeks to help the countries of the South Asian Region where the profession does not exist or is at initial stage of development. For example, support has been provided by ICAI (India) on behalf of SAFA in the establishment of the Institute of Chartered Accountants of Nepal.

For more information, visit the website www.esafa.org.

THE CONFEDERATION OF ASIAN AND PACIFIC ACCOUNTANTS (CAPA)

CAPA represents national accountancy organization in the Asia-Pacific region. Currently, CAPA has a membership of 32 accountancy organizations in 22 jurisdictions.

One of CAPA's major focuses is on the development of the accountancy profession in the Asian and Pacific region, leveraging the resources from the member accountancy bodies from the more developed countries for the benefit of the profession in the less developed countries. The presence of highly developed economies in the region, a good understanding of the predominantly Asian culture and a high sense of commitment from member bodies to support and assist each other are some of the strengths of CAPA.

More information is available from the CAPA Website www.capa.com.my.

PAO DEVELOPMENT COMMITTEE BROCHURE: UNEARTHING THE POWER OF PROFESSIONAL ACCOUNTANCY ORGANIZATIONS

The PAO Development Committee Brochure *Unearthing the Power of Professional Accountancy Organizations* provides information on how donors, the profession and IFAC can better work together to support the development of professional accountancy bodies. The brochure is available through the IFAC website: Please click on the following icon to open the brochure: www.ifac.org/publications-resources/unearthing-power-professional-accountancy-organizations

VARIOUS DEVELOPMENT APPROACHES – CASE STUDIES

CASE STUDY ON SCAAK KOSOVO TWINNING

Royal NIVRA has cooperated with SCAAK to further support the professional accountancy organization in its development.

KOSOVO IN GENERAL

Kosovo is a small former Yugoslav regime country (10,000 sqkm), land-locked, with approximately 2.3 million inhabitants of which 90% Albanian and a Serb minority of 7%. A large part of the original populations lives in the EU and beyond.

Following a decade of repression and conflict a United Nations resolution placed Kosovo under UN administration by the establishment of the United Nations Interim Administration in Kosovo (UNMIK). In 2001 the Provisional Institutions of Self-Government were established and the subsequent years saw an increasing transfer of competences to Kosovo authorities. Kosovo declared its independence on 17 February 2008 following an internationally mediated process. Kosovo has fully accepted the comprehensive proposal for the Kosovo Status Settlement based on a decentralization model with an international supervisory presence.

Kosovo's economy is small and highly open. By regional standards Kosovo is relatively poor with a GDP per capita of EUR 1,500 per annum. Imports account for around 60% of GDP and, until now, the relatively high level inflow is from other sources than export, the main ones being remittances from Kosovars living abroad and from donor assistance. Economic growth has been 3% per annum in 2007/2008, mostly driven by small scale retail businesses and by privatizations of former socially owned enterprises. Foreign investment is relatively low. Unemployment is more than 40%, encouraging outward migration. Kosovo's tie to the euro currency kept inflation low. In general macro-economic policies over the last few years can be regarded as stable.

EU presence in Kosovo is focused on overseeing the implementation of the Status Settlement, offering advice in the political process and promoting EU coordination, assisting judicial authorities and law enforcement agencies in the process towards sustainability and accountability, and further developing and strengthening a multi-ethnic justice system (EULEX). The European Commission plays a key role in implementing a policy of stabilization and association, offering a European Partnership and providing guidance with substantial financial assistance with a total volume of EUR 2 billion (up to 2009) to build and improve Kosovo institutions, foster economic development and regional integration.

Major change in the last decade is the privatization and the liquidation of the former Yugoslav Socially Owned Enterprises (SOEs), as they are no longer economically

viable, and incorporation of Publicly Owned Enterprises (POEs). The privatization process has been ongoing in Kosovo since 2005 and is almost completed; the liquidation process is still under way.

There is a growing understanding in Kosovo that sustainable institutional systems depend on the existence of strong and regulatory frameworks and of individuals working within those frameworks with a high level of competence, independence, impartiality and integrity.

PROFESSIONAL ACCOUNTANCY INSTITUTE (SCAAK)

INTRODUCTION

The Society of Accountants and Auditors of Kosovo (SCAAK) was established in 2001 following UNMIK regulations. SCAAK is registered as a non-governmental not-for-profit organization in Kosovo. SCAAK has developed quickly, has achieved (associate) membership of IFAC and participates in FCM and the regional body SEEPAD.

In 2007 SCAAK's Assembly adopted a new charter incorporating a mission to serve public interest, committing it to implement the IFAC SMOs.

MENTORING AGREEMENT (TWINNING)

Royal NIVRA has established a formal good professional relationship with SCAAK since 2007 as a result of a Twinning Agreement which was entered, under a CARANA Corp. program funded by USAID. This agreement was strengthened by the support of the EU funded Corporate Financial Reporting Project that operated to assist SCAAK, which fully supported the aims of the twinning agreement. On the basis of this twinning agreement, Royal NIVRA has visited SCAAK on several occasions from 2007 to 2009, and in addition, has hosted SCAAK Council and staff members at events organized by Royal NIVRA in the Netherlands. Prior to the twinning agreement, members of NIVRA staff had met with SCAAK representatives at various conferences in Europe and the region relating to accounting and auditing.

An important condition for a twinning agreement is continuous pro-activity and leadership of the mentee (SCAAK) in the process of creating sustainable progress towards compliance with IFAC standards (both adoption and implementation and in communication with IFAC and the mentor). For the sake of sustainability NIVRA restricted its activities to assistance, supplying material and example documents, organizing seminars and train-the-trainer courses, participating in strategy discussions and policy dialogues with authorities under the responsibility and in full cooperation with SCAAK staff. The twinning cooperation aims to be temporary. The objective and exit strategy for the mentor is sustainable progress with IFAC SMOs and the compliance program, including the best endeavor principle where other authorities are responsible or involved (universities, regulator, ministries etc.).

INSTITUTIONAL GOVERNANCE

SCAAK is a not for profit NGO that is governed by its Assembly, which comprises its members who are qualified accountants and auditors. The Assembly elects a Council, whose role is to provide oversight of the work of the secretariat (full-time staff). The Council elects the President, and forms the Committees. Council members are volunteers. The Statute has a provision for rotation of Council members.

SCAAK has a staff of 11 persons full-time and 8 part-time, and is led by an energetic and hardworking Executive Director. The Executive Director and her staff report to Council. There is a clear distinction between the roles of Council and the Executive, with the former setting strategy and the latter executing it, and in practice, developing proposals for strategy and policy for consideration by the Council and Committees.

As an NGO and registered “public benefit” body, SCAAK is legally, as well as in practice, independent from the Government. Staff resources sufficiently match the size and growth of the organization; SCAAK is viable, not only financially, but also in terms of its independence, recognition, reputation and longer term prospects.

Most of the SCAAK staff is fluent in English, and capable of understanding and effectively communicating the requirements and obligations of the IFAC SMOs and pronouncements of the other international standard setters. SCAAK takes responsibility for commenting international standard exposure drafts.

STATUS OF RECOGNITION

SCAAK was established with the assistance of the World Bank. Fortunately SCAAK decided from the beginning to emulate the profession as it is structured in the developed EU countries, and to try and follow the guidance and requirements of IFAC. SCAAK has remained small and flexible enough to follow a strategy of quality instead of quantity.

At the same time the World Bank helped to set up the Kosovo Board for Standards in Financial Reporting (KBSFR, audit license/standard setting body), which provides regulation over statutory audit. The original law envisaged that SCAAK would operate as a professional body (and implement the professional education program) and the KBSFR would be a licensing function (checking that audit license applicants completed the SCAAK program, and were otherwise eligible for an audit license).

Though the 2001 Law that established the profession was not changed since, SCAAK’s de-facto recognition has grown. In 2007, when an attempt was made to deprive SCAAK of its role as a professional body by vested interests who proposed amendments to what would otherwise have been a good law (prepared with assistance of the World Bank), SCAAK successfully persuaded the authorities to act in the public interest and stop it.

There is no other organization in Kosovo that has invested as much as SCAAK in becoming a professional body for the sake of public interest. The possibility of another body is not foreseen, if ever, for several years at least.

SCAAK is the recognized voice of the profession in Kosovo, the center of excellence, and this is acknowledged by Government. Ministers of Finance attended SCAAK events and the President of Kosovo as well. In December 2009 the President of Kosovo will attend the ceremony of festivities for full Membership in IFAC in Pristina.

MEMBERSHIP AND ADMISSION REQUIREMENTS

SCAAK has two categories of members: professional accountants and audit professionals. Accounting technicians form a separate non-voting category.

SCAAK does not have a large membership, but it is clear that it will grow over time, as it is attracting a younger and larger intake to the profession. It has a professional department that provides assistance to members and technical support. SCAAK is located in the city center of Pristina and it is common that members will call in, telephone or email SCAAK with queries.

From its beginning SCAAK has had clear requirements for entry to the profession, a program of formal professional education and independent examinations, practical experience requirements and obligations on members to comply with the Code of Ethics. SCAAK's 2007 Charter now explicitly mandates compliance with IFAC SMOs, and sets a mission and objectives that are fully consistent with the values and goals of IFAC.

PARALLEL INITIATIVES

The European Agency for Reconstruction (EAR) managed a program to support the development of the accounting and auditing profession and standards in Kosovo. The Corporate Financial Law Reporting project, implemented by a HELM Corporation led consortium, was focusing on the development of the corporate financial reporting regulatory environment in Kosovo and capacity building at SCAAK and KBSFR.

Kosovo has adopted a corporate financial reporting regime which was inspired by EU 4th, 7th and 8th Company Law Directives. New accounting and audit laws address specific weaknesses identified in the World Bank ROSC report (2006).

The EU supported and financed projects for the privatization of the former Yugoslav Socially Owned Enterprises (SOEs) and incorporation of Publicly Owned Enterprises (POEs). Another project managed by ELCO will ensure relevance and coordination of training activities and training material developed in the SCAAK program with the reality of the Kosovo privatization and liquidation process.

SCAAK created a specialist chapter for Insolvency Professionals and had applied to become a member of INSOL, the worldwide federation of national associations for accountants and lawyers who have chapters of members engaged in insolvency and business turnaround activities.

PROGRESS IN COMPLIANCE WITH SMO'S DURING THE TWINNING PERIOD

Progress in compliance during the twinning period was enhanced by using the structures of the IFAC Compliance Program (Self Assessment and Action Plan) and by cooperation with parallel initiative projects in the financial sector. Being the center of excellence of the profession in Kosovo, SCAAK was able to play the role of facilitator of SMO-compliance in collaboration with other authorities involved. Objectives for collaboration were national recognition, institutional capacity, standards setting and commitment to international standards at country level.

SCAAK takes the responsibility of acting for the progress on country level seriously. Though not legally responsible for standard setting in accounting, SCAAK translated and promoted the work of international standard setters, and has a good relationship with the KBSFR. SCAAK has adopted the IFAC Code of Ethics, implemented SMO 2 for education (devolved competence from the KBSFR) and has led the efforts to secure funding and co-operation in obtaining and/or developing the translations for IFRS, ISA and pronouncements of EU (directives), IPSAS as well as lead developments in education.

Several twinning activities cover more than one SMO; in each of the SMOs below the twinning activities are mentioned.

SMO 1

SCAAK undertakes a project in cooperation with KBSFR and CBK (Central Bank of Kosovo) to implement a system of Quality Assurance in accordance with SMO 1 and is assisting the practitioners with guidance on ISQC1 for preparation to the new regulations. SCAAK is responsible for the translation of the IFAC Guide to Quality Control for Small- and Medium-Sized Entities (QC Guide).

Twinning activities:

- Policy dialogues with KBSFR (regulator), Central Bank and Ministry of Finance about potential joint Quality Assurance programs
- Submit example documents (regulation, review program, Quality Assurance, including Quality Control)
- Review draft national regulation

- Develop self-assessment and review questionnaires (ISAs & IFRS)
- Perform pilot review for the learning process, not for naming and shaming (ISA's & IFRS) review design, firm visits, evaluate & report results
- Organize seminars on Quality Assurance for responsible authorities involved
- Organize Continuing Professional Development (CPD) on Quality Control for firms/members (use of IFAC QC Guide)
- Organize CPD on ISA 220, *Quality Control for an Audit of Financial Statements* and ISA 230, *Audit Documentation* based on working papers & case study
- Develop action plan for a 4-5 year Quality Assurance strategy: 1. Develop law & regulation, 2. CPD on Quality Control for firms/members. 3. Firms tailor their Quality Control system, 4. Firms perform audits according to new Quality Control system, 5. Start Quality Assurance (SCAAK & KBSFR)
- Upgrade IFAC Action Plan

SMO 2

In 2007/2008 SCAAK upgraded its educational program substantially with the assistance of a EUR 1,5m technical assistance project of the EU. SCAAK has developed and implemented a program for the certification of accountants and auditors. SCAAK has commenced a program to upgrade its suite of professional qualifications benchmarked on the ACCA qualification and IFAC education standards. SCAAK has succeeded in developing a credible independent professional examination system for certified accountants and auditors and is working on further developing its capacity to regulate those of its members who are licensed statutory auditors in accordance with the principles and requirements of the EU 8th Company Law Directive.

SCAAK administers the admission requirements with rigor, and pass rates in the examinations bear this out. In a culture where education certificates sometimes can be bought, SCAAK took the challenge in taking the decision to significantly upgrade its programs and apply the new requirements, even though in the short term, this has not been popular.

Having invested so much in the professional education program, SCAAK undertakes significant training for students in Kosovo. It has also assisted the University of Pristina to gain support for reforming the accounting education curricula. Because of SCAAK's efforts the USAID has agreed to assist the University of Pristina to introduce a new accounting & auditing faculty. SCAAK has been an advisor to USAID in this project and supports the new faculty with SCAAK staff.

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SCAAK has implemented the CPD requirement since 2008, but even before that SCAAK has provided CPD courses to members, often attracting international speakers provided by donor agencies. In 2008 for example SCAAK has provided CPD speakers from IASB, NIVRA, Carana Corporation, ACCA, EU institutions as well as USAID and consultants.

Twinning activities:

- Policy dialogues with the State University representatives about a separate accounting & auditing faculty and about the issue of State University professors working for private universities
- Partly review and comment draft curricula (university & ACCA)
- Organize CPD on ethics
- Organize CPD on Quality Control for firms/members (use of IFAC QC Guide)
- Organize CPD on ISA 220 and ISA 230 based on working papers & case study
- Organize CPD on work experience (Practical Auditing Experience Training)
- Upgrade IFAC Action Plan

SMO 3

Kosovo has adopted a corporate financial reporting regime which was inspired by EU 4th, 7th and 8th Company Law Directives. New accounting and audit laws address specific weaknesses identified in the World Bank ROSC report (2006). SCAAK initiates or cooperates in translations for ISAs and pronouncements of EU (directives).

Twinning activities:

- Review draft legislation and regulation
- Policy dialogues with Ministry, Central Bank and KBSFR on audit policy and audit thresholds, the unsatisfactory bailing system for the financial sector and audit quality
- Organize CPD on ISQC1 and QC Guide and (draft) Practice Management Guide
- Organize CPD on Working Papers with case study (ISA Guide)
- Organize CPD on work experience (Practical Auditing Experience Training)

- Upgrade IFAC Action Plan

SMO 4

SCAAK actively promotes the values of ethics and professionalism to its members and in public forums, and incorporates a strong ethics component in its professional education program.

Twinning activities:

- Review draft legislation
- Organize CPD on ethics and anti-corruption
- Organize CPD on Quality Control for firms/members (use of IFAC QC Guide)
- Organize CPD on ISA 220 and ISA 230 based on working papers & case study
- Policy dialogues with other authorities (linked with SMO 6) on ethics and governance that has resulted in change of the mindset towards public benefit for country level stakeholders
- Upgrade IFAC Action Plan

SMO 5

SCAAK has led the efforts to secure funding and co-operation in obtaining and/or developing the translations for IPSAS and leads developments in education.

Twinning activities:

- Upgrade IFAC Action Plan

SMO 6

SCAAK and Kosovo are small enough for serious acts of misconduct to sometimes become public knowledge before formal mechanisms can resolve them. SCAAK is responsible for enforcing its regulations on members, but its sanctions are limited to expulsion or suspension from membership. Only in the cases where the responsible member is an employee of Government, or a major employer or an Audit License holder can this act as a deterrent however. The legal system in Kosovo and regulatory system is not strong enough yet to assure public interest protection from the possible effects of misconduct relating to the small percentage of members who work in auditing public interest entities, though these tend to be employed by the Big-4 only.

TOOLS AND RESOURCES

SCAAK has a Disciplinary committee, and a procedure for investigating complaints about its members, and the sanctions referred to above. SCAAK has a policy of co-operating with the KBSFR in the case of complaints against licensed auditors.

SCAAK has upgraded its IFAC Action Plan to improve the system of monitoring, investigation and disciplinary activities in Kosovo, and in collaboration with the KBSFR.

Twinning activities:

- Review draft regulation by IFAC staff
- Policy discussions with SCAAK staff linked with SMO 4
- Upgrade IFAC Action Plan to improve the system of monitoring, investigation and disciplinary activities in Kosovo in collaboration with the KBSFR
- Upgrade IFAC Action Plan

SMO 7

The Government is working on introducing a modern law for financial reporting that will update and bring into harmony with the EU company law directives, and it includes a provision and requirements for statutory recognition for organizations that meet minimum requirements.

Twinning activities:

- Perform pilot review for the learning process, not for naming and shaming (IFRS) review design of questionnaires, firm visits, evaluate & report results
- Policy dialogues on IFRS for SMEs
- Upgrade IFAC Action Plan

Institutional Capacity building

SCAAK is technically competent and understands its obligations and role as a professional body. It functions well in communicating the importance of the profession for economic development, and operates in an open and transparent way.

Though SCAAK is a young professional body, it has stood out from many others in South East Europe by publicly committing to professional standards and practices from its beginning. SCAAK has a young energetic and committed staff, which enjoys the support of members and Council for its hard working program to embrace, promote and implement the IFAC SMOs. SCAAK has attracted the support of many international

donors, and it is clear that the staff has benefited from working side by side with experienced internationals for a number of years.

They represent what is best about the profession in an environment where that is not easy. They assist and cooperate with bodies in Albania and Macedonia on a friendly basis by sharing experiences. They are well governed and transparent in the way they work. They are enthusiastic and operate in a very friendly but professional way. They have created the modern professional accountancy profession in Kosovo, and have learned much from the international organizations and consultants that have assisted them along the way and show a high level of ambition for the future.

Twinning activities:

- Assist in introducing member service areas (QC Guide, Practice Management Guide, ISA Guide, CPD)
- Assist in considering member service for a working paper tool (software based)
- Promote center of excellence reputation with national stakeholders
- Contribute in cooperation with the institutes of Albania and Macedonia

CASE STUDY ON LACA LATVIA

2008-2009 WORLD FINANCIAL CRISIS AND LATVIA

Until recently, former Soviet Lithuania, Latvia and their fellow Baltic state Estonia enjoyed a reputation as economic "tigers" in the EU, which they joined in 2004. But once-solid consumption has withered amid high inflation and tighter domestic credit rules, and the global economic crisis has dented exports, hitting businesses hard and sparking mass lay-offs. Latvia's economy contracted 18.4 percent in the third quarter of 2009 from the same period a year ago. In 2008 and 2009 Latvia faced balance of payments crisis so severe that it required external financial assistance.

PRE-1991

For centuries Latvia was primarily an agricultural country, with seafaring, fishing and forestry as other important factors in its economy. Latvia was under foreign dominion from the 13th until the 20th century. After the First World War it declared independence which Russia recognized in 1920.

A considerable step in the creation of independent audit was taken in 1938, creating the Latvian Institute of Sworn Auditors, which operated under the supervision of the Latvian Chamber of Commerce and Industry. In the Law on Sworn Auditors passed on July, 12,

1938, the requirements were formulated for those persons who perform the audits of financial statements - specifically, for sworn auditors and their assistants.

Two decades later, Latvia was absorbed into the Soviet Union and for half a century, until 1991, Latvia was one of republics within USSR, where accounting policy was determined by the planned economy. During the Soviet period which ended in 1991, Latvia underwent heavy industrialization, and experienced a big influx of immigrants from other parts of the USSR, mainly Russia. The law issued by the government on July, 29, 1940 "On Cancellation of the Law on Sworn Auditors," the Institute of Sworn Auditors was liquidated, and their responsibilities were transferred to the state control. The main purpose of the accounting statements was perceived to be submitting information to the state taxation system. The concept of audit was vague and represented a conceptual idea which was not seen as practical.

The integrated accounting system of these times was unsuitable under conditions of market economy; when Latvia regained independence in 1991 and the economic system was changed, transition to market economy brought about necessity to alter financial accounting policy in Latvia and adjust it to the new market relations. With reorientation from planned to market economy fundamental changes in accounting policy took place and effectively accounting system of year 1938 was restored and amended making use of practice of European Union (EU) member states and IFAC pronouncements.

1990S—SETTING THE ACCOUNTING FRAMEWORK IN LATVIA

The act of moving from a closed market system to an open market system was in itself a learning experience for government, professionals, business enterprises, and the public in general. Without an understanding of “how to do things” at all levels, it seems professional organizations and government regulation went through “false starts”.

Some Latvian economists in their research devoted to the development of the audit market in Latvia were of a view that Latvia went through a typical stage of a transitioning economy; thus the laws adopted in the first half of the 1990's had typical flaws and shortcomings of an economy in transition. At that time, Latvia lacked legal expertise and competence to develop the regulation, encompassing best accounting practices. As a result, laws have been changed often (for example, Law on Sworn Auditors just in the period from 1992 till 2001 changed four times), reacting to concrete necessities and reducing legal stability and predictability. Most recently, in 2008, the Law was updated again to incorporate new developments in EU accounting legislation.

1994 saw the start of audit regulation by the government. Auditing was then viewed and seen as a “new independent form of control”; however, in reality, the concept and how auditing should be conducted as a profession was difficult for the government and business to grasp. The focus was on concepts which they tried to apply to an audit model.

LACA

Latvian Association of Certified Auditors (LACA) or Latvijas Zvērinātu revidentu asociācija (LZRA) is an independent professional corporation founded in 1994 under the Law on Certified Auditors. LACA was originally been founded by 75 certified auditors. As was mentioned above, the origin of the Law on Certified Auditors goes back to July 12th, 1938 when the Law was adopted by the Cabinet of Ministers of the Republic of Latvia and ratified by the President.

There were approximately 65 companies on the Latvian audit market in 1999 and approximately 118 sworn auditors.

Regional distribution of the living place of sworn auditors at the end of 2000



Source: LZRA

The foreign companies had larger weight in the market rather than local audit firms. In 1999 the foreign firms formed 75% of the market while the local auditors represented 25% of it (see the graph).

In 2009, when LACA became IFAC member, it comprised of 160 certified auditors and 140 audit firms. The profession is small, but it sufficiently meets the demands for auditing services in the Latvian market.

1997-STATEMENT ON ISAS ADOPTION

The LACA has initially declared of its decision regarding the use of the ISA issued by International federation (IFAC) of Accountants in 1997. It took however several years before the implementation process became effective and streamlined. The first official translations of ISAs took place in 2005 and since then LACA was using its best endeavors to do it following the IAASB's timetable. The insufficient resources were often the cause of some delays with the translation activity.

CURRENT STATUS

The Audit Law requires use of ISAs in Latvia as approved by LACA, hence LACA plays very important role with regards to the ISAs adoption and implementation process. LACA is also authorized to translate ISAs and publish them in Latvian language. ISAs published in 2008 translated and approved by the Board (except changes related to Clarity project) as mandatory from September 2009. LACA has been focusing on the translation of Clarity ISAs and is working on minimizing delays in the translation; however it is closely related with resource constraints. There are regular training courses on various ISAs available to the public and certified auditors. The Education Centre provides education courses on ISAs as well as updates on a regular basis.

ISAs update course on Clarity project have been designed and launched by the Education Centre of LACA in September 2009. The course will be made available to members several times to ensure sufficient availability to members.

2004-ADOPTION OF THE IFAC'S ETHICS CODE

The IFAC Code of Ethics for Professional Accountants was first adopted by LACA in December 2004, but again it took several years before LACA was able to develop a sustainable process of ongoing adoption of IFAC ethical pronouncements.

LACA has implemented convergence with the IFAC Code of Ethics by adopting the Code and making modifications where necessary to comply with EU directives. The IFAC Code of Ethics requirements have been translated, approved and become mandatory for Latvian certified auditors since 2007. Up-to-date Latvian translation of IFAC Code of Ethics is available in the members' area of LACA website at www.lzra.lv.

To ensure effective implementation of the Code, LACA endeavors to ensure that its education and CPD program includes courses on the revised IFAC Code.

The incorporation of adjustment to the Code of Ethics is closely related to the launch of the public oversight system which started in June 2008 with the adoption of the changes to the Latvian Law on Certified (Sworn) Auditors and depends on future decisions of the newly established public oversight body AAC.

2005-INTRODUCING ISQC1 AND QA

LACA has established a quality control system and guidance based on the International Standard on Quality Control 1 in 2005. The audit firm is the subject of the review. When the QA reviews just started in 2005, a five year cycle was adopted based on the EU regulation of that time. A three year period could be applied to offices auditing listed companies, but the number of Latvian based listed companies was very small at that time, so no special rules were established. The reviewed audit offices are rated A, B or C. The rating system has the following meaning:

- Without substantial deficiencies,
- No more than one substantial deficiency and
- More than one substantial deficiency.

An audit office rated B has to report on corrective actions, but an audit office rated C not only has to report on corrective actions, but it also is subjected to repeated reviews in one year's time and to disciplinary process.

LACA is currently in the process of updating its internal processes to change the review cycle for listed entities from 5 years to 3 years.

FINANCIAL REPORTING IN LATVIA

LACA has also been actively participating in the process of monitoring and implementation of new EU regulations in respect of financial reporting and statutory audit in Latvia. LACA has been frequently asked for opinion on new legislative initiatives and the state policy in the area of financial reporting. LACA initiates public discussions of professional issues on a regular basis.

The Latvian Accounting Council is responsible for preparing and issuing Latvian Accounting Standards – a set of IFRS based standards, modified to exclude contradictions with Latvian law and to enclose more comprehensive illustrative material, suitable for SMEs. LACA, as a member of the Council, uses its best endeavors to promote the requirements of SMO7. It has been hosting the review committee for the official Latvian translation of IFRSs for several years, as well as providing feedback to IASB and relevant EU institutions.

LACA in cooperation with ACCA and a UK accountancy training company is developing an extensive training update program in IFRS in Latvian (launched in 2007).

2009-INTRODUCING PUBLIC OVERSIGHT IN LATVIA

Latvian profession managed to find what seems to be an almost perfect balance between self-regulation and public oversight. Prior to devising and launching their oversight system, they looked at the available models and devised a system that fits the size of the economy and the profession. The system as it is functioning for five months now and they make improvements as they progress and accumulate experience.

Until a few years ago, LACA had been self-regulated, when oversight body, the Audit Advisory Council, was created. There is currently system of shared-regulation as LACA continues to manage the Quality Assurance (QA) process and the Audit Advisory Council oversees all major decisions with respect to QA, discipline, and education processes.

TOOLS AND RESOURCES

The Council is comprised of a representative from each of the following: the Ministry of Finance, the Ministry of Justice, the Finance and Capital Market Commission, LACA, the Association of Accountants, the Riga Stock Exchange, the Foreign Investor Council in Latvia, the Latvian Employers Confederation and one of the Latvian universities. The members of the Council are approved by the Cabinet of Ministers.

The Audit Advisory Council's reviews the documents prepared by LACA regarding: examination and certification of the applicants for the status of a Certified Auditor, licensing of commercial companies of Certified Auditors, maintaining qualification of Certified Auditors and quality control of professional activities, international auditing standards and ethical guidelines. The Council is also responsible for giving recommendations to LACA for improvements and notifying the Ministry of Finance of the recommendations. The Council has the right to submit to the Ministry of Finance proposals about the required amendments to the regulatory acts governing audit.

INTERNATIONAL DONOR ASSISTANCE

Despite major reforms by the New EU Member States to their legal and regulatory frameworks governing corporate sector accounting and auditing, there is a substantial unfinished institutional development agenda in the field of financial reporting. The Financial Reporting Technical Assistance Program provides support to five national administrations (in Latvia as well as in the Czech Republic, Estonia, Poland, Slovenia) which face capacity constraints and challenges in fully implementing – both in law and in practice – the very demanding obligations imposed by the rapidly-evolving *acquis communautaire* in this field.

Switzerland supports Latvia with a total amount of 59.88 million Swiss francs (approximately 38 million EUR) between 2008–2012, as agreed in the Bilateral Framework Agreement. Part of this funding will be distributed the World Bank's Center for Financial Reporting Reform. It will provide technical assistance and training to a number of Latvian key stakeholders in the accounting sphere. Total budget of the project: CHF 2'000'000.

A strong focus will be put on audit public oversight and quality assurance in order to meet the requirements of the *acquis communautaire* and attain an enhanced quality and reliability of the auditing process and financial statements of Latvian private sector enterprises.

CASE STUDY ON LESOTHO

CIPFA has developed a case study on the Progress towards Public Financial Management Professionalization of Lesotho. Please click on the following icon to access the case study:

www.cipfa.org.uk/ppfm/download/progress_towards_professionalisation.pdf

IFAC STANDARDS AND GUIDANCE

ACCESS TO IFAC STANDARDS AND GUIDANCE

IFAC develops, promotes and enforces the standards and guidance in the following areas:

- Auditing, Assurance and Related Services
- Education
- Ethics
- Information Technology
- Professional Accountants in Business
- Public Sector Accounting
- Quality Control
- Small and Medium Practices

Visit the IFAC Publications & Resources tab at www.ifac.org/publications-resources/ for a complete list of current publications, and to download publications free of charge.

In addition to standards and guidance, IFAC periodically publishes discussion papers, studies and other publications regarding topics of specific interest to the profession. These can also be downloaded free from the IFAC Publications & Resources tab.

STANDARDS AND GUIDANCE OF PARTICULAR INTEREST

Standards, guidance and policy statements which may be of interest to readers of this guide include:

- International Standards on Auditing
- International Education Standards
- IFAC Code of Ethics for Professional Accountants
- International Public Sector Accounting Standards
- IFAC Statements of Membership Obligations
- IFAC Translations Policy

- Assistance Projects in Accountancy Education and Development, published 2000
- Quality Issues for Internet and Distributed Learning in Accountancy Education, published 2000
- Recognition of Pre-Certification Education Providers, published 2002
- Assessment Methods, published 2004
- Transition to the Accrual Basis of Accounting: Guidance for Governments and Government Entities (Second Edition), published 2003

Visit the IFAC Resources & Publications tab to download these publications www.ifac.org/publications-resources/.

IFAC MEMBERSHIP APPLICATION PROCESS

The latest version of the IFAC official documents on the membership application process should be obtained from the IFAC website (www.ifac.org). The text provided below is for informative purpose only and should not be used as a reference in the context of an actual application to IFAC.

BACKGROUND

IFAC MISSION

The mission of the International Federation of Accountants (IFAC) is to serve the public interest, strengthen the accountancy profession worldwide and contribute to the development of strong international economies by establishing and promoting adherence to high quality professional standards, furthering the international convergence of such standards and speaking out on public interest issues where the profession's expertise is most relevant.

RESPONSIBILITY FOR MEMBERSHIP APPLICATIONS

The IFAC Board has the authority and responsibility for determining the criteria for and procedures by which organizations will be admitted into membership of IFAC. The purpose of the Compliance Advisory Panel (CAP) is to oversee the implementation and operation of the IFAC Compliance program which is the responsibility of the IFAC Staff reporting to the Chief Executive.

This paper outlines the categories for application to IFAC (member, associate and affiliate), the criteria to be met by applicants, the role and obligations of the Sponsoring IFAC member, and the documents to be completed by applicants.

IFAC MEMBERS

CRITERIA FOR MEMBERSHIP³

Membership shall be open to Professional Accountancy Organizations meeting the following criteria:

- The organization is acknowledged, either by legal decree or by general consensus, as being a national professional organization in good standing in

³ IFAC By-Laws, November 2008

the jurisdiction. In the case of general consensus, evidence exists that it does have the support of the public and other key stakeholders.

- The organization has met the obligations specified in the IFAC Statements of Membership Obligations (SMOs). In those cases where an organization has not yet met all the obligations in the SMOs, the organization has prepared a realistic and detailed action plan to meet such obligations.
- The organization actively participates in the IFAC Member Body Compliance Program.
- The organization is committed to participate in IFAC and promote the importance of IFAC and the International Accounting Standards Board (hereinafter referred to as the “IASB”) programs, activities and pronouncements.
- The organization is financially and operationally viable, and has an appropriate governance structure.
- The organization has an internal operating structure that provides for the support and regulation of its members.

STATEMENTS OF MEMBERSHIP OBLIGATIONS

The SMOs clarify IFAC’s membership obligations with respect to IFAC’s objectives. The SMOs address International Standards (Standards issued by IFAC and the International Accounting Standards Board (IASB)) and requirements for quality assurance and investigation and discipline of professional accountants and are as follows:

- SMO 1 Quality Assurance
- SMO 2 International Education Standards for Professional Accountants and Other IAESB Guidance
- SMO 3 International Standards Related Practice Statements and Other Papers issued by the International Auditing and Assurance Standards Board
- SMO 4 IFAC Code of Ethics for Professional Accountants
- SMO 5 International Public Sector Accounting Standards and other IPSASB Guidance
- SMO 6 Investigation and Discipline
- SMO 7 International Financial Reporting Standards.

TOOLS AND RESOURCES

The SMOs require members to use their best endeavors to meet these obligations and to actively promote international accountancy programs and standards established by IFAC and the IASB.

This requirement involves a significant commitment on the part of members. Members will be expected, through the Member Body Compliance Program, to periodically demonstrate the efforts that have been made to fulfill their commitment and achieve their obligations.

MEMBERSHIP ENTITLEMENTS

Member bodies in good standing are entitled to attend and vote at Council meetings (unless they are considered to be a delinquent member body), to seek nomination to the IFAC Board and other boards, committees or advisory panels, receive access to publications, and to participate in other activities as deemed appropriate by the Board or Council.

MEMBERSHIP DUES

Members are assessed dues based on economic and membership size indicators. Dues are invoiced annually on January 1. Please refer to the IFAC Member Body Reference Manual.

IFAC ASSOCIATES

CRITERIA FOR IFAC ASSOCIATE

Associate status shall be open to Professional Accountancy Organizations that do not yet meet all the admission criteria stated above, but demonstrate commitment to meeting such criteria and progressing to membership.

OTHER CONSIDERATIONS

Some Professional Accountancy Organizations are at an earlier stage of development or operate within a regulatory and standard-setting framework that present challenges with respect to demonstrating compliance with the SMOs.

Once admitted as an associate, IFAC will monitor the associate's progress in implementing agreed actions and generally, where progress has been made, the associate will be encouraged to apply for membership within two to three years. Associates are also required to participate in the Member Body Compliance Program.

ASSOCIATE ENTITLEMENTS

Associates are entitled to attend and to participate in the discussions and deliberations at meetings of the Council, receive access to publications, and to participate in other activities as deemed appropriate by the Board or Council. Associates are not entitled to vote at meetings of the Council.

ASSOCIATE DUES

Associates are assessed dues based on the minimum level established for IFAC members. Dues are calculated and invoiced annually on January 1. The dues methodology also includes minimum and maximum dues considerations. Please refer to the IFAC Member Body Reference Manual for information about the dues calculation.

IFAC AFFILIATES

CRITERIA FOR IFAC AFFILIATES

Affiliate status shall be open to organizations that do not meet the associate admission criteria but that have as an objective the development of the accountancy profession.

In considering applications for Affiliate status, IFAC will seek evidence to demonstrate that the organization:

- Is of good standing and enjoys appropriate visibility;
- Has a financial and organizational structure that supports its viability;
- Has an interest in IFAC and IASB and their programs, activities and pronouncements; and
- Will promote IFAC and IASB's activities.

OTHER CONSIDERATIONS

Affiliates may have international, regional or national membership and normally represent a group of professionals who interface frequently with the accountancy profession.

AFFILIATE ENTITLEMENTS

Affiliates are permitted to attend, but not vote at, Council meetings and to participate, by invitation only, in IFAC activities. Such invitations will normally be made where the

affiliates has specific expertise to contribute to the IFAC activity (e.g., committee or task force).

AFFILIATE DUES

Affiliates dues are invoiced annually on January 1. Please refer to the IFAC Member Body Reference Manual.

APPLICATION PROCESS AND TIMETABLE

APPLICATION DEADLINE

Complete application materials, including the required application fee (see below) need to be received by IFAC by December 31. This is necessary to allow sufficient time for the Compliance Staff and the CAP to review such materials and form a recommendation to the Board by its September meeting.

Complete applications submitted after December 31 will be considered for the next year's approval process.

When incomplete applications are submitted and additional information requested by IFAC is not provided by applicant body prior to the December 31 deadline, the application file may be closed at the discretion of the Staff, with the approval of the CAP Chair.

A change in the deadline for submitting applications should be implemented in 2012. For additional information about this change, interested readers should refer to the official documentation on the application process available on the IFAC website.

APPLICATION FEE REQUIREMENT

Applicants must submit an application fee as part of the process. The application fee is calculated as follows:

- The application fee for first time applicants for associate or member status would be equal to their first year's dues up to a maximum fee of \$25,000. As noted above, members and associates are assessed dues based on economic and membership size indicators. Consequently, the calculation of an applicant's application fee will vary from applicant to applicant and should be confirmed with the Compliance staff as part of the membership application process.
- The application fee is non-refundable and must be paid by the deadline for submitting the application. If the application does not lead to a positive recommendation to the IFAC Board in that year, the applicant would only need to pay an application fee that is 50% of the fee as calculated under the first

bullet when it applies the second time. The reduction reflects the fact that some due diligence was already conducted during the first application submission.

- Associates applying for full membership would be required to pay an application fee that is equal to 50% of the fee as calculated under the first bullet.

SUPPORT OF EXISTING IFAC MEMBER

The application process requires applicants to obtain an Attestation of Support from an existing IFAC member which must submit information that will provide IFAC with sufficient knowledge to evaluate the applicant's membership request.

APPLICATION REVIEW PROCESS

Once the complete application is received at the IFAC offices, it will be reviewed by the Member Body Compliance Staff to ensure all necessary information is included. The Staff will contact the applicant during the process to seek clarification of information where necessary. Staff will also contact the sponsoring member and possibly others to seek confirmation of information. Once all required information has been received and any questions have been sufficiently answered, an initial recommendation for membership may be made.

The Staff will refer the application to the CAP for its review and consultation. The Staff may then make a recommendation to the IFAC Board. The Board will then consider the application and, if approved, makes a recommendation to the Council that the application should be approved. The Council then votes whether to approve the Board's recommendation. If approval is not recommended at any stage of the process, the applicant will be advised as soon as it is practicable.

The Board currently meets four times a year, usually in February, June, September and November. An application may be considered by the Board at the February, June and September meetings. The application is presented to the Council for final approval at its next annual meeting, normally in November.

The entire process, from Staff review, CAP review and Board consideration may take between six months to one year depending on the completeness of information provided by the applicant and the need for further consultation with the applicant or others. Thus, applications should be submitted with sufficient lead time and all the required information.

SPONSORSHIP OF APPLICANTS

TOOLS AND RESOURCES

In using their discretion in recommending to the Board the admission of a professional accountancy body to membership, the IFAC Compliance Staff and CAP are guided by the following principles:

- The applicant shall be nominated by an IFAC member;
- If the country is already represented by one or more members, the applicant shall seek nomination by at least one of these members;
- If the member(s) represented in IFAC in the country of the applicant body will not nominate the applicant body, IFAC will seek to understand the reasons for the lack of such nomination. Where the reasons provided for the lack of nomination from the IFAC member(s) in that country are justified on public interest grounds, IFAC will not approve the application. In other cases, IFAC will consider a nomination from another IFAC member from outside the country.

ROLE OF THE SPONSORING MEMBER

The support provided to the Applicant by the sponsoring member throughout the application process contributes significantly towards the work of the IFAC Compliance Staff and CAP in evaluating the applicant body. For this reason, the Sponsoring Member is required to provide:

- An Attestation of Support; and
- A Report about their knowledge of certain aspects of the applicant organization, the application and supporting documentation, Compliance Program questionnaires, and audited financial statements for the most recent two years.

Throughout the application process, the IFAC Compliance Staff obtains as much factual information about the applicant as possible. Sources will generally include the applicant body, sponsoring body, internal research, and external stakeholders. Nevertheless, it relies heavily on the sponsorship of the existing IFAC member. The act of sponsorship is not, therefore, a mere formality. It is an affirmation by the sponsoring body to IFAC and its fellow members that:

- The Sponsoring Member has sufficient knowledge of the applicant body to provide reasonable grounds for supporting the application; and
- The Sponsoring Member has reviewed the application form and supporting documentation and that such information is correct and complete to the best of their knowledge.

The Sponsoring Member has a responsibility to IFAC and its fellow members to present

an objective assessment. If this is not possible, it should decline to sponsor the applicant, as it is under no obligation to do so. Additionally, if there are factors related to the application (favorable or unfavorable) that are not evident in the application, these should be communicated to IFAC. The IFAC Compliance Staff and CAP wish to be in possession of all information relevant to the application for membership before making its recommendation to the IFAC Board and Council.

An attestation of support by an existing member is required for each category of membership including affiliate applicants. It is up to the applicant to secure the support. This support is evidenced by the completion of the Attestation of Support form.

APPLICATION DOCUMENTS

The application process seeks to obtain general information about the applicant's operations and financial position, the regulatory and standard-setting framework that the applicant operates within, its role and responsibilities with respect to the profession nationally, and its stage of compliance with international standards. The following documents must be completed and submitted to be considered for membership⁴:

SPONSORING IFAC MEMBER

- Attestation of Support and Report by IFAC member. The original attestation and the supporting member's overview about the applicant should be received when the application is submitted. In all circumstances, the IFAC Staff will contact the IFAC member body providing the Attestation of Support to obtain a full understanding of the procedures performed with regards to the applicant.

APPLICANT

- Applicant's Assessment of the Regulatory and Standard Setting Framework. For detailed instructions on completing the Assessment of the Regulatory and Standard-Setting Framework questionnaire, please refer to the questionnaire.
- SMO Self-Assessment. The applicant's self-assessment with respect to the matters addressed by the Statements of Membership Obligations.
- Applicant General Information and Declaration of Intent. This document requests supplemental information about the applicant to assist IFAC in

⁴ All forms are available on IFAC's website at www.ifac.org or by contacting IFAC Compliance Staff. Applicants will require a login codes to complete the Assessment of the Regulatory and Standard-Setting Framework questionnaire and the SMO Self-Assessment questionnaire. These codes can be obtained by contacting IFAC Compliance Staff.

understanding the governance structure, infrastructure and activities of the applicant. Applicants are also required to affirm their intentions regarding IFAC membership by completing the Declaration of Intent.

- Audited Financial Statements. The applicant body should provide the Sponsoring Body and IFAC with its most recent two years of audited financial statements, preferably prepared in accordance IFRS and audited in accordance with ISAs.
- Application Fee. The applicant's payment of the application fee.
- Membership Statistics Form. This document requests information about the applicant's membership size and the sectors they operate / work in, the categories of membership and sources of the applicant's revenues. The information should be provided for the last three years.

To make the application procedure as efficient as possible, we request that the applicant adhere to the following guidelines in completing the application.

- All documents and requested information are required to process an application form.
- Application documents must be completed in their entirety in English.
- As much information as possible should be provided in response to specific questions. While there are no guidelines as to what is sufficient and this will differ from organization to organization depending on the specific circumstances of the applicant, the information must be sufficiently descriptive for an external party to obtain a full appreciation about the role and responsibilities of the applicant, its operating structure, and the regulatory and standard-setting framework in its country. Additional information such as that suggested in the General Information form may be submitted in the local language accompanied by a brief description as to the information content.
- The completed form in a Word (.doc) file should be emailed to IFAC. A copy should also be mailed to IFAC.
- The Assessment of the Regulatory and Standard-Setting Framework questionnaire and the SMO Self-Assessment questionnaire should be completed electronically on the internet (refer to the IFAC Compliance Program website www.ifac.org/about-ifac/membership/compliance-program for more information about these questionnaires).

IFAC CONTACTS FOR IFAC MEMBERSHIP APPLICATION

All information should be submitted (preferably in electronic format) to:

Ms. Daria Koukhar

Technical Manager

IFAC Member Body Development

529 Fifth Avenue 6th Floor

New York, NY USA 10017

Email: DariaKoukhar@ifac.org

Tel: +1-212-286-9684 Fax: +1-212-286-9570

Inquiries may also be directed to Szymon Radziszewicz:

Mr. Szymon Radziszewicz

Senior Technical Manager

IFAC Member Body Development

529 Fifth Avenue 6th Floor

New York, NY USA 10017

Email: SzymonRadziszewicz@ifac.org

Tel: +1 212-471-8711 Fax: +1-212-286-9570

OVERVIEW OF KEY STEPS AND FORMS REQUIRED FOR IFAC MEMBERSHIP APPLICATION PROCESS

1. **Completion of an Applicant General Information form and Declaration of Intent.** This form focuses on understanding applicant's history, its operating and financial structure and its key activities. Applicants are also required to affirm their intentions regarding IFAC membership by completing the Declaration of Intent.
2. **Submitting of Audited Financial Statements.** The applicant body should provide the Sponsoring Body and IFAC with its most recent two years of audited financial statements, preferably prepared in accordance IFRS and audited in accordance with ISAs.
3. **Payment of the Application Fee.** Applicants must submit an application fee as part of the process.
4. **Submitting of Membership Statistics Form.** This document requests information about the applicant's membership size and the sectors they operate / work in, the categories of membership and sources of the applicant's revenues. The information should be provided for the last three years.
5. **Completion of two IFAC Compliance fact-based, self assessment questionnaires**
 - Part 1 questionnaire about the applicant's country regulatory and standard-setting framework. This questionnaire focuses on understanding the regulatory and standard-setting framework with respect to financial reporting / accounting and auditing requirements and regulation of the financial sector and the accountancy profession.
 - Part 2 questionnaire about adherence to IFAC Statements of Membership Obligations (SMOs). This questionnaire focus is on incorporation of international standards and the establishment of quality assurance and investigation and discipline programs.

The process for completing both questionnaires electronically online will be sent to the applicant once the IFAC Staff receives official notification that they intend to start the application process.

6. **Attestation of Support by IFAC Member and Report.** An application must be supported by an existing IFAC member. This requires the supporting member to submit a signed form confirming its support as well as a due diligence report confirming its knowledge about the applicant and the basis for the applicant being an organization suitable for IFAC membership.

7. **Recommendation for Membership.** Once all information has been received and any outstanding queries discussed, the Staff will refer the application to the IFAC Compliance Advisory Panel (CAP) for its review and consultation. The Staff may then make a recommendation to the IFAC Board. The Board will then consider the application and, if approved, makes a recommendation to the Council that the application should be approved.
8. **Approval by Council.** The IFAC Council then votes whether to approve the Board's recommendation. The IFAC Council has final approval of membership recommendations by the IFAC Board. The Council meets annually in November.

WHERE TO FIND RELEVANT FORMS AND UNDERLYING DOCUMENTS

All the forms and documents referred to in this document are available through IFAC's website (www.ifac.org). The membership application forms, procedures and criteria for membership can be found in the "About IFAC" section. Statements of Membership Obligations (SMOs) can be found in the "Compliance Program" section. List of all potential questions in Compliance Part 2 questionnaire can be reviewed on the instruction page for Part 2 at www.ifac.org/about-ifac/membership/compliance-program

Important note: Both Part 1 and Part 2 must be completed electronically online and not as a Word document.

OTHER HELPFUL GUIDANCE AND INFORMATION

IFAC COMMITTEES AND RESOURCES CENTER

In addition to the PAO Development Committee and SMP Committee, IFAC includes additional committee and resources centers to assist the profession and professional accountants around the world and provide them with information, resources and tools. These committees and resource centers are:

- The Professional Accountants in Business (PAIB) Committee: it serves IFAC member bodies and the more than one million professional accountants worldwide who work in commerce, industry, the public sector, education, and the not-for-profit sector. The committee facilitates the global development and sharing of knowledge, develops good practice guidance, and promotes the roles and domain of professional accountants in business.
- The International Center for Professional Accountants in Business. It is hosted by PAIB Committee, provides resources and facilitates the exchange of knowledge and best practices among the more than one million professional accountants worldwide employed in commerce, industry, the public sector, education, and the not-for-profit sector.
- The IAASB Clarity Center. The IAASB has developed a resource center which provides information on the IAASB Clarified ISAs and tools and resources to assist with the implementation of the standards.

Complete information about these IFAC Committees can be accessed on the IFAC website.

LINKS OF INTEREST

The organizations listed below provide some helpful information and guidance regarding the development of professional accountancy bodies.

REGIONAL ACCOUNTANCY ORGANIZATIONS

Eastern Central and Southern African Federation of Accountants (ECSAFA) — www.ecsafo.org

Fédération des Experts Comptables Européens (FEE) — www.fee.be

InterAmerican Accounting Association (IAA) — Fax: +1 305 2552011

Accountancy Bodies of West Africa (ABWA) — www.abwa-online.org/

Eurasia Council of Certified Accountants and Auditors (ECCAA) — www.eccaa.org/

Confederation of Asian and Pacific Accountants (CAPA) — www.capa.com.my

South Asian Federation of Accountants (SAFA) — www.esafa.org

OTHER ORGANIZATIONS

International Accounting Standards Board (IASB) — www.iasb.org

United Nations Conference on Trade and Development (UNCTAD), Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR) — <http://unctad.org/en/Pages/DIAE/ISAR/ISAR-Corporate-Transparency-Accounting.aspx>

The World Bank Group — www.worldbank.org

Asian Development Bank — www.adb.org

Inter-American Development Bank — www.iadb.org

African Development Bank — www.afdb.org

United States Agency for International Development (USAID) — www.usaid.gov

UK Department for International Development (DFID) - www.dfid.gov.uk

OTHER USEFUL RESOURCES

The IFAC KnowledgeNet for Professional Accountants in Business is a customized web search engine for professional accountants in business. This is accessible through www.IFACnet.com.

The International Finance Corporation, a member of the World Bank Group, has produced a SME Toolkit which offers free business management information and training for small businesses / small and medium enterprises (SMEs) on accounting and finance, business planning, human resources (HR), marketing and sales, operations, and information technology (IT). This can be found at www.smetoolkit.org/smetoolkit/en

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