

BACKGROUND NOTE ON ACTION PLANS

SMO Action Plans are developed by IFAC Members and Associates to demonstrate fulfillment of IFAC Statements of Membership Obligations (SMOs). SMOs require IFAC Members and Associates to support the adoption¹ and implementation² of international standards and other pronouncements issued by independent standard-setting boards under the auspices of IFAC as well as by the International Accounting Standards Board (IASB); and to establish a Quality Assurance (QA) review and Investigation and Disciplinary (I&D) systems.

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

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

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

Use of Information

Please refer to the Disclaimer published on the Compliance Program website.

ACTION PLAN

IFAC Member/Associate/PAO Expressing Interest: Non-profit Partnership «Auditor Association Sodruzhestvo»

Approved by Governing Body: Commission for Quality Control

Original Publish Date: December 2014

Last Updated: September 2016

Next Update: September 2017

¹ *Adoption* is concerned with the decision that international standards are appropriate for use in specific national financial reporting environments and with the actions necessary to effect those decisions, including incorporation into national requirements or requiring the use of international standards through law. Adoption may include a process to review draft international standards, translation, public exposure of proposed standards, approval, incorporation into national requirements as necessary, and promulgation of final standards, and, where applicable, a convergence process to eliminate or minimize differences between international and national standards.

² *Implementation* may include a process to build awareness of the adopted standards, provide relevant education and training, develop or disseminate implementation guidance and any other activities that promote proper understanding and use of the standards in practice.

GLOSSARY

IAASB	International Assurance and Auditing Standards Board
I&D	Investigation and Discipline
IES	International Education Standards
IESBA	International Ethics Standards for Accountants
IFRS	International Financial Reporting Standards
IPSAS	International Public Sector Accounting Standards
IPSASB	International Public Sector Accounting Standards Board
ISQC 1	International Standard on Quality Control 1
ISA	International Standards on Auditing
QA	Quality Assurance
SMEs	Small and Medium Sized Entities
SMOs	Statement of Membership Obligations
SMPs	Small and Medium Practitioners

Action Plan Subject: SMO 1–Quality Assurance

Action Plan Objective: Ensure ongoing development of NP AAS QA system in line with the SMO 1 requirements

Background:

In Russia, the quality assurance requirements for audit are set out in the Federal Law No.307-FZ “On Auditing” (the Audit Law) of December 30, 2008. Quality Assurance (QA) is conducted jointly by the auditors, Self-regulated organization (SROs) and Ministry of Finance of the Russian Federation (MF RF, MF).

NP AAS QA requirements are developed with the aim to maintain and further develop the quality assurance program.

Russian’s government oversight body is the Ministry of Finance of Russian Federation.

According to the amended the Audit Law No. 307, Article 10.5, the Quality Assurance (QA) reviews for the members of the Self-Regulatory Organizations (SROs) of auditors and for organizations defined in Article 5.3 (where the auditing entity belongs to certain types of public interest entities-PIEs) is conducted by the SROs and designated Federal body, entrusted with state control and oversight (currently Federal Treasury(FT)). According to the article 10.6, the designated body should define the principles of the QA reviews for PIEs as well as the key requirements.

According to the para10.7 of the Audit Law, the SRO of auditors defines the form of their own inspections, timetable and frequencies based on the FT’s requirements. The FT determines its own rules and procedures, questionnaires, as well as the process of documentation of the QA review findings.

As of today, all Russian SRO’s members, engaged in PIE audits, are subject to QA reviews by both SRO and FT and relevant stakeholders are currently discussing ways to limit duplication. NP AAS reports that its system is largely based on the SMO 1 requirements.

Self-Assessment against the Main Requirements of SMO 1

Requirements	Y	N	Partially	Comments
Scope of the system 1. At a minimum, mandatory QA reviews are required for all audits of financial statements.	+			
Quality Control Standards and Other Quality Control Guidance 2. Firms are required to implement a system of quality control in accordance with the quality control standards.	+			The audit companies and individual auditors have to prepare and introduce the internal rules of quality control. The individual auditors and audit companies has to follow these rules. The introduced rules have to conform to FSADs.

Requirements	Y	N	Partially	Comments
3. Most up to date versions of ISQC 1 and other relevant ISA are adopted as the quality control standards.		+		
4. Member Body assists firms in understanding the objectives of quality control and in implementing and maintaining appropriate systems of quality control.	+			NP AAS provides their members with consulting and informational assistance. According to the results of external quality control, the controller prepare and represent the suggestions for the improvement of internal quality control and discuss the results of external quality control results.
Review cycle 5. A cycle-based, risk-based, or a mixed approach for selecting firms for QA review is used.	+			By the planning of external quality control the cycle and risk-oriented methods are used. The planning of external quality control considers the estimation of activity's risks.
6. For cycle-based approach, quality control reviews are required to take place at least every six years (and every three years for audits of public interest entities).	+			According to Federal Law №307-FZ quality control reviews of each of the audit organization, conducting the statutory audit of PIE are carried out: 1) self-regulating organization of auditors at least once every three years, but not more often than once a year starting from the calendar year; 2) the authorized federal body (FT) under the control and supervision of not more than once every two years starting from the calendar year. Quality control reviews of other audit firms are carried out at least once every five years, but not more often than once a year.
QA Review Team 7. Independence of the QA Team is assessed	+			By planning of external quality control the assessment and self-assessments have to be done. The independence

Requirements	Y	N	Partially	Comments
and documented.				obligations are to be fixed in documents.
8. QA Team possesses appropriate levels of expertise.	+			To get the status of the SRO'S controller the applicant has to run the special education with testing. Each year the controller has to take CPD course.
Reporting				
9. Documentation of evidence supporting the quality control review report is required.	+			The Regulations of the NP AAS foresee the extraction of auditory evidences and its documentation. The typical list of auditory documents is arranged and introduced.
10. A written report is issued upon conclusion of the QA review and provided to the firm/partner reviewed.	+			The written report is to be discussed with the audit company or individual auditor. The auditor or company can represent counter-arguments. In this case the quality control committee has to make a decision.
Corrective and disciplinary actions				
11. Reviewed firms/partners are required to make timely adjustments to meet recommendations from the review report.	+			If any significant mistakes or failures are fixed as results of the external control in the review report, the auditor company/individual auditor has to inform NP AAS and send relevant documents which demonstrate what is done to follow the recommendations of the controller.
12. QA review system is linked to the Investigation and Discipline system.	+			If the quality control finds out serious, significant failures the Discipline Commission is to be informed about it. Depends on facts and details discipline department makes decision about possible measures.
Consideration of Public Oversight				
13. The body responsible for QA reviews cooperates with its oversight body and shares information on the functioning of the QA review system, as needed.	+			The information about quality control has to be shared with the top management of NP AAS (General director; Board of NP AAS) and to be published at the internet site of our SRO.
Regular review of implementation and effectiveness				
14. Regular reviews of implementation and	+			Based on the results of QA and monitoring the effectiveness of the QA and the system of QA, corrective actions are applied.

Requirements	Y	N	Partially	Comments
effectiveness of the system are performed.				

Action Steps:

#	Start Date	Actions	Completion Date	Responsibility	Resources
<i>Establishing/Supporting the Establishment of QA review system</i>					
1	December 2014	Analyze and get detailed understanding of requirements stipulated in SMO 1	done	Chairman of the Commission for Quality Control	Chairman of the Commission for Quality Control
2	December 2014	Make an Action plan, basing on requirements stipulated in the revised SMO 1	done	Chairman of the Commission for Quality Control	Members of the Commission for Quality Control
3	December 2014	Organize and hold activities on integration and performance of tasks, aimed at compliance with requirements of IFAC.	Ongoing	Chairman of the Commission for Quality Control, Head of the Quality Control Department	Members of the Commission for Quality Control
4	December 2014	<p>a) Get detailed understanding of Quality Assurance requirements and activities on supporting of Quality Assurance Program.</p> <ul style="list-style-type: none"> • Translate SMO 1 to Russian language (or improve existing translation) • Study experience of IFAC members in order to understand how they have developed and integrated Quality Assurance Programs. <p>b) Implement requirements of International Standards on Quality Control (ISQC) for Transparency in Quality Assurance practice, work on the question of risk management during audit planning and</p>	<p>done</p> <p>Ongoing</p>	<p>Chairman of the Commission for Quality Control</p> <p>Chairman of the Law Committee of NP AAS</p>	<p>Chairman of the Commission for Quality Control</p> <p>Members of the Law Committee of NP AAS</p>

		<p>incorporation of subjects of obligatory external quality control to a list:</p> <ul style="list-style-type: none"> • At the level of specific types of activity - audit carried out by members of NP AAS at enterprises, that are of state interest and enterprises, whose security papers are gambled on stock exchange (SMO 1); • Related services, because it is related to obligations of audit companies with respect to assure compliance with requirements of Russian legislation. 	Ongoing	Chairman of the Committee of NP AAS for Professional education	<p>Members of the Committee of NP AAS for Professional education</p> <p>Personnel of NP AAS</p>
<i>Support Implementation of Quality Assurance review system</i>					
5	December 2014	Develop and integrate new automated Quality Assurance Program	done	Chairman of the Commission for Quality Control, Head of the Quality Control Department	Members of the Commission for Quality Control
6	December 2014	Development of the proposals regarding improvement of the audit organizations' (auditors') responsibility for the quality of the audit reports they issue	done	Chairman of the Commission for Quality Control, Head of the Quality Control Department	Members of the Commission for Quality Control Members of the Law Committee
7	September 2016	Participation in the development of the proposals about amendments to the Federal Law #307-FZ "About the audit activity" as regards the assignment of the additional functions to Federal Treasury in the sphere of quality assurance of the audit organizations' performance	done	Chairman of the Commission for Quality Control, Head of the Quality Control Department Chairman of the Law Committee	Members of the Commission for Quality Control

8	December 2014	Cooperate with all others Self-regulated organizations (SRO) of auditors to unify Quality Assurance practice.	Ongoing	Chairman of the Commission for Quality Control, Head of the Quality Control Department	Members of the Commission for Quality Control
9	December 2014	Amendment of the internal documents to ensure a more detailed approach to the issue of quality assurance	Ongoing	Chairman of the Commission for Quality Control, Head of the Quality Control Department Chairman of the Law Committee	Members of the Commission for Quality Control Members of the Law Committee
10	December 2014	Jointly with other Russia SROs of auditors, initiate the discussion and promote awareness to all relevant stakeholders the revised SMO 1 requirement to extend QA reviews to all audits of financial statements	Ongoing	Chairman of the Commission for Quality Control, Head of the Quality Control Department	Members of the Commission for Quality Control
11	December 2014	Development of international relationships with the IFAC Members on the issue of quality assurance.	Through a year	Chairman of the Commission for Quality Control, Head of the Quality Control Department Chairman of the International Relations Committee	Members of the Commission for Quality Control Members of the International Relations Committee
12	December 2014	Participation in the development of the proposals regarding state policy in the sphere of QA.	Through a year	Chairman of the Commission for Quality Control, Head of the Quality Control Department	Members of the Commission for Quality Control

				The General Director	
13	December 2014	Monitoring changes in the International Auditing & Assurance Standards Board (IAASB) and in Russian legislation pronouncements regarding QA. Update NP AAS documents.	Through a year	Chairman of the Commission for Quality Control, Head of the Quality Control Department	Members of the Commission for Quality Control

<i>Review of NP AAS's Compliance Information</i>					
14.	September 2016	Perform periodic review of NP AAS's response to the SMO Action Plan and update sections relevant to SMO 1 as necessary.	September 2017	Chairman of the Commission for Quality Control, Head of the Quality Control Department Chairman of the Law Committee Chairman of the International Relations Committee The General Director	Members of the Commission for Quality Control

Action Plan Subject: SMO 2–International Education Standards for Professional Accountants and Other Pronouncements Issued by the IAESB
Action Plan Objective: Ensure member’s high professional skills and knowledge

Background:

NP AAS is a non – profit organization that unites physical and legal persons engaged in audit activities that has a positive reputation and possessing such qualities as integrity, objectivity and independence. The basis activities of NP AAS – positioning members of the NP AAS as unique specialists in their field, promotion of the profession among the users of audit services members of the NP AAS methodological assistance in order to improve the quality of their professional activities, assisting in recruitment, the corporate interests of the members of NP AAS and other issues related to their current activities.

NP AAS Educational standards for auditors are based on the national educational system and International Educational Standards (IES) and includes educational system and continuous professional development (CPD).

Education requirements for auditors are regulated by the government and are universally the same throughout the country.

Responsibility for IESs is shared between the universities involved in accounting education, the Unified Certification Commission (UCC), and SROs of auditors. According to the Law, the UCC has been created by all SROs with the purposes of setting up the auditors’ certification. Federal Law 307-FZ (December 30, 2008) determines auditor’s education requirements, the experience required, and qualification requirements for membership and they are mostly in line with the IESs. All SROs maintain annual CPD requirement, which is also monitored by the regulator.

Action Steps:

#	Start Date	Actions	Completion Date	Responsibility	Resources
<i>Adoption/Supporting Adoption of IES</i>					
1	December 2014	Monitoring of amendments to IES with purpose of its check and application in activity of NP AAS.	Ongoing	Chairman of the Committee for Professional education	Members of the Committee for Professional education

2	December 2014	<p>Monitoring of higher education programs establishment (bachelor + masters programme) from the perspective of IES 1.</p> <p>Account Professional training programs for auditors with segments of International Financial Reporting Standards (IFRS), including certification programs of the Association of Chartered Certified Accountants (ACCA), the American Institute of Certified Public Accountants (AICPA), the Institute of Management Accounting (IMA), the Certified general accountants (CGA).</p> <p>To revise training programme having satisfied all the requirements of IES.</p> <p>Include special professional knowledge, skills, values, ethics and a relationship between auditors from IES 8 <i>Competence requirements for professional auditors</i></p>	Ongoing	Chairman of the Committee for Professional education	Members of the Committee for Professional education
<i>Support Implementation of Educational Standards</i>					
3	December 2014	Updating NP AAS training programs according to current legislation and IES.	Ongoing	Chairman of the Committee for Professional education	Members of the Committee for Professional education
4	December 2014	Developing of test programs for specialists depending on working place.	done	Chairman of the Committee for Professional education	Members of the Committee for Professional education

5	December 2014	Sampling inspection of approved programs.	Ongoing	Chairman of the Committee for Professional education	Members of the Committee for Professional education
6	December 2014	Development of international relationships with the IFAC Members on the issue of education.	Ongoing	Chairman of the Committee for Professional education Chairman of the International Relations Committee The General Director	Members of the Committee for Professional education Members of International Relations Committee
7	January 2016	Negotiations with ACCA for the conclusion of a memorandum Memorandum of Understanding to promote sustainable development of the auditing profession in Russia and internationally, including maintaining and improving professional, educational and ethical standards and providing an opportunity for interested persons to pursue globally relevant qualifications to enhance their career prospects and ultimately to maintain and develop the auditing profession and the economy as a whole.	September 2016	Chairman of the Committee for Professional education Chairman of the International Relations Committee The General Director	Members of the Committee for Professional education Members of International Relations Committee
8	September 2016	As part of the memorandum with ACCA to cooperate with ACCA in the following areas: To collaborate to develop the auditing profession by conducting roundtable discussions, conferences and other events agreed by the Parties (NP AAS and ACCA). To work with senior students and graduates of Russia's leading financial and economic universities in order to enhance the prestige of the auditing profession, including efforts to promote professional certifications. To provide training and to facilitate further professional development of members of ACCA and certificated auditors	Ongoing	Chairman of the Committee for Professional education Chairman of the International Relations Committee The General Director	Members of the Committee for Professional education Members of International Relations Committee

		<p>who are members of NP AAS by holding joint events aimed at acquiring, broadening and systematizing knowledge and professional skills in all areas which both Parties recognize as a priority for developing the auditing profession diplomas.</p> <p>To provide certificated auditors who are members of NP AAS and members of ACCA with opportunities for simultaneous membership in ACCA and NP AAS.</p> <p>To cooperate in exploring the opportunities for awarding mutual exemptions from qualification examinations and/or parts thereof in order to align professional certifications, thereby providing auditors with additional professional development opportunities.</p>			
<i>Contributing to International Standard-Setting</i>					
9	December 2014	Draft proposals in relation to improvement of the programs in case its level of requirements is lower that it should be.	Ongoing	Chairman of the Committee for Professional education	Members of the Committee for Professional education
10	December 2014	Hold seminars, trainings and round tables with CPD representatives.	Ongoing	Chairman of the Committee for Professional education	Members of the Committee for Professional education
11	December 2014	Hold annual Congresses of NP AAS with the purpose of the profession image-building and raising of auditors' competence.	done	Chairman of the Committee for Professional education	Members of the Committee for Professional education
<i>Review of NP AAS's Compliance Information</i>					

12		Perform periodic review of NP AAS's response to the SMO Action Plan and update sections relevant to SMO 2 as necessary.	September 2017	Chairman of the Committee for Professional education	Members of the Committee for Professional education
----	--	---	----------------	--	---

Action Plan Subject: SMO 3–International Standards and other Pronouncements Issued by the IAASB

Action Plan Objective: Ongoing Convergence with Requirements of SMO 3

Background:

Earlier, the basis for audit activity in Russian Federation were the national standards – Federal Standards on Audit Activity (FSAD). FSAD were developed on the basis of ISA with the adaptation to the Russian Legislation.

The key legislative act, regulating the audit activity in Russia is the Federal Law №307-FZ “About the audit activity” (30 December 2008). According to RA Law “On audit activity” audits are conducted in cases stipulated by law (mandatory audit) or on the initiative of individuals subject to audit (voluntary audit).

This law also defines the companies that are required to have their financial statements audited – joint stock companies, companies with total revenue over 400 000 000 rubles, companies with total assets over 60 000 000 rubles, banks, financial institutions, listed companies, insurance undertakings, securities of the company are quoted at stock exchanges, if a company submits and (or) publishes consolidated financial statements, etc.

The key point for adoption of International Standards in Russian Federation is entry in to force of the Federal Law №403-FZ (December 1, 2014). The №403-FZ provides relevant amendments for the №307-FZ “About the audit activity”. These amendments declared that audit activity in Russia should be conducted in accordance with International Standards on Auditing (ISAs) as developed by IAASB. The Federal Law envisages ISA endorsement process.

So, ISAs are mandatory for use by audit firms, auditors, SROs of auditors (SROs) and their members. The ISA endorsement is the responsibility of the regulator (Russian Ministry of Finance).

The regulator has developed and published on its website a comprehensive Action Plan for the period of 2015-2017 defining key action

steps, for the implantation of the key decisions of this law.

NP AAS pays a lot of attention to the adaptation of our members to the endorsement of ISA in Russia. NP AAS plays a significant role in activity of the Constant Working Group of the Council on audit activity at the Russian Ministry of Finance, responsible for appraisal of the applicability of ISA in Russian Federation.

We have formed the ISA committee in order to prepare our member for ISA endorsement in Russian Federation.

Action Steps:

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Adoption/Supporting Adoption of ISA</i>					
1	December 2014	Support regulator and provide comments and input into draft legislation mandating adoption of the ISAs as national auditing standards	December 2016	The Chairman of the Committee on standardization and methodology of auditing activities The Chairman of the ISA Committee Chairman of the Law Committee The General Director	The ISA Committee The Law Committee
2	September 2016	Forming a special ISA Committee in order to systemize the information about ISA for NP AAS member, monitoring ISA news and changes	done	The General director The Board	The General director The Board

3	September 2016	Organizing the training courses on ISA	Ongoing	The Chairman of the Committee for Professional education The Chairman of ISA Committee	The Committee for Professional education
<i>Support Implementation of Auditing Standards</i>					
4	December 2014	Participation in conferences and discussions on ISA	Ongoing	The Committee for Professional education, The Chairman of the ISA Committee The General director	The Committee for Professional education The ISA Committee The General director
5	December 2014	Developing of relationships with IFAC members	Ongoing	The Chairman of the ISA Committee The Chairman of the International Relations Committee The General director The Board	The ISA Committee The International Relations Committee The General director
6	December 2014	Developing a system on disseminating information to your members on international developments through our website and publications.	Ongoing	The Chairman of the Committee for Professional education, The Chairman of the ISA	The Committee for Professional education, The ISA Committee The Committee

				Committee on standardization and methodology of auditing activities The Chairman of the International Relations Committee	on standardization and methodology of auditing activities The International Relations Committee
7	December 2014	Conducting regular updates to the education, training, and CPD programs with regards to new and amended IAASB standards.	Ongoing	The Chairman of the Committee for Professional education, The Chairman of the ISA Committee , The Committee on standardization and methodology of auditing activities.	The Committee for Professional education
<i>Contributing to International Standard-Setting</i>					
8	September 2016	Participating in public consultations on the IAASB's exposure drafts and other documents to ensure that the voice of the Russian profession is being heard in setting the international standards.		The Chairman of the Committee for Professional education, The Chairman of the ISA Committee	The Committee for Professional education, The ISA Committee The Quality Assurance Committee

				The Chairman of the Quality Assurance Committee The General director	
<i>Review of NP AAS's Compliance Information</i>					
9.	September 2016	Perform periodic review of NP AAS's response to the SMO Action Plan and update sections relevant to SMO 3 as necessary.	September 2017	The Chairman of the Committee for Professional education, The Chairman of the ISA Committee	The Committee for Professional education, The ISA Committee

Action Plan Subject: SMO 4–IESBA Code of Ethics for Professional Accountants
Action Plan Objective: Ongoing Convergence with the IESBA Code

Background:

The Code of Ethics for Russian auditors is based on the IESBA Code. The representatives of all of the SROs are engaged in the work of the Ethics Committee under the Audit Council of the Ministry of Finance. The Ethics Committee led the process of convergence of the Russian Code of Professional Ethics to the 2010 version of the IESBA Code.

As a result of this action two documents have been approved: the Russian Code of Professional Ethics (March 2012) and Independence rules (September 2012). All SROs have adopted Russia’s Code of Ethics for Auditors as of January 1st, 2013 and are required to develop CPD programs for its members to support the implementation of the Code. The Code of Ethics for Professional Accountants in Business was developed by the Institute of Professional Accountants (IPAR) incorporating Parts A and C of the 2009 IESBA Code and became effective on January 1, 2013.

NP AAS has already adopted both mentioned documents and they came into force since 1 January 2013.

NP AAS members acting as auditors are obliged to conform to requirements of the Russian Code of Professional Ethics and Auditor Independence rules, as well as of NP AAS Code of Ethics and Independence rules. Consistency of both Codes is ensured by their common origin- the IESBA Code of Ethics.

Action Steps:

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Adoption/Supporting Adoption of IESBA Code of Ethics</i>					
1	December 2014	Review of the requirements of the existing code against those of the IESBA.	done	The Chairman of the Committee for Professional ethics	Members of the Committee for Professional ethics
2	December 2014	Provide consultations to NP AAS members on the Code of Ethics and changes. To provide continuous process of training (by seminars and lectures in NP AAS study centers) of auditors in relation to the Code of Ethics and Rules of independence	Ongoing	The Chairman of the Committee for Professional The Chairman of the Committee for	Members of the Committee for Professional ethics Members of the Committee for

#	Start Date	Actions	Completion Date	Responsibility	Resource
		and IESBA Code .		Professional education The General Director	Professional education
3	December 2014	Update education and CPD programs and qualification exam tests in respect to ethics.	Ongoing	Chairman of the Committee for Professional ethics The Chairman of the Committee for Professional education The General Director	Members of the Committee for Professional ethics Members of the Committee for Professional education
4	December 2014	Ensure convergence with SMO 4 requirements. Monitor changes in the IESBA Code (and prospective changes) and implementation of respective changes in the NP AAS Code of Ethics.	Ongoing	Chairman of the Committee for Professional ethics The Chairman of the Committee for Professional education The General Director	Members of the Committee for Professional ethics
<i>Support Implementation of IESBA Code of Ethics</i>					
5	December 2014	Development of international relationships with the IFAC Members on the issue of ethics.	Ongoing	The Chairman of the Committee for Professional ethics The Chairman of the International Relations	Members of the International Relations Committee

#	Start Date	Actions	Completion Date	Responsibility	Resource
				Committee The General Director	
6	December 2014	Analysis of the implementation practice of the Auditors' Professional Ethical Code and Independence Rules.	Ongoing	Chairman of the Committee for Professional ethics	Members of the Committee for Professional ethics
7	December 2014	Ensuring of the access to the Auditors' Ethical Code on the official website of NP AAS for all interested parties.	done	Chairman of the Committee for Professional ethics	Members of the Committee for Professional ethics
8	December 2014	Organize consulting within NP AAS on how to identify the threat of unfair competition, violation of independence, and conflict of interests	Ongoing	Chairman of the Committee for Professional ethics The General Director	Members of the Committee for Professional ethics
9	December 2014	Organize and conduct a series of teleconferences for members of NP AAS on the practice of applying the legislation of the Russian Federation, the IFAC Code of Ethics, and other normative legal acts which regulate auditing practices	done	The Chairman of the Committee for Professional ethics The Chairman of the Law Committee The General Director	Members of the Committee for Professional ethics Personnel of NP AAS
10		NP AAS focuses on developing the legal rules, institutions and culture on which a quality of audit depends. In particular, we do this through Standard-setting. NP AAS participates in and contributes to international standard-setting initiatives.	Ongoing	The Governing body The Chairman of the Law Committee	Members of the Governing body Chairman of the Committee for Professional ethics

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Contributing to International Standard-Setting</i>					
11	September 2016	NP AAS coordinates closely with IFAC, other SRO, Ministry of Finance as well as a number of academic institutions in order to facilitate discussion and further publicise best practice on ethics.	Ongoing	The Chairman of the Committee for Professional ethics The General Director The Chairman of the International Relations Committee	Members of the Committee for Professional ethics Members of the International Relations Committee
<i>Review of NP AAS's Compliance Information</i>					
12.	September 2016	Perform periodic review of NP AAS's response to the SMO Action Plan and update sections relevant to SMO 4 as necessary.	September 2017	The Chairman of the Committee for Professional ethics The General Director	Members of the Committee for Professional ethics

Action Plan Subject: SMO 5–International Public Sector Accounting Standards and Other Pronouncements Issued by the IPSASB
Action Plan Objective: Ongoing Convergence with Requirements of SMO 5

Background:

Accounting regulation in the RF is conducted in accordance with the current Federal Law on Accounting No402-FZ. In general, the N 402-FZ proposes the same order of accounting regulation in the public sector as in private sector. In other words, the scope of the Law No. 402-FZ applies to all Russian LE regardless in what field they operate - in commercial or non-commercial. And since the PSE are non-profit organizations, Law N 402-FZ apply to public sector entities. In accordance with paragraph 1 of article 30 of the Law No. 402-FZ up to the approval of Federal accounting standards for PSE follow the rules of accounting adopted prior to the date of entry into force of the Law N 402-FZ.

These include:

- A single chart of accounts for public authorities (government bodies), local authorities, management bodies of state extra-budgetary funds, state academies of Sciences, state (municipal) institutions and the instruction on its application approved by Order of Ministry of Finance of Russia from December, 1st, 2010 N 157H, which establishes General rules of accounting in the public sector;
- Instruction on the procedure of drafting and submission of the annual, quarter FS of the state (municipal) budget and Autonomous institutions, approved by Order of the Ministry of Finance of Russia from March 25, 2011 N 33h (hereinafter - instruction N 33h)
- and other legislative acts.

Russian Ministry of Finance initiated the project to introduce IPSAS-based standards, with the expectation that the main principles of the international standards would be retained. The elaboration of national standards on the basis of IPSAS will take a long period and the accounting standards would be applied to all levels of Russian government – central government, sub-national level and municipalities – as they came into effect.

Action Steps:

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Adoption/Supporting Adoption of IPSAS</i>					
1	Throughout a year	Monitor and analyze national legislation on the issue of regulation of public sector organizations activity	Throughout a year	The Chairman of the Committee on standardization of auditing activities The Chairman of the Law Committee The General	Members of the Committee on standardization of auditing activities

#	Start Date	Actions	Completion Date	Responsibility	Resource
				director	
2	Throughout a year	Analysis of the implementation practice of the IPSAS in foreign countries.	Throughout a year	The Chairman of the Committee on standardization of auditing activities	Members of the Committee on standardization of auditing activities
3	Throughout a year	Cooperate with national regulating bodies, standard-setters, and other stakeholders in relation to IPSASs.	Throughout a year	The Chairman of the Committee on standardization of auditing activities The Chairman of the Law Committee The General director	Members of the Committee on standardization of auditing activities
<i>Support Implementation of International Public Sector Accounting Standards</i>					
4	December 2014	Participating in conferences, trainings and seminars in relation to IPSAS.	Ongoing	The Chairman of the Committee on standardization of auditing activities The Chairman of the Committee for Professional education The General director	Members of the Committee for Professional education

#	Start Date	Actions	Completion Date	Responsibility	Resource
5	December 2014	Analysis of the implementation practice of the IPSAS in foreign countries.	Ongoing	The Chairman of the Committee on standardization of auditing activities The Chairman of the Committee for Professional education	Members of the Committee on standardization of auditing activities
6	December 2014	Provide consultations to NP AAS members on the IPSAS.	Ongoing	The Chairman of the Committee on standardization of auditing activities	Members of the Committee on standardization of auditing activities
<i>Contributing to International Standard-Setting</i>					
7	December 2014	Informing the members of NP AAS of the measures taken in order to implement the recommendations of the Organization for Economic Cooperation and Development on the development of Russia's national accounts system.	Ongoing	The Chairman of the International Relations Committee The General Director The Chairman of the Committee on standardization of auditing activities	Personnel of NP AAS Members of the Committee on standardization of auditing activities
8	September 2016	Cooperating with National Regulatory Bodies, bodies setting standards and other participants in relation of IPSAS.	Ongoing	The Chairman of the Committee on standardization of auditing activities The General director	Members of the Committee on standardization of auditing activities
<i>Review of NP AAS's Compliance Information</i>					

#	Start Date	Actions	Completion Date	Responsibility	Resource
9.	September 2016	Perform periodic review of NP AAS's response to the SMO Action Plan and update sections relevant to SMO 5 as necessary.	September 2017	The Chairman of the Committee on standardization of auditing activities The General director	Members of the Committee on standardization of auditing activities Personnel of NP AAS

Action Plan Subject: SMO 6–Investigation and Discipline

Action Plan Objective: Review and further develop an investigation and disciplinary process to correspond to the revised SMO 6 requirements.

Background:

The Russian legislation defines the responsibilities for accountants and auditors. According to the Russian legislation each auditor and audit company has to be a member of SRO auditors. SRO fulfills the control of the auditors’ activity.

Federal Law on Auditing Activities No. 307-FZ of 2008 establishes requirements for investigation and discipline (I&D) of members of the auditing profession. The law requires Self-Regulatory Organizations (SROs) to develop investigation and disciplinary systems to address violations by their members of applicable laws, auditing standards, and the Russian Professional Code of Ethics and Rules of Independence. In addition, the Federal Treasury has the authority to investigate and discipline auditors and audit firms who provide services to public interest entities (PIEs). Both SROs and the Treasury can issue a range of sanctions for non-compliance. However, only SROs may suspend or expel auditors and audit firms. The Treasury refers cases to SROs for disciplinary actions.

NP AAS has established I&D system of their members; however, those are not fully in line with the requirements of SMO 6.

The types of disciplinary measures the SROs of auditors have in their disposal is prescribed in the article 20 of the amended Audit Law, The I&D system allows imposing an extensive range of penalties. It includes loss of professional designation, restriction and removal of practicing rights and exclusion from membership.

NP AAS Disciplinary Commission has been functioning for more than 6 years. The disciplinary process developed by NP AAS members is developed in accordance with the Audit Law and the Law on SROs. The statute on the disciplinary measures, approved by NP AAS Board can be found on NP AAS website at: <http://www.auditor-sro.org/activity/distciplinprocess/>

The Disciplinary Commission of NP AAS is consist of not less than five members, including Chairman. The Members of the DC are appointed for a period of 3 years. The composition of the Disciplinary Committee is to be approved by the Board of NP AAS by the proposal of the General Director of NP AAS.

Requirements	Y	N	Partially	Comments
Scope of the system				I&D system of disciplinary proceedings, including any appeal process of the decisions is established.
1. A system of investigation, discipline and appeals exists for the accountancy profession. The system is operational.	+			
2. Information about the types of misconduct which may bring about investigative	+			The information about NP AAS Regulations and types of misconduct which may bring about investigative actions is

Requirements	Y	N	Partially	Comments
actions is publicly available.				published at the NP AAS internet site.
Initiation of Proceedings				
3. Both a “complaints-based” and an “information-based” approach are adopted.	+			
4. Link with the results of QA reviews has been established.	+			If the quality control finds out serious, significant failures, the Discipline commission is to be informed about it. Depends on facts and details Discipline commission makes decision about possible measures. On the other hand the QA commission monitors the elimination of violations and and enforcement of the discipline measures.
Investigative process				
5. A committee or similar body exists for performing investigations.	+			The specialized body, which controls if NP AAS members meet the requirements of standards and regulations QA commission. The NP AAS Committee of professional ethics is entitled to express professional opinion if the independence requirements are fulfilled.
6. Members of a committee are independent of the subject of the investigation and other related parties.	+			According to the internal NP AAS Regulations, the Discipline commission’s members have to be independent.
Disciplinary process				
7. A separate disciplinary committee/entity exists to make disciplinary decisions on referrals from the investigation committee.	+			NP AAS Discipline Commission is the body entitled to make disciplinary decisions. This commission investigates the cases concerning to complaints about NP AAS members. The commission investigates upon the results of external quality control inspections which were accepted by QA commission’s decisions. The body, initiated the investigation controls the execution of

Requirements	Y	N	Partially	Comments
				Discipline commission's decisions and discipline measures.
8. Members of the committee/entity include professional accountants as well as non-accountants.	+			All the members of the Commission are professional auditors or accountants
9. The tribunal exhibits independence of the subject of the investigation and other related parties.	+			
Sanctions 10. The disciplinary system allows imposing an extensive range of penalties. It is particularly important to include (a) loss of professional designation; (b) restriction and removal of practicing rights; and (c) exclusion from membership.	+			According to the Federal Legislation and NP AAS Regulations such range of penalties are possible: - loss of professional designation; - restriction and removal of practicing rights; - exclusion from SRO membership.
Rights of representation and appeal 11. A third appeals body exists which is separate from both the disciplinary committee and investigative committee.	+			NP AAS Management Executive Board is entitled to judge the complaints on the QA Commission and Discipline Commission decisions.
Administrative Processes 12. Timeframe targets for disposal of all cases are set.			+	This question is a matter of discussions in our country and there no absolutely definite timeframe targets.
13. Tracking mechanisms to monitor progress in investigation and discipline and related procedures are established.	+			Each year NP AAS runs the monitoring of investigation system of external quality control system. Taking this into consideration, the SRO prepares suggestions how to improve the Regulations.

Requirements	Y	N	Partially	Comments
14. Records of investigations and disciplinary processes are established.	+			The results of external quality control are established as reports. The list of documents includes quality control's working documents and audit evidences. The discipline procedures carry out according to NP AAS Regulations. Record-keeping is to be ensured during the QA Commission and Discipline Commission sessions.
Public Interest Considerations 15. Activities are supported to ensure that the public is aware that an investigative and disciplinary system exists in the jurisdiction.	+			All documents which regulate the activity of QA and discipline commissions, all information of its members have to be published. The information has to be introduced into Register and published in the sites of NP AAS and Russian Ministry of Finance.
16. A process for the independent review of complaints on which there was no follow-up is established.	+			The procedure for receiving and investigation complaints is determined by NP AAS internal regulations. The procedures of unplanned external reviews, complaints receiving and investigations by QA Commission and Discipline Commission provide the independence of investigations.
17. The results of the investigative and disciplinary proceedings are made available to the public.	+			The information about the results of quality control as well as investigations of complaints must be published. This information has to be introduced in the Registry and published in the official site of NP AAS and Russian Ministry of Finance.
Liaison with Outside Bodies 18. There is an appropriate process for liaison with outside bodies on possible involvement in serious crimes and offences.	+			The Russian Legislation has anti-money laundering legal mechanics and financing of terrorism. The Russian Legislation has basic principles of Anti-Corruption Enforcement. The Legislation regulate the mechanic of cooperation with the government revision bodies and law enforcement agencies in order to prevent corruption and money laundering. The Russian Ministry of Finances

Requirements	Y	N	Partially	Comments
				established recommendations of bribery by running international commercial operations for audit companies and individual auditors.
<p>Regular review of implementation and effectiveness</p> <p>19. Regular review of implementation and effectiveness of the system are performed and corrective actions are implemented.</p>	+			Analysis of external control results and the estimation of discipline procedures provide the opportunity to define the typical mistakes. Next step – preparing suggestions how to improve the system. Every year we run the monitoring of the efficiency of external control system. The results of the monitoring are shared with NP AAS members, SRO's commissions and controllers.

Action Steps:

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Establishing/Supporting the Establishment of I&D</i>					
1	December 2014	Publish the new edition of Procedure for examination of cases on the application of disciplinary measures to the members of NP AAS on the website of NP AAS	done	The Chairman of Commission for Quality Control The Chairman of Disciplinary committee The Chairman of Committee for Professional ethics The General Director	Members of the Committee for Professional ethics Members of the Commission for Quality Control
2	December 2014	Provide consultations to NP AAS members on Investigation and Discipline measures.	Ongoing	The Chairman of Commission for Quality Control The Chairman of	Members of the Committee for Professional ethics Members of the

#	Start Date	Actions	Completion Date	Responsibility	Resource
				Disciplinary committee The Chairman of Committee for Professional ethics The General Director	Commission for Quality Control
<i>Support Implementation of I&D</i>					
3	December 2014	To publish materials of the Disciplinary committee in the journal of NP AAS - Vestnik NP AAS. To provide information on work made during last month at regular meetings of the NP AAS governing body. Reports of members of the Disciplinary committee at annual meetings of NP AAS members and regional conferences of NP AAS members (p.47-50 of the statement of commitment of IFAC members).	Ongoing	The Chairman of the Disciplinary commission The Chairman of the Commission for Quality Control	Members of the Disciplinary commission, the Commission for Quality Control
4	December 2014	To check revised SMO 6 and update relevant sections of an Action plan related to revised SMO 6 if it is necessary. Upon updating to inform IFAC compliance personnel of updating in order the compliance personnel could reissue updated information.	September 2017	The Chairman of the Disciplinary commission The Chairman of the Commission for Quality Control	Members of the Disciplinary commission, of the Commission for Quality Control
5	December 2014	Develop changes and additions to the existing NP AAS Procedure for examination of cases on the application of disciplinary measures to the members of NP AAS in order to clarify the reasons for application of measures, the nullification and liquidation of the applied measure	done	The Chairman of the Disciplinary commission The Chairman of the Commission for Quality Control	Members of the Disciplinary commission, of the Commission for Quality Control

#	Start Date	Actions	Completion Date	Responsibility	Resource
6	December 2014	Approve the new edition of Procedure for examination of cases on the application of disciplinary measures to the members of NP AAS	done	The Chairman of the Disciplinary commission	Members of the Disciplinary commission
<i>Review of NP AAS's Compliance Information</i>					
7.	September 2016	Perform periodic review of NP AAS's response to the SMO Action Plan and update sections relevant to SMO 6 as necessary.	September 2017	The Chairman of the Disciplinary commission The Chairman of the Commission for Quality Control The General director	Members of the Disciplinary commission, the Commission for Quality Control

Action Plan Subject: SMO 7–International Financial Reporting Standards and Other Pronouncements issued by the IASB
Action Plan Objective: Further improve and maintain processes for ongoing compliance with IFRSs

Background:

There are two main legislative acts which regulate financial reporting requirements in Russian Federation:

- the Federal law (Accounting Law), № 402-FZ, dated 6 December 2011,
- the Federal Law of July 27, 2010 N-208-FZ "On the Consolidated Financial Statements".

Federal Law 208-FZ "On the Consolidated Financial Statements" states that standards and interpretations issued by IASB are endorsed for adoption in Russia by the Russian Government in consultation with the Central Bank.

Russia introduced a legislative requirement on mandatory application of IFRSs by all public interest entities for the preparation of consolidated financial statements. According to the law, there are four categories of companies that are required to prepare and publish the IFRS financial statements starting from the reporting year 2012, such as all companies with:

- listed equity instruments,
- banks,
- insurance companies,
- companies that have to prepare consolidated financial statements according to their charter of other laws.

According to the changes to the Law implemented in May 2014, the list of entities required to produce and file IFRS consolidated financial statements was expanded to add non-state pension funds, managing companies of investment funds, unit investment funds and clearing organizations.

Auditors' SROs are not participating in the accounting standard setting process as such, but they are key to implementation including developing trainings and CPD modules for their members based on the IFRSs as adopted in Russia.

Action Steps:

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Adoption/Supporting Adoption of IFRS</i>					
1	December 2014	To monitor changes of IFRS, discussion of documents IASB and IFRIC and prepare comments. Distribution of information in relation on IFRS\including documents, issued by IASB and European organizations. Distribution of information in relation on practice in the application of IFRS.	Ongoing	The Chairman of the Committee for Professional education The Chairman of the Committee on standardization of auditing activities	Members of the Committee for Professional education, of the Committee on standardization of auditing activities
2	December 2014	Analyze deviations between RAS and IFRS basing on requirements of SMO 7. Posting of this information on the web site of NP AAS, making it accessible for specialists and all interested persons.	Ongoing	The Chairman of the Committee for Professional education The Chairman of the Committee on standardization of auditing activities	Members of the Committee for Professional education, of the Committee on standardization of auditing activities
<i>Support Implementation of IFRS</i>					
3	December 2014	Development of international relationships with the IFAC members on the issues of IFRS, changes and implementation of IFRS.	Ongoing	The Chairman of the Committee for Professional education	Members of the Committee for Professional education

#	Start Date	Actions	Completion Date	Responsibility	Resource
4	December 2014	Participation in conferences (including regional), work groups, seminars on questions of IFRS	Ongoing	The Chairman of the Committee for Professional education	Members of the Committee for Professional education, of the Committee on standardization of auditing activities
5	December 2014	To update educational programs, CPD and certification examination tests related to IFRS.	Ongoing	The Chairman of the Committee for Professional education The Chairman of the Committee on standardization of auditing activities	Members of the Committee for Professional education
6	December 2014	Organize timely informing of the members of NP AAS on the IFRS recognition and clarification for use within the territory of the Russian Federation by means of mailing (newsletters) and publication on the website of NP AAS.	Ongoing	Chairman of the Committee for Information policy	Personnel of NP AAS
<i>Contributing to International Standard-Setting</i>					
7	December 2014	To cooperate with state and legislative bodies on questions of integration of Financial Reporting Standards for companies of small and medium business.	Ongoing	The Chairman of the Committee on standardization of auditing activities	Personnel of NP AAS

#	Start Date	Actions	Completion Date	Responsibility	Resource
8	December 2014	To cooperate with the Ministry of Finance in integration of provisions IFRS in Russia and provide interaction with IFRS.	Ongoing	Chairman of the Committee for Professional education The Chairman of the Committee on standardization of auditing activities	Members of the Committee for Professional education, of the Committee on standardization of auditing activities
<i>Review of NP AAS's Compliance Information</i>					
9.	September 2016	Perform periodic review of NP AAS's response to the SMO Action Plan and update sections relevant to SMO 7 as necessary.	September 2017	Chairman of the Committee for Professional education The Chairman of the Committee on standardization of auditing activities The General director	Members of the Committee for Professional education? of the Committee on standardization of auditing activities