

BACKGROUND NOTE ON ACTION PLANS

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

- The legal and regulatory environment for the profession;
- The status of adoption of international standards and best practices in the jurisdiction; and
- 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.

IFAC Members and Associates conduct a self-assessment against the requirements of SMOs and identify areas where and 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 PAOs sign an '[Attestation of Ongoing SMO Compliance](#)' – see page 3. However, PAOs may wish to utilize the Action Plan section 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 addressing 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, one PAO may seek to achieve a short-term goal while requiring a longer time for full implementation whereas another PAO may be able to fully implement the activity within a shorter time frame. 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 and prevent false starts. IFAC staff will also 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: Estonian Association of Auditors (EAA)
Original Publish Date: September 2009
Last Updated: August 2022
Next Update: August 2026

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	EAA Level of Responsibility for Adoption	Adoption Status as of 07/2022	Level of SMO Fulfillment as of 07/2022
QA / SMO 1	No Direct	 Adopted	 Sustain
IES / SMO 2	No Direct	 Partially Adopted	 Review & Improve
ISA / SMO 3	Shared	 Adopted	 Sustain
IESBA / SMO 4	Shared	 Adopted	 Sustain
IPSAS / SMO 5	No Direct	 Adopted	 Sustain
I&D / SMO 6	No Direct	 Adopted	 Sustain
IFRS / SMO 7	No Direct	 Adopted	 Sustain

Attestation of SMO Compliance

IFAC Statements of Membership Obligations (SMOs) require IFAC Members and Associates to support the adoption and implementation 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 **EAA** has developed an Action Plan to demonstrate how it fulfills the requirements of the SMOs (revised in 2012). We have reviewed the information contained within the SMO Action Plan and affirm that the **EAA** continues to undertake these and other relevant actions to maintain 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 **EAA** 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 leadership of the **EAA**, I endorse the 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.

(Signature of President or Chairperson of the Board or Chief Executive Officer or equivalent)

Chancellor

Mare Kingo _____
(Name of PAO)

17.05.2022 _____
(Date)

GLOSSARY

AAA	Auditors Activities Act of Estonia
AAOC	Auditors Activities Oversight Council
ACCA	The Association of Chartered Certified Accountants
CPD	Continuing Professional Development
EAA	Estonian Association of Auditors
IAASB	International Auditing and Assurance Standards Board
IAESB	International Accounting Education Standards Board
IASB	International Accounting Standards Board
IES	International Education Standards for Professional Accountants
IFRS	International Financial Reporting Standards
IPSASB	International Public Sector Accounting Standards Board
ISAs	International Standards on Auditing
ISQC	International Standards on Quality Control
SME	Small and Medium Enterprise

General Information

1. EAA has 479 members, 128 member firms, and 351 sworn auditors (about 62% of them active practitioners)
2. EAA is member of IFAC and associate member of Accountancy Europe
3. EU audit regulation applies.

Action Plan Subject: SMO 1–Quality Assurance
Action Plan Objective: Ensure Compliance of the quality Assurance Review System with the revised SMO 1 Requirements and Estonian Legislation

#	Start Date	Actions	Completion Date	Responsibility	Resource
<p><i>Background:</i></p> <p>The new Auditors Activities Act of Estonia (AAA), focusing on bringing Estonia in line with the EU 8th Directive and IFAC’s SMOs requirements, was approved in January 2010 with the effective date as of March 8, 2010. Major changes to the law were implemented from September 2017, when significantly increased the power of AAOC. Since September 2017, the management board of EAA no longer carries out quality assurance and disciplinary procedures. These procedures are carried out by the AAOC</p> <p>The Auditors Activities Act confers upon the Auditors Activities Oversight Council (AAOC) the mission of public oversight of the audit profession. The AAOC is responsible for the implementation of a quality assurance system and to carry out those reviews. The AAOC’s system of quality assurance undertakes reviews for statutory auditors and statutory audit firms based on risk and at least once every six years for audits of non-public interest entities (PIEs) and once every three years for audits of PIE audits.</p> <p>The AAOC’s QA system is fully compliant with EU legislation and regulation on auditing and, according to the Estonian Auditors’ Association (EAA) is also aligned with SMO 1 best practices.</p> <p>The AAA introduces the Auditors Activities Oversight Council (AAOC), which has the ultimate responsibility over:</p> <ol style="list-style-type: none"> 1. The Approval And Registration Of Statutory Auditors and Audit Firms, and 2. The Adoption of Standards On Ethics, Internal Quality Control Of Audit Firms And Auditing, and 3. Continuous Education, Quality Assurance and Investigative and Disciplinary Systems. <p>The AAOC was formed in March 2010. The latest currently in force membership of AAOC was confirmed on 1 January 2021 and seven members of AAOC were appointed by the Ministry of Finance. The members of AAOC are representing stakeholders in Estonia – Ministry of Finance, Ministry of Justice, National Audit Office, Financial Supervision Authority, Estonian Chamber of Commerce, and Industry. The unique feature of the AAOC in Estonia is that it is an integral part of the EAA, but necessary safeguards are in place to ensure its independence of the EAA: the Ministry of Finance administers the appointments of the members, and AAOC is financed through oversight fee of the members of EAA, in the past also through the state budget resources. The AAOC and EAA work jointly on the Quality Assurance (QA) and other activities. Based on the results of the AAOC OA reviews, the EAA provides the necessary trainings to its members and assists in the monitoring process the members of EAA.</p> <p>In September 2010 AAOC approved and EAA published on its website quality control standard requiring audit firms to establish a system of quality control in compliance with ISQC 1 by December 14, 2010. The updated ISQC1 is also published on the website of EAA. In 2022 new ISQM standards will be translated and adopted.</p>					

#	Start Date	Actions	Completion Date	Responsibility	Resource
<p>Quality control shall be organized by the AAOC. The AAOC has adopted a new, updated procedure of quality assurance in March 2021.</p> <p><u>As follows, it is described the AAOC role in the process of quality assurance:</u></p> <p>Quality assurance and the sample created for quality control as well shall be organized by the AAOC and pursuant to the quality assurance procedure. AAOC shall carry out the quality assurance review. The objective of the AAOC during quality assurance by a professional association is to verify compliance of the control period of a person subject to quality assurance to the legislation regulating the sworn auditor's professional activities and the standards approved or instructions and recommendations given on the basis thereof.</p> <p>The frequency of regular quality assurance:</p> <ul style="list-style-type: none"> • in most cases at least once in six years; • after the issue of an activity license the regular quality assurance shall be carried out within two years as of the issue of the activity license; • with respect to an audit firm who has entered into a client contract with a public interest entity the quality assurance shall be carried out at least once in three years. <p>The quality assurance (QA) team is being formed by the AAOC. The manager of the QA team shall be generally a quality control specialist. The AAOC shall determine the size of the QA team and elect the members based on the risk analysis, objective, schedule and object. Since August 2013, EAA has hired two full-time specialists of QA to develop high and stable quality of audit profession in Estonia through standardized QA inspection. Since September 2017 these specialists are employed by AAOC. During the QA review, the QA review team documents their work and prepares the record and report of work of control team. The AAOC shall discuss the subjects covered in a report and make the corresponding resolutions. The quality assurance is completed by the decision of the AAOC: passed or failed. At the end of the QA the report (findings, pronouncements, conclusions, proposals and dissenting opinions based on work) is given to the reviewed company and the grading (color) is given:</p> <p>audit service quality requirements -GREEN there were minor deficiencies in the quality of the audit service, improvement required - YELLOW there were significant shortcomings in the quality of the audit service, improvement required - ORANGE the quality of the audit service does not meet the requirements, significant improvement is required – RED</p> <p>If the result is orange or red, the new QA will be carried out next year (otherwise the next review will be carried out in usual circumstances – it is possible that the company with the green result will be selected again next year because the selection of companies to be reviewed is risk-based). If the results of quality assurance demands, AAOC has the authority to impose a disciplinary penalty on a member of the Association of Auditors in disciplinary proceedings.</p> <p>AAOC (in cooperation with quality assurance specialists) has worked out the most important criteria for assessing the results of quality assurance.</p> <p>To summarize, the quality assurance is carried out by AAOC.</p>					

#	Start Date	Actions	Completion Date	Responsibility	Resource
1.	November 2021	The EAA has arranged the translation procedure of the ISQM1; ISQM2 and ISA 220 (revised).	March 2022 Completed	MB of EAA	Members of the MB
2.	March 2022	The translation procedure into Estonian has been started	Ongoing, will be completed in June 2022	MB of EAA	Members of the MB Of EAA; Technical translator, head translator, Head of methodology Committee
3.	June 2022	To introduce the requirements of ISQM1; ISQM 2 and ISA 220 (revised) to all members of EAA at general meeting and related conference.	June 2022	MB of EAA	Members of the MB EAA
4.	August 2022	The approval of the translation of ISQM1, ISQM2 and ISA 220 (revised)	August 2022	MB of EAA	Members of the MB
5.	September 2022	The approval of the translation of ISQM ISQM2 and ISA 220 (revised).	Autumn2022	AAOC	Members of AAOC
6.	Autumn 2022	The publication of ISQM1 on the EAA website	Autumn 2022	MB of EAA	EAA
<i>Further Improvement of the Existing AAOC's Quality Assurance Review System</i>					
7.	Ongoing	The EAA provides members with a variety of guidelines , quality manuals, and sample forms to prepare for QA reviews. QA reviewers receive additional training to carry out their function organized by AAOC. EAA also provides voluntary monitoring services to help auditors comply with ISQM and auditing standards.	Ongoing	MB of EAA and the Methodology Committee. AAOC	Members of the MB and the Methodology Committee
8.	Ongoing	QA Checklists are updated annually and published to members of EAA	ongoing	AAOC	AAOC
9.	September 2022	Incorporate new standards to continuous practice development trainings to auditors.	September 2022	MB of EAA	Members of the MB

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Maintaining Ongoing Processes</i>					
10.	2022	Continue to ensure that AAOC 's Audit Quality review is operating effectively and continues to be in line with the revised SMO 1 requirements. This includes periodic review of the operation of the quality review system and regular training for EAA members before each QA review period.	Ongoing	AAOC	AAOC
<i>Review of EAA's Compliance Information</i>					
11.	Ongoing	Perform periodic review and update sections relevant to SMO 1 as necessary.	Ongoing	MB of EAA and AAOC	MB of EAA and AAOC

Main Requirements of SMO 1

Requirement	Yes	No	Partially	Comments
Scope of the System 1. At a minimum, all audits of financial statements are subject to mandatory QA reviews.	Yes			
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.	Yes			
3. Most up to date versions of ISQC 1 and other relevant ISA are adopted as the quality control standards.	Yes			
4. Member Body assists firms in understanding the objectives of quality control and in implementing and maintaining appropriate systems of quality control.	Yes			
Review Cycle 5. A cycle-based, risk-based, or a mixed approach for selecting firms for QA review is used.	Yes			Mixed approach
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)	Yes			
QA Review Team 7. Independence of the QA Team is assessed and documented.	Yes			

8. QA Team possesses appropriate levels of expertise.	Yes			
Reporting 9. Documentation of evidence supporting the quality control review report is required.	Yes			
10. A written report is issued upon conclusion of the QA review and provided to the firm/partner reviewed.	Yes			
Corrective and Disciplinary Actions 11. Reviewed firms/partners are required to make timely adjustments to meet recommendations from the review report.	Yes			
12. QA review system is linked to the Investigation and Discipline system	Yes			
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.	Yes			
Regular Review of Implementation and Effectiveness 14. Regular reviews of implementation and effectiveness of the system are performed	Yes			

Action Plan Subject: SMO 2–International Education Standards for Professional Accountants
Action Plan Objective: Ensure that all IES Requirements are incorporated into the EAA’s Professional Accountancy Education Requirements

#	Start Date	Actions	Completion Date	Responsibility	Resource
<p><i>Background:</i> EAA uses its best endeavors to ensure EAA education requirements continue to incorporate terms and conditions set out in the IES.</p> <p>The accounting education was also one of the focus areas of the project agreement under the Estonian-Swiss Cooperation Program. The MB members of EAA actively participate in discussions and developing the cooperation with four largest universities in Estonia and other related parties in order to promote and support accounting education in Estonia (for example add auditing courses to Masters studies program). From autumn 2022, the University of Tartu, in cooperation with the EAA, will launch a new Master's programme in Risk Management. The lecturers in this programme will be members of the EAA.</p> <p>The candidates for the EAA’s membership should hold at least Bachelor’s degree or an applied higher education diploma or equivalent educational qualification, have practiced at least three years under the supervision of a sworn auditor and pass the professional examination of experts in accountancy (it is mandatory to pass eight different exams in following topics: IFRS, accounting principles generally accepted in Estonia, corporate finance and management, accounting law, AAA, ISA’s, other professional activities standards for sworn auditors, essay). The professional examination is organized by the AAOC and conducted by the examination board of the professional examination. An examination board has eight members appointed by the AAOC). The examination programme and amendments thereto shall be approved by the Ministry of Finance. The examination questions and some of the answers are published in the Register of auditing activities.</p> <p>The AAA includes obligation for sworn auditors to enhance their knowledge and expertise pursuant to the AAA and the Rules on continuing education for chartered accountants with three-yearly reporting requirements. Rules are developed by the EAA and approved by the AAOC. According to AAA a sworn auditor is required to participate in the in-service training recognized or organized by the Board of Auditors for at least 120 academic hours within a three-year Cycle. The in-service training organized by the Board of Auditors shall cover at least 48 academic hours of the specified volume in the following fields in the scope of the sworn auditor’s professional activities: accounting (including bookkeeping and auditing), corporate finance, law, management, information technology, mathematics, and statistics.</p> <p>EAA members have yearly reporting requirement on passed CPD trainings. Among other information, yearly activity report of EAA member must include information on the in-service trainings completed, organisers and duration thereof. Regarding CPD trainings organised by the EAA, an annual monitoring system has been implemented for observing the actual education undertaken by auditors. All the IES 8 requirements are presented in the Estonian Auditors Activities Act.</p> <p>Every year EAA organizes the competitions for students in higher education, where students in the field of financial accounting can submit their theses - master's theses, doctoral theses, other theses - to the competition. The competitions are organized in EAA cooperation with the Ministry of Finance, the Estonian Society of Internal Auditors and the Estonian Accountants Association. Prizes are available for the best theses. EAA publishes all the theses that have been awarded.</p>					

#	Start Date	Actions	Completion Date	Responsibility	Resource
With regards of IES 7-8, EAA is continuously evaluating and updating its annual training program https://www.auditorkogu.ee/est/koolituskalender for the auditors to reflect the changing requirements of IES as well as local regulations and expectations of the society .					
<i>Promote IESs Requirements to Relevant Stakeholders in Estonia</i>					
12.	March 2008	To initiate the dialogue with universities in respect of the possibilities to develop degree programs taking into account International Education Standards. Specifically: <ul style="list-style-type: none"> Relationships will be established. Regular meetings will be held to discuss mutual interests. IESB pronouncements will be promoted to proper contacts. 	Completed	MB of EAA	Members of the MB Universities Staff
13.	March 2008	To continue promoting the incorporation into the new Auditing Act the revised CPD requirements and effective monitoring mechanism.	March 2010 Completed	MB of EAA	Members of the MB
<i>Maintaining Ongoing Processes</i>					
14.	Ongoing	To maintain an ongoing process to monitor new and revised standards and incorporate them into education requirements.	Ongoing	MB of EAA	Members of the MB
15.	Ongoing	The competitions for students 2021/2022	30.06.2022	EAA, and the cooperation partners	EAA, and the cooperation partners
16.	Spring 2022	Cooperation with the University of Tartu on the master's programme	Ongoing	EAA and University of Tartu	EAA and University of Tartu
17.	Ongoing	To ensure EAA education requirements continue to incorporate all IES requirements. This includes review of the existing requirements and preparation of the Action Plan for amendments where necessary. The IES's educational requirements are incorporated into training plans composed by EAA.	Ongoing	MB of EAA	Members of the MB
<i>Review of EAA's Compliance Information</i>					

#	Start Date	Actions	Completion Date	Responsibility	Resource
18.	Ongoing	Perform review and update sections relevant to the revised SMO 2 and IESs as necessary.	Ongoing	MB of EAA	Members of the MB

Action Plan Subject: SMO 3–International Standards and Other Pronouncements Issued by the IAASB
Action Plan Objective: To Ensure Ongoing Convergence with IAASB Pronouncements

#	Start Date	Actions	Completion Date	Responsibility	Resource
<p><i>Background:</i> The Auditors Activities Act specifies the basis of auditing as international standards (IAASB standards). The Auditors Activities Oversight Council has legal responsibility for auditing standard-setting in Estonia. However, for any regulation to have legal effect in Estonia it must be translated into Estonian.</p> <p>In 2016, the Estonian Auditors' Association (EAA) was delegated the responsibility of standards' translation.</p> <p>The EAA has translated all ISA that are applicable for audits on or after December 15, 2021. For the translations of ISA into national language, EAA reports it has followed the IFAC Policy on Translations. EAA is committed to adopt all relevant ISAs. EAA continues to support its members in understanding and implementing existing auditing standards through training programs, lectures and written communications. Examples of training offered by the EAA that cover ISA:</p> <ul style="list-style-type: none"> • Best Practice Day: Members of the Methodology Committee “dissect” selected observations from quality controls (ISA compliance) • Forming an opinion on the financial statements • IT-related risks in financial audit • Going Concern and Audit Engagements • Best practice day • Group audit • Audit documentation • Investment properties - their valuation, accounting and auditing • Accounting estimates and audit (financial years starting from 15 December 2019) • Auditing the recoverable amount of property, plant and equipment • Impact of the coronavirus and emergency situation on the audit of the annual accounts 					

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Further Improve and Maintain Processes for Ongoing Convergence with IAASB Pronouncements</i>					
19.	Ongoing	Annual screening of IAASB pronouncements to ensure timely translations and adoption of the changes in auditing, review and other standards.	Ongoing	MB of EAA	Members of the MB
<i>Implementation Guidance</i>					
20.	Ongoing	Developing auditing industry guides and best practice .	Ongoing	MB of EAA	Members of the MB
<i>Continuing Professional Development</i>					
<i>Contribution to Standard Setting Activities of the IAASB</i>					
21.	Ongoing	Review of IAASB agenda materials and exposure drafts.	Ongoing	MB of EAA	Members of the MB
22.	Ongoing	Notify EAA members of IAASB exposure drafts through EAA Newsletter.	Ongoing	MB of EAA	Members of the MB
<i>Maintain Ongoing Translation Process</i>					
23.	March 2008	Implement a process for the timely, accurate and complete translation of international standards / guides and for the timely dissemination of such translation where an understanding of international standards is necessary for the proper implementation or interpretation of international standard.	March 2010 Ongoing	MB of EAA	Members of the MB
<i>Education and Awareness Building</i>					
24.	Ongoing	Continue to provide information on the latest developments in ISAs through the EAA website; CPD trainings and EAA Newsletter.	Ongoing	MB of EAA	Members of the MB
<i>Maintaining Ongoing Processes</i>					
25.	Ongoing	Continue to support ongoing adoption and implementation of IAASB pronouncements.	Ongoing	MB of EAA	Members of the MB
<i>Review of EAA's Compliance Information</i>					

#	Start Date	Actions	Completion Date	Responsibility	Resource
26.	Ongoing	Perform periodic review and update sections relevant to the revised SMO 3 as necessary.	Ongoing	MB of EAA	Members of the MB

Action Plan Subject: SMO 4–IESBA Code of Ethics for Professional Accountants
Action Plan Objective: Adopt the Latest IESBA’s Code of Ethics and Ensure Ongoing Convergence

#	Start Date	Actions	Completion Date	Responsibility	Resource
<p><i>Background:</i> The AAA obliges sworn auditors to comply with the bases of professional ethics provided for in the IESBA Code of Ethics Code of Ethics (including independence standards).</p> <p>The Auditors Activities Oversight Council has legal responsibility for ethical standard-setting in Estonia. However, for any regulation to have legal effect in Estonia it must be translated into Estonian.</p> <p>In 2016, the Estonian Auditors’ Association (EAA) was delegated the responsibility of standards’ translation.</p> <p>The EAA translated the 2018 International Code of Ethics for Professional Accountants – including independence standards. For the translations of the IESBA Code into national language, EAA reports it has followed the IFAC Policy on Translations. The EAA plans to start translation of the 2021 International Code of Ethics in 2022.</p> <p>EAA is committed to adopt all relevant changes in Code and continues to support its members in understanding and implementing existing ethical standards through training programs, lectures and written communications.</p>					
<i>Ongoing Adoption and Implementation of IESBA Pronouncements</i>					
27.	Ongoing	Ongoing monitoring of the International Ethics Standards Board for Accountants (IESBA) work program to identify and translate changes to the Code of Ethics and incorporate them to existing Code	Ongoing	MB of EAA	Members of the MB
<i>Education and Training</i>					
28.	Ongoing	Incorporate trainings on Code of Ethics into CPD program.	Completed	MB of EAA	Members of the MB
<i>Maintaining Ongoing Processes</i>					
29.	Ongoing	Continue to support ongoing adoption and implementation of the IESBA’s Code of Ethics. This also includes review of the implementation of the Action Plan to date and updating the Action Plan for future activities as necessary.	Ongoing	MB of EAA	Members of the MB
<i>Review of EAA’s Compliance Information</i>					
30.	Ongoing	Perform review of the existing ethical requirements against the revised SMO 4 to measure and assess progress achieved with regards to the revised SMO 4.	Ongoing	MB of EAA	Members of the MB

Action Plan Subject: SMO 5–International Public Sector Accounting Standards and Other Pronouncements Issued by the IPSASB
Action Plan Objective: Continue to use best endeavors to support incorporation of IPSAS requirements

#	Start Date	Actions	Completion Date	Responsibility	Resource
<p><i>Background:</i> Public Sector Accounting Standards and Other Pronouncements Issued by the IPSASB are not within the competence of the EAA.</p>					
<p><i>Promote the Adoption of IPSASs by the Estonian Government</i></p>					

Action Plan Subject: SMO 6–Investigation and Discipline
Action Plan Objective: Ensure EAA Compliance with SMO 6 Requirements

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Background:</i>					
The AAA establishes the principles of AAOC’s internal investigation and disciplinary proceedings as a part of oversight. Since autumn 2017, the AAOC has been handling investigations and disciplinary proceedings. In spring 2021 the AAOC adopted the new procedures for the processing and investigation of complaints and the procedure for conduct of disciplinary proceedings.					
<i>Ensure EAA Compliance with New AAA and SMO 6 Requirements</i>					
31.	November 2009	In cooperation with AAOC, review and develop investigation and discipline procedures in compliance with both the amended AAA and applicable SMO 6 requirements; they should be implemented by AAOC and EAA in accordance with their revised legal obligations.	September 2012 Completed	MB of EAA	Members of the MB

Main Requirements of SMO 6 [Assessment of AAOC’s procedures]

Requirement	Yes	No	Partially	Comments
Scope of the System				
1. A system of investigation, discipline and appeals exists for the accountancy profession. The system is operational.	Yes			
2. Information about the types of misconduct which may bring about investigative actions is publicly available.	Yes			
Initiation of Proceedings				
3. Both a “complaints-based” and an “information-based” approach are adopted.	Yes			
4. Link with the results of QA reviews has been established.	Yes			
Investigative Process				
5. A committee or similar body exists for performing investigations.	Yes			Ad-hoc investigation working groups are formed when necessary.
6. Members of a committee are independent of the subject of the investigation and other related parties.	Yes			
Disciplinary Process				
7. A separate disciplinary committee/entity exists to make	Yes			

disciplinary decisions on referrals from the investigation committee.				
8. Members of the committee/entity include professional accountants as well as non-accountants.	Yes			
9. The tribunal exhibits independence of the subject of the investigation and other related parties.	Yes			
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.	Yes			
Rights of Representation and Appeal 11. A third appeals body exists which is separate from both the disciplinary committee and investigative committee.	Yes			The appeal can be made to the administrative court
Administrative Processes 12. Timeframe targets for disposal of all cases are set.			Partly	No specific targets, but as the number of proceedings is rather small, there are no issues
13. Tracking mechanisms to monitor progress in investigation and discipline and related procedures are established.			Partly	No specific written policies, but the monitoring is effective
14. Records of investigations and disciplinary processes are established.	Yes			
Public Interest Considerations 15. Activities are supported to ensure that the public is aware that an investigative and disciplinary system exists in the jurisdiction.	Yes			
16. A process for the independent review of complaints on which there was no follow-up is established.			Partly	No specific written policies, but the AAOC can carry out such procedures if required
17. The results of the investigative and disciplinary proceedings are made available to the public.	Yes			
Liaison with Outside Bodies 18. There is an appropriate process for liaison with outside bodies on possible involvement in serious crimes and offences.	Yes			No specific written policies, but the responsible body is aware of such mechanism and able to react if necessary
Regular Review of Implementation and Effectiveness 19. Regular review of implementation and effectiveness of the system are performed, and corrective actions are implemented.	Yes			At the end of each financial year

Action Plan Subject: SMO 7–International Financial Reporting Standards and Other Pronouncements issued by the IASB
Action Plan Objective: Continue to Use Best Endeavors to Promote Ongoing Program for Adoption and Implementation of IFRS

#	Start Date	Actions	Completion Date	Responsibility	Resource
<p><i>Background:</i> EAA has no responsibility for accounting standards as Estonian Accounting Standards Board (EASB) is the official accounting standard setter in Estonia.</p> <p>International Financial Reporting Standards (IFRS) as adopted by the EU are required for the consolidated financial statements of all European companies whose debt or equity securities trade in a regulated market in Estonia. In addition to listed companies, IFRS as adopted by the EU are required to be applied by credit institutions, insurance undertakings,– which are considered public interest entities in the jurisdiction. EU-endorsed IFRS have slight modifications from IFRS (e.g., temporary 'carve-out' from IAS 39 Financial Instrument: Recognition and Measurement and a temporary extension of the scope of applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts) but according to the IFRS Foundation, the majority of companies can state full compliance with the IFRS.</p> <p>All other Estonian companies can choose whether to prepare their consolidated and annual accounts in accordance with IFRS as adopted by the EU or in accordance with the Estonian Accounting Standards (Estonian Generally Accepted Accounting Principles — Estonian GAAP).</p> <p>Estonian GAAP is promulgated by the Estonian Accounting Standards Board (EASB). Estonian GAAP (effective from 2013) is based on IFRS for Small and Medium-sized Entities (IFRS for SMEs) with limited differences from IFRS for SMEs with regard to accounting policies as well as disclosure requirements. In areas not specifically covered by Estonian GAAP, the treatment in IFRS for SMEs is recommended, but not mandatory. Each Estonian GAAP standard contains a brief comparison with the respective section of IFRS for SMEs. EAA continues to support its members in understanding and implementing IFRS and Estonian GAAP through training programs, lectures and written communications.</p>					
<i>Maintaining Ongoing Processes</i>					
32.	Ongoing	Continue to use best endeavors by identifying opportunities to further assist in implementation of IFRS. This includes review of the existing activities and updating the Action Plan for the future activities where necessary.	Ongoing	MB of EAA	Members of the MB
33.	Ongoing	To develop new and update the existing trainings to assist with implementation of new / revised standards. EAA has at least one training per annum on the IFRS changes and update; topical interpretations and relevant issues. Ref to our training plan https://www.auditorkogu.ee/eng/koolituskalender	Ongoing	MB of EAA	Members of the MB
<i>Review of EAA's Compliance Information</i>					

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34.	Ongoing	Perform periodic review and update sections relevant to the revised SMO 7 as necessary.	Ongoing	MB of EAA	Members of the MB