

BACKGROUND NOTE ON ACTION PLANS

The SMO Action Plan is intended to provide a summary of:

1. The legal and regulatory environment for the profession;
2. The status of adoption of international standards and best practices in the jurisdiction; and
3. The level of a Member's or Associate's fulfillment of IFAC membership requirements.

IFAC [Statements of Membership Obligations](#) (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. The SMOs are recognized as the international benchmarks for credible and high-quality PAOs that are focused on and have the necessary expertise to serve the public interest and meet the market demands of their respective jurisdictions.

IFAC Members and Associates conduct a self-assessment against the requirements of SMOs and identify areas where, if any, improvements are needed. Members and Associates should develop an Action Plan to (a) demonstrate how they fulfill the requirements of the SMOs (revised in 2012), and (b) where some requirements are not yet addressed, to present plans towards their fulfillment. Action Plans are designed to be **ever-green** documents that take into consideration IFAC recommendations. Depending on the PAO's level of fulfillment (see *IFAC's Summary Assessment* – page 2), an Action Plan may not be necessary for each SMO section and instead the 'Attestation of Ongoing SMO Compliance' is used to confirm their ongoing commitments. However, PAOs may wish and are welcome to utilize the Action Plan as a tool to demonstrate how they are using 'best endeavors' and going beyond their mandate with innovative approaches to fulfilling the SMOs and strengthening the national profession.

The specific details of each organization's actions will vary even where two PAOs are involved in the same SMO area. Each PAO operates in its own unique regulatory and standard-setting framework and has different operating, technical, and resource capacities. Moreover, in deciding when and how a particular SMO requirement is to be addressed, PAOs might have differing timeframes and objectives to achieve. Notwithstanding these inevitable differences, seeking the advice and assistance of other PAOs who have already faced and dealt with similar challenges can save significant time and resources. IFAC staff will offer assistance as needed.

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 IFAC website.

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 affect 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.

ACTION PLAN

IFAC Member/Associate: Institute of Authorized Public Accountants in Iceland (FLE)
Approved by: Executive Board
Original Publish Date: February 2010
Last Updated: June 2024
Next Update:

IFAC's Summary Assessment: PAOs are encouraged to take staff's recommendation into consideration as part of future strategic planning conversations at the PAO.

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

	PAO Level of Responsibility for Adoption	Adoption Status as of 2024	Level of SMO Fulfillment as of 2024
QA / SMO 1	No Direct	 Partially Adopted	 Execute
IES / SMO 2	No Direct	 Adopted	 Sustain
ISA / SMO 3	No Direct	 Adopted	 Sustain
IESBA / SMO 4	No Direct	 Adopted	 Sustain
IPSAS / SMO 5	No Direct	 Adopted	 Sustain
I&D / SMO 6	No Direct	 Partially Adopted	 Execute
IFRS / SMO 7	No Direct	 Adopted	 Sustain

Attestation of SMO Compliance

The **Institute of State Authorized Public Accountants in Iceland (FLE)** has developed an Action Plan to demonstrate how it fulfills the requirements of the SMOs (revised in 2012). The abovementioned [Governing Body](#) has reviewed the information contained within the SMO Action Plan and affirms that the **FLE** continues to undertake these and other relevant actions to maintain ongoing compliance and fulfillment of the membership obligations where IFAC's assessments are at *Review & Improve* and/or *Sustain*. In areas where IFAC's assessments are at *Execute or below* the **FLE** has updated the Action Plan to reflect the specific actions to adopt or support adoption and support implementation that must be taken to achieve the improvement accompanied by a timeline.

On behalf of the **FLE**, the *Governing Body* endorses the information contained within the SMO Action Plan as of the publication date and its publication on the IFAC website in the interests of transparency and to demonstrate our commitment to enhancing the quality and credibility of the accountancy profession worldwide.

GLOSSARY

CPD	Continuing Professional Development
ER	Endurskoðendaráð (The Auditors' Public Oversight Board)
EU	European Union
FLE	Félag löggiltra endurskoðenda (The Institute of Authorized Public Accountants in Iceland)
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IES	International Education Standard
IFRS	International Financial Reporting Standards
IPSASs	International Public Sector Accounting Standards
IPSASB	International Public Sector Accounting Standards Board
ISA	International Standard on Auditing
ISAE	International Standard on Audit Engagement
ISQC	International Standard on Quality Control
QA	Quality Assurance

Action Plan Subject: SMO 1–Quality Assurance

Action Plan Objective: Maintain FLE quality assurance review system and ensure it complies with SMO1 and the EU 8th Directive on Statutory Audit

Background:

Endurskoðendaráð (The Auditors’ Public Oversight Board, ER) has a mandatory Quality Assurance (QA) review program in place for all auditors and audit firms. This is according to the Icelandic Auditing Act No. 94/2019. The quality review system is on a three-year basis for public interest entities (PIE) and on six-year basis for other companies. The scheme is compliant with the European Communities (Eighth Directive Regulations) 2009 on statutory audits of annual accounts and consolidated accounts. The QA is under the supervision of Endurskoðendaráð or ER (The Auditors’ Public Oversight Board). After the implementation of the Auditing Act No. 94/2019 the QA for non-pies is under discussion the potential FLE role.

The Quality Assurance process ensures that all auditors of FLE maintain an appropriate level of professional standards in the performance of their duties and in the provision of services to clients.

#	Start Date	Actions	Completion Date	Responsibility	Resource
1.	August 2005	Adopt Quality Control for all members of FLE.	Complete	The Quality assurance committee of FLE	Technical staff and members of the committee
2.	January 2009	Ensure that Quality Assurance procedures for all auditors became mandatory as per Icelandic law.	2010 Complete	Performed by FLE under the supervision of ER	Technical staff and members of the quality and assurance committee of FLE
3.	2010	Develop new guidance on Quality Assurance based on ISQC1 and the 8 th directive of EU and publish ISQC1 on FLE website.	2010 Complete	FLE and ER	Professional Standards Technical staff
<i>Review of FLE’s Compliance Information</i>					
4.	Ongoing	Perform periodic review of FLE response to the IFAC Compliance Self- Assessment questionnaires and update sections relevant to SMO1 as necessary.	Ongoing	FLE	Technical staff

Action Plan Subject: SMO 2–International Education Standards for Professional Accountants and Other Pronouncements issued by the IAESB
Action Plan Objective: Continue to use the best endeavors to ensure that IES education and training complies with IES requirements

Background:

To qualify as a state authorized public accountant in Iceland, according to the Icelandic Auditing Act No. 94/2019, an individual must:

1. Be domiciled in Iceland or be a citizen of a member state of the European Economic Area (EEA), a state party to the Convention establishing the European Free Trade Association or the Faeroe Islands;
2. Be of legal age and have been competent to manage his or her estate for the preceding three years;
3. Have an unblemished reputation;
4. Have completed masters studies in auditing and accounting approved by the Public Auditors' Oversight Board;
5. Have passed an examination in accordance with Article 5;
6. Have worked for a minimum of three years under the guidance of an auditor on auditing annual accounts or other accounts at an audit firm;
7. Have professional indemnity insurance coverage, as provided in Article 6.

The certification and the education is under control of the The Auditors' Public Oversight Board (ER). ER is responsible for the oversight of the certification process and the CPD and is required to do so according to revised IES requirements as issued by IESBA.

There are CPD requirements in the Icelandic Auditing Act No. 94/2019. FLE members are required to complete at least 120 monitored CPD hours over a three year period, and compliance is verified in the quality control process, and on FLE inner website. Members of FLE reports to FLE on their CPD and FLE reports for every three years period to ER.

#	Start Date	Actions	Completion Date	Responsibility	Resource
5.	January 2004	Issuance of regulation on CPD based on Auditing Act. Required 90 monitored CPD hours.	2004	The authorities	The authorities
6.	January 2010	Issuance of regulation on CPD based on Auditing Act. Required 120 monitored CPD hours.	2010 Completed (Issued Jan 19th 2011)	The authorities and ER	The authorities and ER
<i>Maintaining Ongoing Processes</i>					
7.	2004	Developing software to monitor the CPD for members of FLE.	2004	FLE	Technical staff

#	Start Date	Actions	Completion Date	Responsibility	Resource
8.	2010	Developing software to monitor the CPD for all auditors and members of FLE.	Completed	FLE	Technical staff
<i>Review of FLE's Compliance Information</i>					
9.	Ongoing	Perform periodic review of FLE response to the IFAC Compliance Self- Assessment questionnaires and to update sections relevant to SMO2 as necessary.	Ongoing	FLE	Technical staff

Action Plan Subject: SMO 3—International Standards and Other Pronouncements Issued by the IAASB
Action Plan Objective: Continue to use best endeavor’s to maintain an ongoing process to adopt ISA’s and assist in the implementation of the adopted standards

Background:					
<p>FLE membership obligations as a member of IFAC are to achieve international convergence with the International Standards issued by IFAC’s constituent Boards and Committees, are reflected in the Institutes aims and work program.</p> <p>The Auditing Act No. 94/2019 requires that the auditor is to perform the audit in accordance with “good auditing practice”, in line with the applicable legislation, audits are performed according to ISAs (ISAs are not translated into Icelandic).</p> <p>ER will ensure that the auditing standards adopted by the European Commission in accordance with Article 26 of Directive 2006/43/EC and incorporated into the EEA Agreement, are adopted in Iceland. As the EEA rules that the IFAC standards will be transposed into Icelandic law or governmental regulations, the primary responsibility for the work undertaken to this effect lies with the Ministry of Industries.</p> <p>FLE has published the ISAs on its website. The Norwegian Institute - DnR - has a mentoring/pilot project in Iceland, which includes reproducing the English language ISAs/ISQC (based on formal agreement with IFAC) in their audit methodology software Descartes for testing/use in Iceland.</p> <p>Descartes is now already up and running for many small audit firms in the country.</p>					
#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>To translate, adopt and implement Clarity ISAs, issued by the IAASB</i>					
10.	Ongoing	Implement the new EU directive 56/2014 in statutory audits of annual accounts and the new EU regulation 537/2014 on specific requirements regarding statutory audit of PIE,s before June 2016	Completed	ER	Technical staff

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Providing Education and training products and services</i>					
11.	Ongoing	Deliver courses on audit (including refresher courses) as appropriate.	Ongoing	FLE	Technical staff and the Audit committee of FLE
12.	Ongoing	Provide a link on its member's webpage to IAASB's webpage.	Ongoing	FLE	Technical staff
<i>Review of FLE's Compliance Information</i>					
13.	Ongoing	Perform periodic review of FLE 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 them to republish updated information.	Ongoing	CEO/FLE	Technical staff

Action Plan Subject: SMO 4–IESBA Code of Ethics for Professional Accountants
Action Plan Objective: Ensure members comply with the FLE Code of Ethics

Background:					
The FLE Code of Ethics is a translation of the 2009 IESBA's Code of Ethics according to a translation and publishing agreement with IFAC. As from 2019 the applicable code of Ethics has been the international (IFAC) code of Ethics, not the old code of Ethics issued by FLE in 2020.					
#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Maintaining Ongoing Processes</i>					
14.	2009	Translating the IESBA Code of Ethics.	Completed	FLE under the supervision of ER	Technical staff The Ethic committee of FLE
15.	2010	Implement and translate the IESBA's revised Code of Ethics (July 2009).	2010 Completed	FLE under the supervision of ER	Technical staff The Ethic committee of FLE
<i>Education and Training and Products</i>					
16.	Ongoing	Deliver courses on Code of Ethics (including refresher courses) as appropriate. FLE have already held courses on ethics, where the speakers come from the universities where IESBA IFAC Code of Ethics where compared with ethics in general. Discussions and courses on IESBA code have also been held on the behalf of FLE Ethic committee.	Ongoing	FLE	Technical staff and committees of FLE
17.	2010	Put on the members' website a link to the FLE Code of Ethics.	2010 Completed	FLE	Technical staff

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Review of FLE's Compliance Information</i>					
18.	Ongoing	Perform periodic review of FLE 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 them to republish updated information.	Ongoing	FLE	Technical staff and member of committees

Action Plan Subject: SMO 5—International Public Sector Accounting Standards and Other Pronouncements Issued by the IPSASB
Action Plan Objective: Continue to encourage the authorities in Iceland to adopt International Public Sector Accounting Standards

Background:					
IPSAS have been adopted into the Icelandic law on the states finance act 123/2015. According to the law IPSAS can be implemented in steps and it has been going on since 2016 but not yet completely finalized.					
#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Work on the adoption and development of International Public Sector Standards</i>					
19.	2014	Continue to lobby in Iceland for the adoption of IPSASs.	2016	FLE	Technical staff and member of committees
		Support the authorities in implementing the IPSAS assuming it will be agreed on in the parliament.		FLE	Technical staff and the accounting committee
<i>Maintaining Ongoing Processes</i>					
20.	Ongoing	Continue to identify opportunities to further assist in implementation of ISPASs. This includes review of the existing activities and preparation of the Action Plan for future activities where necessary.	Ongoing	FLE	
<i>Review of FLE's Compliance Information</i>					
21.	Ongoing	Continue to monitor the activities of the IPSASB and to promote the adoption of standards for all public sector entities of Iceland.	Ongoing	FLE	Technical staff and committees
22.	Ongoing	Perform periodic review of FLE response to the IFAC compliance self-assessment questionnaires and update sections relevant to SMO 5 as necessary.	Ongoing	FLE	Technical staff and committees

Action Plan Subject: SMO 6—Investigation and Discipline
Action Plan Objective: Improve and ensure ongoing maintenance of Investigation and Discipline System.

Background:					
The responsibility for investigation and discipline rests solely with the Supervisory Board of Authorized Public Accountants (ER) according to the Icelandic Auditing Act No. 94/2019 FLE is not involved or responsible for the I&D system, only ER. However, FLE will promote the SMO 6 to the ER.					
#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Maintaining Ongoing Processes</i>					
23.	Ongoing	FLE does not undertake any special activity to promote these obligations, since investigations and disciplinary actions according to the Auditing act in Iceland are undertaken by ER.	Ongoing	FLE and its Board	Technical staff and members of committees
<i>Review of FLE's Compliance Information</i>					
24.	Ongoing	Perform periodic review of FLE response to the IFAC Compliance Self-Assessment questionnaires and update sections relevant to SMO 6 as necessary. Once updated inform IFAC Compliance staff about the updates in order for them to republish updated information.	Ongoing	FLE and its Board	Technical staff and members of committees

Action Plan Subject: SMO 7–International Financial Reporting Standards and Other Pronouncements issued by the IASB
Action Plan Objective: Ensure ongoing convergence with International Financial Reporting Standards

Background:					
All companies within the scope of the Icelandic Annual Accounts Act are allowed to apply IFRS. Companies with listed securities are required to apply the standards. FLE has no direct responsibility for adoption or promulgation of IFRS in Iceland as it lies with the European Commission and relevant national regulator and the ministry. FLE provides, however, training and courses in IFRS.					
#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Maintaining Ongoing Processes</i>					
25.	Ongoing	Continue to encourage the national standard setter (the authorities) and provide it with a relevant assistance in order to establish the ongoing convergence process with IFRS, which includes ongoing review if IASB new and amended standards, publications, translation, adoption and implementation of the updated standards and raising awareness of updated and new standards.	Ongoing	FLE	Technical staff and members of committees
<i>Review of FLE's Compliance Information</i>					
26.	Ongoing	Perform periodic review of FLE response to the IFAC Compliance Self-Assessment questionnaires and update sections relevant to SMO 7 as necessary. Once updated inform IFAC Compliance staff about the updates in order for them to republish updated information.	Ongoing	FLE	Technical staff and members of committees