

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 Associate:	Lithuanian Association of Accountants and Auditors
Approved by Governing Body:	LBAA Board
Last Updated:	March 2022
Next Update:	March 2026

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

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

IFAC's Summary Assessment: IFAC staff will complete this section at the conclusion of each SMO Action Plan review and update process. 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](#).

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

Attestation of SMO Compliance

The **Lithuanian Association of Accountants and Auditors (LAAA)** 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 **LAAA** 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, Plan, Consider, or Not Active* the **LAAA** 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 **LAAA**, the *Governing Body* endorses the information contained within the SMO Action Plan as of the publication date and its publication on the IFAC website in the interests of transparency and to demonstrate our commitment to enhancing the quality and credibility of the accountancy profession worldwide.

GLOSSARY

AAA	Authority of Audit and Accounting
AAAVIM	Authority of Audit, Accounting, Property Valuation and Insolvency Management
BAS	Business Accounting Standards
CPD	Continuous Professional Development
IAASB	International Assurance and Auditing Standards Board
IASB	International Accounting Standards Board
IAESB	International Accounting Education Standards Board
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
LAAA	Lithuanian Association of Accountants and Auditors
LCA	Lithuanian Chamber of Auditors
QA	Quality Assurance
IFAC	International Federation of Accountants
SMEs	Small and Medium Sized Entities
SMOs	Statement of Membership Obligations
SMPs	Small and Medium Practitioners

Action Plan Subject: SMO 1–Quality Assurance (QA)
Action Plan Objective: Development of a system of Quality Assurance (QA) for Professional Accountants

Background:

Lithuanian Association of Accountants and Auditors (hereinafter referred to as the LAAA) has no legal obligation over SMO-1 Quality Assurance activity for two main reasons:

1. Lithuanian law distinguishes two major groups of professional accountants – auditors and accountants. To perform the duties of the former, as in most other countries, one must have a license and thus QA system is legally regulated. As of 2000 the responsibility of developing the profession, licensing, monitoring and controlling the auditors the state to the public organization the Lithuanian Chamber of Auditors (hereinafter referred to as the LCA). LCA emerged as a result of reorganization within the LAAA and together with the Authority of Audit, Accounting, Property Valuation and Insolvency Management (hereinafter referred to as the AAIVIM and up until January 1, 2016 was known as the Authority of Audit and Accounting) implements the QA system in the audit sector as foreseen by the Law on the Audit of Financial Statements of the Republic of Lithuania. Audit in Lithuania is conducted following the International Standards on Auditing.
2. The other group of professional accountants, which in this context shall be referred to simply as the accountants, are not required by law to undergo trainings, licensing process and subsequently are not subject to QA system. However, one of the principal activities of the LAAA is to assure the quality of the work performed by the accountants. The LAAA has developed and applied the system of training, licensing and quality in work activities for the accountants since 1990.

Irrespective of the fact that it is not primarily the obligation of the LAAA to implement/supervise the mandatory QA review system, the LAAA applies this system on its members. The LAAA quality assurance is implemented by the Quality Control Committee, who follows in its activities the Work Rules for the Quality Control Committee and contributes to quality assurance system in by:

- (a) Establishing the QA review procedures for the LAAA members, including the selection process, confidentiality issues, on-the-spot visits, issuance of review conclusions and recommendations and feedback on the review;
- (b) Reviewing the quality of work provided by the members of the LAAA simply as a good-example-setting practice of an advisory basis;
- (c) Seeking to issue recommendations concerning the guidance of the members of LAAA with intention to improve their professional competence and qualifications, quality of work and services offered;
- (d) Being responsible for designing a standard for quality of accounting services.
- (e) Prepared Personal data protection policy and Money laundering and / or terrorist financing prevention policy, shared them with members and further advises on the application process of the mentioned policies.
- (f) Organises regular discussions with the members to discuss the ways in which the quality of the provided accounting services could be improved, the required employee skills and continuous upskilling could be ensured and the prestige of the profession could be enhanced, as well as to debate the ethical issues.

In 2021, the LAAA College approved the LAAA honorary medal awarding procedure and requirements to encourage the improvement in the quality of the accountants' work.

When the LAAA honorary medal is awarded to an accountant, it means he/she is being recognised for his/her high level of professionalism.

This procedure establishes the requirements for the awarding of the LAAA honorary medal and the criteria for the assessment of candidates, the procedure for awarding the honorary medal and the duties of its recipients. Candidates for the honorary medal are natural persons whose candidacy is submitted by their employer or the LAAA College on the basis of their good work performance and their achievements when pursuing professional activities.

In November 2021, a new Law on Financial Accounting of the Republic of Lithuania (formerly the Law on Accounting of the Republic of Lithuania) was approved and it will enter into force on 1 May 2022. LAAA was contributing to the amendment of the law by actively submitting a vast number of suggestions and comments. Almost 90 % of all comments and suggestions submitted by LAAA were taken into account when developing the new law. LAAA representatives will also actively participate in the work of the Quality Control Working Group organised by the Authority of Audit, Accounting, Property Valuation and Insolvency Management with regard to the development of quality control recommendations, which will have to be published in accordance with the approved new Law on Financial Accounting.

LAAA will review the quality requirements applied to its members on the basis of the recently adopted new law and the recommendations proposed by the Quality Control Working Group organised by the Authority of Audit, Accounting, Property Valuation and Insolvency Management and will assess whether any changes should be made to the quality control supervision procedures.

Action Steps:

#	Start Date	Actions	Completion Date	Responsibility	Resources
<i>Establishing/Supporting the Establishment of QA review system</i>					
1	January 2016	Updating the process and the procedures of the review system applied to the quality assurance (QA) implemented regarding the LAAA members in accordance with the recently adopted Law on Financial Accounting of the Republic of Lithuania.	2022-2023	College and Quality Control Committee of the LAAA	The LAAA personnel and members

Action Plan Developed by the Lithuanian Association of Accountants and Auditors

2	January 2016	Quality, Investigation and Disciplinary System is applied continuously and review of ISQC 1 and SMO 1, with the aim to adapt to the changes within the local jurisdiction and the changes brought forward by the recently adopted Law on Financial Accounting of the Republic of Lithuania, is conducted on a continuous basis.	2023-2025	College and Quality Control Committee of the LAAA	The LAAA personnel and members
3	December 2016	The package containing good practices and recommendations regarding the high quality professional services is to be approved at national level, therefore it will be reassessed whether there is a necessity to develop a standard for the supervision of professional services meant for the members of the association, provided that similar recommendations by the Authority of Audit, Accounting, Property Valuation and Insolvency Management are to be approved.	December 2017	College and Quality Control Committee of the LAAA	The LAAA personnel and members; application for the EU funding for the project shall be submitted
4	Continuous	Raising awareness of quality review benefits among the members and those who acquire the professional services.	Continuous	College and Quality Control Committee of the LAAA	The LAAA personnel and members
5	Continuous	Develop sources of communication with other bodies of professional accountants in order to exchange experience and unify the compliance to SMO 1 – SMO 6.	Continuous	College of the LAAA	College of the LAAA
6	Continuous	Participate in and contribute to the interpretation and reconciliation of Statutory Audit and Accounting Directive.	Continuous	College and members of the LAAA, the LAAA Training Committee	College and members of the LAAA
7	Continuous	Regularly updating and developing the LAAA's website and social media information that clarifies the application of standards and the quality they aspire to obtain, publish scientific and explanatory articles on current issues related to quality assurance activities and procedures.	Continuous	The LAAA college, members, personnel, Quality Control Committee	College, personnel and members of the LAAA

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8	Continuous	Participate in the councils/working groups/ delegations/ advisory boards that conclude proposals concerning the quality activities in the accountant's profession.	Continuous	College and members of the LAAA, Quality Control Committee	College, personnel and members of the LAAA
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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.	Y			Not applicable to LAAA; the Lithuanian Chamber of Auditors performs quality assurance reviews of the auditors and audit companies.
Quality Control Standards and Other Quality Control Guidance 2. Firms are required to implement a system of quality control in accordance with the quality control standards.	Y			LAAA performs quality assurance reviews of accountants following their request.
3. Most up to date versions of ISQC 1 and other relevant ISA are adopted as the quality control standards.	Y			LAAA conducts reviews to establish whether the accountants comply with the quality control requirements set for the upskilling and other regulatory requirements in the context of quality assurance of professional services.
4. Member Body assists firms in understanding the objectives of quality control and in implementing and maintaining appropriate systems of quality control.	Y			LAAA conducts accountant reviews. LAAA assists its members in creating methodological material meant to facilitate the provision of high quality services. There is a private and public FB pages, where active discussions on the latest developments in profession-related activities are held and a joint exploration of the best solutions is conducted.
Review Cycle 5. A cycle-based, risk-based, or a mixed approach for selecting firms for QA review is used.	Y			Risk-based, LAAA performs accountant reviews. The selection is performed annually on the basis of the procedure adopted by the LAAA College and used to establish whether the full members comply with the LAAA requirements. Records of the selection are kept and the aim is to have all of the full members reviewed within 6 years.
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).				Not applicable to LAAA.

Requirements	Y	N	Partially	Comments
QA Review Team 7. Independence of the QA Team is assessed and documented.				Not applicable to LAAA.
8. QA Team possesses appropriate levels of expertise.				Not applicable to LAAA.
Reporting 9. Documentation of evidence supporting the quality control review report is required.				Not applicable to LAAA.
10. A written report is issued upon conclusion of the QA review and provided to the firm/partner reviewed.				Not applicable to LAAA.
Corrective and Disciplinary Actions 11. Reviewed firms/partners are required to make timely adjustments to meet recommendations from the review report.				Not applicable to LAAA.
12. QA review system is linked to the Investigation and Discipline system.	Y			
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.				Not applicable to LAAA.
Regular Review of Implementation and Effectiveness 14. Regular reviews of implementation and effectiveness of the system are performed.	Y			

Action Plan Subject: SMO 2–International Education Standards for Professional Accountants Issued by the IAESB
Action Plan Objective: Continuously enhance alignment of education, certification, and training programs with IES

Background:

There is no legal regulation concerning the professional accountants in Lithuania, the sole exception being the certified auditors. All members of the Lithuanian Chamber of Auditors (LCA) are subject to annual obligatory CPD. This requirement was established by the Law on the Audit of Financial Statements of the Republic of Lithuania, June 15, 1999 VIII-1227 (redrafted July 3, 2008 No. X-1676; May 1, 2019 No.XIII-1630).

Professional education

No specific requirements exist for the entities or persons aspiring to provide general accounting education in Lithuania. Traditionally though, accounting education is provided by higher education institutions and then continuously supported and updated in trainings by independent providers.

As of 2001 the LAAA provides trainings for intermediate and advanced level accountants, who seek to acquire the title of the Professional Accountant. The training is organized annually and one session of concentrated training takes around one month. By the choice of the student, the training can be concluded with the examination, the process of which is described below.

The LAAA also organizes a course for maintaining qualification with the goal to encourage the accountants to constantly maintain and raise the level of their professional knowledge. This course is usually free of charge or has a significantly lower price than the one in the market.

At the beginning of each year, the LAAA normally organises a two-day conference on the changes in tax and accounting areas and correct application thereof. As of 2020, LAAA also organises remote trainings, which allows for the upskilling of a larger number of accountants.

The trainings now involve concept checking questions aimed at ensuring correct understanding and application of topics covered, which the participants of the trainings greatly appreciate. During 2018–2021, the total of 260 training sessions took place, of which 111 were free of charge. The total number of participants was 8,814.

Professional examination

The Lithuanian association of accountants and auditors revises and updates its training course every year to align it with International Education Standard (IES) and changes in EU and local jurisdiction.

The LAAA examinations are designed for advanced level accounting specialists. Applicants for the examinations must correspond to the following requirements:

Hold higher education or college degree (in latter case work experience in accounting of at least ten years is required); Hold experience of at least 3 years within the last ten years in areas of accounting, finance, economics or control;

Have an impeccable reputation (no convictions, no addictions to drugs, alcohol, other toxic and psychotropic materials). Those seeking to acquire the title of the LAAA Professional Accountant must pass the following examinations:

1. Accounting;
2. Legal basis for company's operations;
3. Tax accounting;

4. Basics of informatics.

After passing all four examinations, a person who pays the LAAA membership fee and obligates to follow the Code of Ethics for Professional Accountants and raise his/her qualification on a regular basis, is granted a title of the LAAA Professional Accountant and he/she becomes the LAAA Member.

Practical experience and CPD (Continuous Professional Development)

With the exception to auditors only, no obligatory requirements in the state jurisdiction level exist for the professional accountants to be involved in CPD or to have a professional internship at the beginning of their career. However, following the newly approved internal regulations of the LAAA, continuous training is obligatory for the professional accountants. They must collect 120 credits within three years, but not less than 20 credits within one year. The LAAA monitors this process of information. Information on collected credits is provided by LAAA members at the end of the year.

Until 2021, according to the applied procedure, the professional accountants of the LAAA who did not comply with the requirements concerning the continuous professional training were removed from the lists of the LAAA members and professional accountants. As of 2021, the accountants are applied the adjusted procedure which includes provisions on a transitional period for the upskilling and ensuring higher service quality according to which the accountants are given the possibility to extend the period for collecting the current year credits and missing previous year credits until 31 December of the current year. This provision only applies when the missing approved credits do not exceed 20. Any professional accountant of the LAAA who does not collect the approved compulsory professional development credits (hours) that they are missing for the previous year and the required number of professional development credits (hours) for the current year before 31 December of the current year has their title of the professional accountant of LAAA removed for a period of one calendar year and the information on them in the LAAA's list of full members will contain a notification that that full member of the LAAA does not comply with the requirements of upskilling until the information on collected professional development credits (hours) is provided (not later than in 12 months). Any professional accountant of the LAAA who does not collect the missing professional development credits (hours) during the prescribed additional period will be offered a verification of their knowledge. The scope, form and deadlines for the verification of knowledge of that full member of the LAAA will be determined by the Training and Professional Activities Committee. A professional accountant of LAAA is only removed from the list of the LAAA members and professional accountants when they refuse to make use of the new possibilities to upskill

All updates of the LAAA training and examination programmes are based on IES standards and the application of continuous professional training requirements. The upskilling of the LAAA members is conducted in accordance with the LAAA Order on Upskilling, which is available in Lithuanian and includes the IES provisions on continuous training.

Action Steps:

#	Start Date	Actions	Completion Date	Responsibility	Resources
<i>Adoption/Supporting Adoption of IESs</i>					
9	2015	The LAAA system of CPD is introduced and adjusted to satisfy the changing IES 7 requirements (Article 15 – 120 hours/3 years – input-based approach).	Continuous	College of the LAAA, Training Committee	College of the LAAA, Training Committee
10	2016-2017	Raise awareness among the LAAA members regarding the requirements of IES 7 and their application to the LAAA members and associate members.	Continuous	The LAAA personnel, Training Committee	The LAAA personnel, Training Committee
11	January 2016	Update the LAAA regulations concerning the continuous training following the changes in IES.	Continuous	The LAAA personnel, Training Committee	The LAAA personnel, Training Committee
12	Continuous	Inform the LAAA members on changes in the requirements for continuous training.	Continuous	The LAAA personnel	The LAAA personnel
13	Continuous	Continue following the updates provided by IFAC and perform changes in the LAAA Professional Accountant training programs on time.	Continuous	The LAAA personnel, Training Committee	The LAAA personnel, Training Committee
14	Continuous	Execute control over continuous professional development procedure underwent by the LAAA members.	Continuous	College of the LAAA, Training Committee	The LAAA personnel, Training Committee, Quality Control Committee
<i>Support Implementation of Educational Standards</i>					
15	2016	Design an easy-to-use system in the LAAA website for the registration of professional continuous training.	Completed, constantly improved	The LAAA personnel	The LAAA personnel
16	2016	Organize an annual two-day conference for chief accountants with the purpose to review the results of trainings within the past three years and provide the updates in accounting and tax	Continuous	The LAAA personnel	The LAAA personnel

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		areas.			
17	2016	Establish contact with employment agencies specializing in accounting personnel and share information on continuous development standards.	Continuous	The LAAA personnel	The LAAA personnel

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

Action Plan Objective: Support the adoption and implementation of IAASB standards, guidance and pronouncements in Lithuania within the limits of the LAAA competence

Background:

The requirements and control of audit are set by the Law on the Audit of Financial Statements of the Republic of Lithuania issued on June 15, 1999, VIII-1227 (redrafted on July 3, 2008, No. X-1676). The Law on the Audit of Financial Statements of the Republic of Lithuania is undergoing reconciliation process with respect to Audit and Accounting Directive 2006/43/EC, May 17, 2006.; 2013/34/EU June 26, 2013; 537/2014, April 16, 2014; 2014/56/EU, April 16, 2014.

According to the Article 24 of the revised version (July 1, 2015) of the Law on Financial Statements of Entities of the Republic of Lithuania, companies must be independently audited if respective values of the criterions, such as balance sheet asset value, net sales amount and average number of employees are satisfied. Audit of financial statements is also obligatory to the following main groups of organizations: (i) listed companies (ii) large groups falling under the Law on Consolidation of the Republic of Lithuania (iii) banks, financial institutions, credit unions, insurance companies and other public interest entities.

As of January 1, 2009, auditors in Lithuania are officially obligated to apply the International Standards on Auditing in their practice. ISA (International Standards on Auditing) are continuously analyzed and applied in Lithuania. The process is monitored by of the Lithuanian Chamber of Auditors. Translation of standards, interpretations and other related information is organized since 2017 by the AAIVIM.

In Lithuania, all standards issued by the IAASB, including International Standards on Review Engagements (ISRE), International Standards on Assurance Engagements (ISAE), International Standards on Related Services (ISRS) and International Standard on Quality Control (ISQC) are applied in Lithuania. The complete suite of new and revised standards consists of: ISA 700 (Revised), ISA 701 (New), ISA 570 (Revised), ISA 706 (Revised), ISA 260 (Revised) and Conforming Amendments to ISAs 210, 220, 230, 510, 540, 580, 600, and 710. ISAE 3000 and related papers together with complete set of new and revised ISA's have been translated and reviewed in 2015. They are expected to be issued after the final publication clearance with IFAC.

Non-auditors (other professional accountants) are not subject to any legally binding requirements regarding the application of the international standards issued by IFAC. However, the LAAA willingly educates its members, trainees and other interested parties on the international standards, their interpretation and updating and encourages to apply them.

Action Steps:

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Adoption/Supporting Adoption of ISAs</i>					
18	Continuous	Inform and educate the LAAA members, trainees and others on application, relevant updates and (or) new adoptions of ISAs issued by the IAASB.	Continuous	College of the LAAA, Training Committee	LAAA personnel
19	Continuous	Participate in public consultations on auditing with respective institutions of the Lithuanian government, regulators and other stakeholders.	Continuous	College and members (auditors only) of the LAAA	LAAA personnel
20	Continuous	Notify the LAAA members on revised requirements issued by IFAC and relevant to professional accountants.	Continuous	College of the LAAA, Training Committee	LAAA personnel
<i>Support Implementation of Auditing Standards</i>					
<i>Contributing to International Standard-Setting</i>					
21	Continuous	Inform the LAAA members on the projects of IFAC standards in order to get their notes. Notes and observations collected from the LAAA members shall be submitted to IFAC.	Continuous	College and members of the LAAA	The LAAA personnel

Action Plan Subject:

SMO 4–IESBA Code of Ethics for Professional Accountants

Action Plan Objective:

Assuring the application of the IESBA Code of Ethics for Professional Accountants

Background

In Lithuania, the official translation of the Code of Ethics is the duty of the Authority of Audit, Accounting, Property Valuation and Insolvency Management. In 2006, the LAAA adopted its Code of Ethics. It is fully aligned with the IESBA Code of Ethics and includes additional ethical requirements for the LAAA members.

In 2008-2009, in order to promote knowledge of ethics, the LAAA organised an Ethics Competition during which accountants and students competed by writing essays on ethical issues.

In 2009, the LAAA updated its Code of Ethics.

In 2013, the LAAA approved and released the Decalogue of Ethics Standards.

In 2015, the LAAA obtained official authorisation to use the IFAC Code of Ethics. The members of the LAAA are informed of their obligation to apply the IFAC Code of Ethics. When the provisions of the Decalogue of Ethics Standards contradict the provisions of the IFAC Code of Ethics, the provisions of the IFAC Code of Ethics or the more stringent provisions prevail.

In 2019, the Authority of Audit, Accounting, Property Valuation and Insolvency Management translated the IESBA Code of Ethics, and the translation is available to the LAAA members.

In 2021, amendments made to the IESBA Code of Ethics in June, as well as amendments that will enter into force on 31 December are available to the LAAA members in English. Once the amendments are translated, LAAA will provide the translation to its members.

In 2015, the LAAA organised the free of charge training *Application of Ethical Standards in Lithuania* for its members.

In 2016, the new brochure to present the LAAA Decalogue of Ethics Standards, including the examples of unethical behaviour, was published.

In 2018, the LAAA organised the free of charge training *Ethics in the Work of an Accountant as Established in the Code of Ethics for Professional Accountants* for its members.

In 2019-2020, the LAAA regularly organised the free of charge training *Ethics in the Work of an Accountant* and business breakfast discussions.

In 2021, the LAAA organised a free of charge event for its members to celebrate the Accountant's Day, during which different aspects of ethics and prestige were discussed, as well as their importance in the work of an accountant.

Between 2006 and 2021, the LAAA Ethics Committee has been examining the complaints concerning the ethical issues received from the LAAA members. The members are informed of changes to the code and of the fact that they have an obligation to apply the provisions of the updated code.

Action Steps:

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Adoption/Supporting Adoption of IESBA Code of Ethics</i>					
22	Continuous	Regularly update the requirements established in the LAAA's Code of Ethics following the updates in the Code of Ethics by IESBA.	Continuous	The LAAA Committee of Ethics	The LAAA personnel
23	Continuous	Supervise and assure application of Code of Ethics among the members of the LAAA.	Continuous	The LAAA Committee of Ethics	College of the LAAA
24	Continuous	Consult on ethical issues on the basis of Code of Ethics.	Continuous	The LAAA Committee of Ethics	The LAAA personnel
25	December 2015	The LAAA website has an Ethics Domain, where the IESBA Code of Ethics and its translation into Lithuanian provided by the Authority of Audit, Accounting, Property Valuation and Insolvency Management are available. Any changes to the IESBA Code of Ethics are communicated to the members.	Continuous	The LAAA Committee of Ethics	The LAAA personnel
26	Continuous	To share dialogues with other public sector institutions and other professional organizations concerning the arising professional ethics issues and Code of Ethics.	Continuous	The LAAA Committee of Ethics	College of the LAAA
27	Continuous	Organise, on a regular basis (annually), discussions, seminars and trainings for the LAAA members on application of ethics standards in the work of the accountant and other topics.	Continuous	The LAAA Training Committee	The LAAA personnel

<i>Support Implementation of IESBA Code of Ethics</i>					
28	Continuous	The LAAA Committee of Ethics publishes a set of standard quality issues-solutions on the LAAA website.	Continuous	The LAAA Committee of Ethics	The LAAA personnel
29	Continuous	The LAAA Committee of Ethics responds to all questions on application of Code of Ethics from the LAAA members and their clients.	Continuous	The LAAA Committee of Ethics	The LAAA personnel

Action Plan Subject:
Action Plan Objective:

SMO 5–International Public Sector Accounting Standards and Other Pronouncements Issued by the IPSASB
On the LAAA competence area, continue efforts to promote adoption of IPSAS

Background:

The Lithuanian Ministry of Finance is responsible for adoption of Public Sector Accounting Standards. International Public Sector Accounting Standards are not mandatory in Lithuania. Lithuanian Public Sector Accounting Standards are developed and implemented according to Lithuanian public sector requirements.

As there is no legal obligation to adopt IPSASs in Lithuania, official translation is not concluded.

Public Sector Accounting and Reporting Standards in Lithuania are prepared on the basis of International Public Sector Accounting Standards (IPSASs) The LAAA participates in discussions with different government institutions regarding the possible development of IPSASs in Lithuania.

Starting with 2022, the LAAA will actively monitor how the EU's to Corporate Sustainability Reporting Directive (CSRD), 2014/95/EU, is applied by the large public-interest entities in Lithuania.

Action Steps:

#	Start Date	Actions	Completion Date	Responsibility	Resource
Adoption/Supporting Adoption of IPSASs					
30	Continuous	Regularly follow the updates in IPSASs and propose them, in consideration of relevance, to public sector institutions in Lithuania.	Continuous	College of the LAAA, Accounting Committee	College of the LAAA, Accounting Committee
31	Continuous	Actively participate in projects related to the Lithuanian Public Sector Accounting Standards. Cooperate with the Ministry of Finance, responsible for the Public Sector Accounting and Reporting Standards. Provide comments on the Public Sector Accounting and Reporting Standards prepared by the Ministry of Finance.	Continuous	College of the LAAA, Accounting Committee	College of the LAAA, Accounting Committee
32	2021-2024	Regularly update the LAAA website when relevant changes regarding the Lithuanian Public Sector Accounting Standards are made.	Continuous	College of the LAAA, Accounting Committee	The LAAA personnel, Accounting Committee
Support Implementation of International Public Sector Accounting Standards					

Contributing to International Standard-Setting (See SMO Action Plan Update Explanatory Note for examples of possible actions)

Action Plan Subject: SMO 6—Investigation and Discipline

Action Plan Objective: Development the LAAA Disciplinary Scheme

Background:

Law on the Audit of Financial Statements of the Republic of Lithuania sets up requirements for certified auditors regarding Investigation and Discipline (I&D). This function is performed by the AAAVIM in conjunction with the LCA.

The Laws of the Republic of Lithuania do not establish investigation and discipline requirements for accountants. Seeking quality the LAAA, however, applies these functions to its members.

The LAAA Investigation and Discipline system was created a while ago and the responsibility for it was attributed to the LAAA College, which, following the Order of Investigating Complaints, would appoint a respective body to analyze the complaint, pursue an investigation. Disciplinary measures would be appointed by the LAAA College following the conclusions by the respective body. The LAAA Investigation and Discipline system is intended/applicable to the LAAA members. This system (I&D) corresponds to the requirements of SMO 6.

In February 2016 the LAAA commenced creating a more reliable and transparent investigation and discipline system. In May 2016 a new investigation and discipline system received a final approval.

According to the current investigation and discipline system, responsibility for the following functions is appointed to three independent bodies:

- Investigation function is appointed to the LAAA Quality Control Committee, which follows in its activities the LAAA Order of Investigating Complaints, Work Regulations for the Quality Control Committee and is independent with regard to other parties participating in the investigation process. Following the received complaint the Quality Control Committee investigates the situation and provides conclusions.

- Disciplinary functions are appointed to the LAAA Ethics Committee, which follows in its activities the LAAA Order of Investigating Complaints, Work Regulations for the Ethics Committee and is independent with regard to other parties participating in the investigation process. After reviewing the conclusions by the Quality Control Committee, the Ethics Committee decides on applying the disciplinary measures.

- In case of appeal, a third independent body is called – Appeal Work Group, which is assembled of completely independent persons and is elected by the LAAA General Members Meeting. The Appeal Work Group is assembled from different persons for every appeal and only when there is an appeal, and its principles of work are described in the Work Regulations for Appeal Work Group.

The latest significant (wide scope) investigated complaint was received on January 25, 2016 and the investigation was completed on February 29, 2016 without determining any breaches in the work of the LAAA member. Investigation of this complaint was already pursued following the new system, which received its final approval after witnessing its effectiveness and efficiency.

Hereinafter we provide a short description of disciplinary and investigation system procedures applied in the LAAA examinations and member supervision:.

Every candidate who is intending to take a particular exam organized by the LAAA, confirms with his/her signature that he/she is aware of disciplinary and investigation procedures of the LAAA.

According to the LAAA disciplinary and investigation procedures, all candidates are forbidden to bring with them any professional literature or any material of similar sort into the examination room during the examination, unless it is indicated otherwise before the examination. According to the internal rules of the LAAA, any form of plagiarism is strictly prohibited.

The LAAA is organizing the examinations for professional accountants since 2001 and up until this day 298 people have passed them. A person intending to take the LAAA examinations for professional accountants has to correspond to the following requirements:

- Hold higher education or college degree (in latter case work experience in accounting of at least ten years is required);
- Hold experience of at least 3 years within the last ten years in areas of accounting, finance, economics or control;
- Have an impeccable reputation.

As of 2015 a new requirement was introduced establishing that the professional accountant has to be a member of the LAAA also and must regularly upgrade his/her qualification and inform about it the LAAA. Introduction of this requirement decreased the number of the professional accountants of the LAAA due to the reason that some of the members have passed the exams, but do not correspond to the other two requirements and therefore have been eliminated from the list of the LAAA professional accountants.

From 2016 members of the LAAA are considered only those, who have passed the LAAA professional accountant examinations, follow the Code of Ethics of the Professional Accountant, regularly upgrade their qualification on the basis of the International Standard for Continuing Professional Development and inform the LAAA about it. In 2021 the LAAA had 136 members.

As of March 2016, the College of the LAAA has approved the procedure for recognizing the passed examinations, following which the examinations prepared by the LAAA are recognized as passed, if the person has already passed the examinations of the Lithuanian Chamber of Auditors and is included in the list of auditors or present evidence on taken examinations. Possibilities to organise examinations remotely are being sought.

Action Steps:

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Establishing/Supporting the Establishment of I&D</i>					
33	2015	To improve the LAAA Investigation and Discipline system in order for it to be more reliable and effective.	continuous	The LAAA College, Quality Control Committee	The LAAA personnel

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34	Continuous	Update the Quality Control Requirements as soon as the need appears.	Continuous	Quality Control Committee	The LAAA personnel
35	Continuous	Consult the LAAA members on quality issues and inform them on LAAA Quality Control System currently applied.	Continuous	Quality Control Committee	The LAAA personnel
36	2016	Explore the good practice of neighboring countries and aim to design the Quality Control System, which could be proposed nation-wide, since the goal is to apply the Quality Control System to all accountants.	2022-2023	College of the LAAA, Quality Control Committee	The LAAA personnel
37	Continuous	Continue raising awareness of I&D necessity among the members of the LAAA and Lithuanian business units.	Continuous	College of the LAAA, Quality Control Committee	The LAAA personnel
38	Continuous	Monitor the I&D system on a regular basis for compliance with the requirements of SMO 6.	Continuous	The LAAA personnel	The LAAA personnel
<i>Support Implementation of Investigation and Discipline</i>					
39	Second half of 2016	Organize trainings for the LAAA members, both accountants and auditors, as well as non-members and representatives of business in order to explain advantages of quality control system and the necessity for it.	Continuous	College of the LAAA, Quality Control Committee, Training	Personnel and college of the LAAA, Quality Control Committee, Training Committee

Main Requirements of SMO 6

Requirements	Y	N	Partially	Comments
Scope of the System 1. A system of investigation, discipline and appeals exists for the accountancy profession. The system is operational.	Y			

Requirements	Y	N	Partially	Comments
2. Information about the types of misconduct which may bring about investigative actions is publicly available.	Y			
Initiation of Proceedings				
3. Both a “complaints-based” and an “information-based” approach are adopted.	Y			
4. Link with the results of QA reviews has been established.	Y			
Investigative Process				
5. A committee or similar body exists for performing investigations.	Y			
6. Members of a committee are independent of the subject of the investigation and other related parties.	Y			
Disciplinary Process				
7. A separate disciplinary committee/entity exists to make disciplinary decisions on referrals from the investigation committee.	Y			
8. Members of the committee/entity include professional accountants as well as non- accountants.	Y			
9. The tribunal exhibits independence of the subject of the investigation and other related parties.	Y			
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.	Y			

Requirements	Y	N	Partially	Comments
Rights of Representation and Appeal 11. A third appeals body exists which is separate from both the disciplinary committee and investigative committee.	Y			
Administrative Processes 12. Timeframe targets for disposal of all cases are set.	Y			
13. Tracking mechanisms to monitor progress in investigation and discipline and related procedures are established.	Y			
14. Records of investigations and disciplinary processes are established.	Y			
Public Interest Considerations 15. Activities are supported to ensure that the public is aware that an investigative and disciplinary system exists in the jurisdiction.	Y			
16. A process for the independent review of complaints on which there was no follow-up established.	Y			
17. The results of the investigative and disciplinary proceedings are made available to the public.	Y			
Liaison with Outside Bodies 18. There is an appropriate process for liaison with outside bodies on possible involvement in serious crimes and offences.	Y			
Regular Review of Implementation and Effectiveness 19. Regular review of implementation and effectiveness of the system are performed and corrective actions are implemented.	Y			

Action Plan Subject: SMO 7–International Financial Reporting Standards and Other Pronouncements issued by the IASB

Action Plan Objective: Promote convergence with IFRS

Background:

Some categories of Lithuanian entities have the duty to implement IFRSs. Entities, such as banks, insurance companies, financial institutions, credit unions, companies listed in NASDAQ OMX Vilnius, other listed companies, are obligated to apply the IFRS. Other Lithuanian entities may choose to apply either the Lithuanian Business Accounting Standards or the IFRS. Large multinational companies usually apply the latter. IFRS is applied by 90 entities in Lithuania.

Profit-seeking legal persons with limited civil liability shall handle accounting in pursuance of BAS or IFRS, meanwhile legal persons with unlimited civil liability shall observe BAS.

Official translations of Standards are provided by the Authority of Audit, Accounting, Property Valuation and Insolvency Management.

The LAAA is keen on promoting IFRS and notifying the members and other interested parties on any updates. The members of the LAAA are actively submitting notes on IFRS projects and applicable standards.

The LAAA members are also constantly and actively participating in the development of IPSAS; they also participate in the working groups, approved by the Ministry of Finance, that are concerned with the application and adaptation of IFRS in Lithuania.

Action Steps:

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Adoption/Supporting Adoption of IFRSs</i>					
40	Continuous	Following the competences of the LAAA members, respond to the issued International Accounting Standards Board (IASB) Exposure Drafts.	According to the project timetable	College of the LAAA, Foreign Affairs Committee, Accounting	Members of the LAAA

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				Committee	
41	Continuous	Continue providing information on IFRS updates and trainings through website, Facebook account and professional events.	Continuous	College of the LAAA, Foreign Affairs Committee, Accounting Committee	Members of the LAAA
42	Continuous	Promote implementation of IFRS for Small enterprises (SMEs).	Continuous	College of the LAAA, Foreign Affairs Committee, Accounting Committee	The LAAA personnel
43	Continuous	Analyze the requirements of SMOs 7 and incorporate them in future plans.	According to project timetable	College of the LAAA, Foreign Affairs Committee	The LAAA personnel
<i>Support Implementation of International Financial Reporting Standards</i>					
44	2017	Organise an annual seminar on IFRS updates. The latest seminars on IFRS updates took place in November and December 2020 and June, November and December 2021.	Continuous	College of the LAAA, Foreign Affairs Committee, Accounting Committee	The LAAA personnel
<i>Contributing to International Standard-Setting</i>					



Date

28'January'2022

Name:

Joseph Bryson, Director, Quality & Development
Manuel Arias Senior Technical Manager, Quality &
Development International Federation of Accountants
Title: Letter to Confirm Institutional Support for the SMO Action
Plan Company: International Federation of Accountants
Address: 529 Fifth Avenue
New York, NY 10017 USA
Email: ManuelArias@ifac.org

Dear Mr. Joseph Bryson and Mr. Manuel Arias,

Subject: Letter to Confirm Institutional Support for the SMO Action Plan

This letter is to confirm that the leadership of the Lithuanian Association of Accountants and Auditors (LAAA) has reviewed the information contained in the SMO Action Plan prepared by Lithuanian Association of Accountants and Auditors as part of the IFAC Member Compliance Program and will provide institutional support for its implementation.

On behalf of the leadership of the Lithuanian Association of Accountants and Auditors, I endorse publication of the SMO Action Plan 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.

Sincerely,

Daiva Čibiriene, President and Chairman of the LAAA Board

Lithuanian Association of Accountants and Auditors

Date 28'January'2022