

## **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 adoption<sup>1</sup> and implementation<sup>2</sup> 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**

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<sup>1</sup> *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.















<sup>2</sup> *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:** The Egyptian Society of Accountants & Auditors (ESAA)  
**Approved by Governing Body:** ESAA Board of Directors  
**Original Publish Date:** December 2008  
**Last Updated:** June 2024  
**Next Update:**

**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	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	 Plan
IES / SMO 2	Shared	 Partially Adopted	 Execute
ISA / SMO 3	No Direct	 Partially Adopted	 Plan
IESBA / SMO 4	No Direct	 Not Adopted	 Plan
IPSAS / SMO 5	No Direct	 Not Adopted	 Sustain
I&D / SMO 6	Shared	 Partially Adopted	 Consider
IFRS / SMO 7	No Direct	 Partially Adopted	 Execute

#### Attestation of SMO Compliance

The **Egyptian Society of Accountants & Auditors (ESAA)** 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 **ESAA** 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 **ESAA** 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 **ESAA**, 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**

<b>AAPAD</b>	Accountant and Auditors Free Practitioners Division
<b>ASA</b>	Accountability State Authority
<b>AOUB</b>	Auditors Oversight Unit's Board of Directors
<b>CAC</b>	Cultural Activities Committee
<b>CDC</b>	Curriculum Development Committee
<b>CE</b>	Committee of Examinations
<b>CMA</b>	Capital Market Authority
<b>CPD</b>	Continuing Professional Development
<b>CCPE</b>	Committee of Continuing Professional Education
<b>CPE</b>	Continuing Professional Education
<b>ECE</b>	Egyptian Code of Ethics
<b>ESA</b>	Egyptian Accounting Standards
<b>ESAROAS</b>	Egyptian Standards on Auditing Review and Other Assurance Services
<b>FRA</b>	Financial Regulatory Authority (previously EFSA)
<b>EM</b>	ESAA Executive Manager
<b>IAASB</b>	International Auditing and Assurance Standards Board
<b>IAESB</b>	International Accounting Education Standards Board
<b>IEIPS</b>	Information Papers from the International Accounting Education Standards Board
<b>IEPS</b>	International Education Practice Statements
<b>IES</b>	International Education Standards
<b>IESBA</b>	International Ethics Standards Board for Accountants
<b>IFRS</b>	International Financial Reporting Standards
<b>IPSAS</b>	International Public Sector Accounting Standards
<b>ISA</b>	International Standards on Auditing
<b>ISQC1</b>	International Standards on Quality Control 1
<b>FAC</b>	Foreign Affair Committee
<b>OU</b>	Oversight Unit
<b>QA</b>	Quality Assurance
<b>SCU</b>	Supreme Council of Universities
<b>SG</b>	ESAA Secretary General
<b>SMO</b>	Statement of Membership Obligation
<b>SQC</b>	FRA Standard on Quality Control
<b>TC</b>	Training Committee

**General Information:**

**The Egyptian Society of Accountants and Auditors (ESAA)**

ESAA was established in 1946 and is managed by an elected Board of Directors. ESAA is responsible for developing educational and professional standards for its members. As of December 2023, the total number of ESAA members was 2140. And total number of fellows was 578.

Membership of ESAA is voluntary and most of the auditors who are practicing the audit profession in Egypt are not members of ESAA.

Members are admitted when they satisfy one or more of the following conditions:

- (i) Membership in the Institute of Chartered Accountants in England and Wales, the ACCA and the CPA or another acceptable foreign professional body (provided they pass two ESAA's examinations ( Egyptian Tax and Egyptian Law & Corporate Governance);
- (ii) Obtaining a doctoral degree in Accounting or Auditing with a minimum of three years of full-time work experience in addition to passing ESAA final exam level.
- (iii) At least three years of full-time work experience in the firm of a practicing ESAA member or equivalent and successful completion of the two-part examination (The first examination is to be sat after one and one-half years and the second at the end of three years).

ESAA Board of Directors successfully achieved the goal of its members by establishing a three story building on a 3000 m<sup>2</sup>plot at the 6th of October City on the outskirts of Cairo.

The building consists of the Following:

- Training Center, which can accommodate 500 students at any given point of time, to be the society arm for professional training.
- Examination halls (training halls) where our computer-based exams are held.
- Library
- Administrative offices
- Meeting Rooms for the Committees
- Board of Directors Hall

The training center has achieved remarkable success since it launched its activities on the 3<sup>rd</sup> of October 2015, whereas it provided training programs for more than 10800 professional accountants and students. The training centre is also used for exams of ESAA ( part I and part II), currently these exams are computer based. ESAA's Training Center- as part of its leading role- has provided training courses to explain the revised Egyptian Accounting Standard (Updated Edition) for ESAA Members and non-members and has organized training courses in the following subjects:

- Egyptian Standards on Auditing Review and Other Assurance Services (ESAROAS)
- Intermediate Financial Accounting
- Intermediate Auditing & Assurance Services
- Taxation
- Cost Accounting & Managerial Accounting
- Advanced Financial Accounting
- Advanced Auditing & Assurance Services
- Advanced Taxation
- Finance
- Corporate Governance & Risk Management
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ESAA believe that the pursuit of knowledge, understanding, and personal and professional development should continue throughout a professionals lifetime.

In September 2016, ESAA and the ACCA signed a Strategic Partnership Agreement to strengthen the accountancy and finance profession in Egypt. The areas of focus included: information and knowledge sharing, continuous professional development for ESAA members, and offering local qualification developments, such as papers in International Financial Reporting Standards.

During 2017, many meetings were held with representatives and leaders of ACCA, with the aim of building close cooperation between the two societies. A joint committee was formed between the two societies to:

- Review the curriculum in association with ACCA. (ESAA members are exempted from 9 papers out of 13 paper to pass ACCA exams)
- Studying the possibility of cooperating with ACCA to prepare the IFRS Diploma in Arabic to be issued and accredited by ESAA.

During 2019, many meetings were held with representatives and leaders of ACCA, with the aim of following up the implementation of the mechanisms and policies that have been put in place to build close cooperation between ACCA and ESAA.

The discussions covered all areas of cooperation and there was approval of some meetings between ACCA representatives and ESAA members and students.

Since the signing of a cooperation protocol between ESAA and FRA with the aim of raising the scientific and practical level of employees in FRA to perform the work of examination and control of companies subject to FRA's control in the field of non-banking financial activities at a level equivalent to practicing the accounting and auditing profession Internationally.

The signing of this protocol comes to embody the cooperation between FRA and ESAA, and the belief of FRA in the professional role of ESAA in raising the quality of the accounting and auditing profession in Egypt. ESAA also provides all its professional capabilities to contribute in raising the efficiency of the

FRA's employees. The protocol provides access to ESAA's services by participating in courses, training programs, conferences and exchanging experiences and discuss all matters related to practicing the profession of accounting and auditing and access to research and scientific studies.

Meetings and discussions for further cooperation between ESAA and ACCA are ongoing following recent meeting in Cairo at ESAA premises.

ESAA cooperated with FRA for issuing an application guidance for the purpose of facilitating, to the preparers and users of the financial statements, the initial application and switching to accounting treatment for financial leasing contracts in accordance with EAS No. 49 leasing contracts that replaced EAS No. 20 (more or less equivalent to IFRS 16).

A cooperation protocol has been signed between ESAA and the Arab Contractors Company ( one of the biggest contractors companies in the Middle east) to train its employees and spread professional accounting awareness of the company through specialized training courses in the field of EAS and **ESAROAS** as well as other specialized programs in the company's field.

A cooperation agreement was signed during 2019 between ESAA and the Egyptian Center for Directors, which is affiliated to FRA with the aim of joint cooperation between the two sides in the areas of training and development and the establishment of seminars and conferences that would raise the level of the business community and the public of accountants and auditors in the areas of governance, oversight and auditing and other related topics.

**Action Plan Subject:** SMO 1–Quality Assurance  
**Action Plan Objective:** Establish a Mandatory Quality Assurance Review System

**Background:**

The decree establishing the Oversight Unit (OU) for quality control of auditors registered with the Egyptian Financial Regulatory Authority ( FRA) which replaced the Capital Market Authority(CMA) is based on Law No. 123 of 2008 on amendments to some provisions of the capital market law promulgated by Law No. 95 of 1992 of which Article (11) states: “A record shall be established at the Authority for registering auditors who are licensed to audit listed companies, public subscription companies, securities companies, and investment funds established by banks and insurance companies.

The Board of Directors of the Authority shall develop the terms and conditions for entering and striking auditors off the above record.”

The FRA's board of directors issued decree no. 84 of 2008 establishing the unit for quality control of auditors registered in the FRA record for registration of auditors and was amended by the FRA's decree no. 24 of 2009 which states in article (1) the name of the unit as “Oversight Unit for Quality of work conducted by Auditors Registered at FRA Registers” and states in article (3) the structure of the board, while the following shall attend the board meeting without the right to vote:

- Chairman of the chapter for Accounting and Auditing profession in the Syndicate of Commercial Professions
- Chairman of the Egyptian Society of Accountants & Auditors (ESAA).
- Chairman of Egyptian Institute of Accountants & Auditors
- Representative of the Egyptian Capital Market Association
- Representative of Egyptian Insurance Federation
- Other members representing practicing professionals

Voting member within the board should not be in practice of auditing nor shall engage professionally in any way whatsoever with an auditor/ firm who are practicing the auditing profession during the membership term. Any such member will be a non-voting member.

The board of directors for the unit of quality control of auditors listed in FRA record issues its decisions subject to a final confirmation by the FRA's board of directors.

**Functions of the unit according to its foundation decree:**

In pursuit of its objectives, the unit has the following power:



1. Propose rules for admitting auditors in the register of auditors of listed companies, public subscription companies, securities companies, and investment funds established by banks and insurance companies, mortgage finance companies, insurance and re-insurance companies; and suggest measures and procedures for suspending listing or delisting from the record and secure approval of the board of directors of the FRA. These are mainly public interest entities under the remit of FRA.
2. Set and implement a mechanism for periodic examination of the quality of work of auditors listed in the register develop executive procedures and measure to bring this about. It has the right to request auditors to provide its QA teams with whatever it deems proper to have access to and ensure their validity periodically or non-periodically in order to conduct quality assurance inspections on the auditors and firms';
  - a. System of quality and
  - b. Specific engagements selected on a risk-based approach. Companies under FRA and and registered auditors must facilitate its work.
3. Cooperate with professional associations to propose standards for auditing, code of professional conduct and independence.
4. Maintain the register with sufficient data about auditors and update it on a periodical basis with the findings of the periodic examination and remarks of the quality of work of auditors registered.
5. Propose MOU's of cooperation with regulators of the profession as well as other supervisory entities for exchange of information regarding auditors.
6. Propose procedures that can be taken vis-à-vis auditors who do not comply with standards and enforcement rules.
7. Propose mechanisms for ongoing professional development in line with international rules as a prerequisite for continued registration in the register . FRA's OU has adopted the requirement of ISQC1 and ISA 220. And has started the application from 2008 FRA Chairman issued decree No. 140 of 2006 concerning a standard on quality control for firms that perform audits and review of financial statements. FRA standard on quality control (ESQC) matches in all important aspects the ISQC1.

Article 2 of the above-mentioned decree stated that all auditors who are registered with FRA are required to comply with this standard and to establish and maintain a system of quality control which includes the policies and procedure that address each off the following elements:

- 1–Leadership responsibilities for quality within the firm
- 2–Relevant ethical requirements
- 3–Acceptance and continuance of client relationships and specific engagements
- 4–Human resources
- 5–Engagement performance
- 6–Monitoring

Article (3) of the decree No. 140 stated that all the registered auditors in FRA recorded are obliged to furnish and submit all the required documents which are necessary for FRA to ensure their compliance with ISQC1.

Other than its members ESAA is not directly responsible for establishing a Quality Assurance (QA) review system for other practitioners ( non ESAA members) as this is the legal responsibility of FRA for Auditors of Public Interest entities. However, ESAA plays a vital role to support FRA and other regulators as explained below.

The auditors who are assigned to perform audit engagement for banks are listed in FRA register and are subject to QA system. Both central bank and the Accountability State authority have QA systems for their regulated entities.

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-Ministry of Finance has developed a draft of a new law On Accounting and Auditing Practice which states in chapter 6 "Oversight" the following:

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Article 52

- 1- The Supreme Council of Accounting and Auditing shall assume full responsibility for overseeing auditing activities.
- 2- The Council may delegate any of the tasks except public interest entities auditors and audit firms oversight of:
  - Quality assurance systems
  - Investigation
  - Sanctions
- 3- Executive regulations will regulate the delegation of functions, except those mentioned above, on professional entities or other bodies.

Article 53

1. A Control Committee shall be established in the Supreme Council in accordance with the regulations of the Law. Executive regulation will determinate the functions and formation of this committee.
2. The Control committee shall prepare and submit its annual plan to the Supreme Council of Accounting and Auditing for approval.
3. The control plan and investigation plans shall include:
  - The examination of certain engagement files of audit works or aspects of the audit activity in order to determine the events or circumstances which could be relevant.
  - Inspection consists of periodically inspecting or reviewing the work of auditors or audit firms in order to improve the quality of the audit work.
  - Quality control will include verifying the internal control systems of auditors and audit firms and reviewing the procedures documented in the audit files in order to evaluate the efficiency of the control systems.

Article 54

All the chartered accountants and audit firms shall make all the data, reports, documents, information, and files accessible to the control committee at the Supreme Council.

**Updates:**

- Extensive meetings were held by the Ministry of Finance to discuss the draft of mentioned law with the civil society institutions and entities associated with the profession of accounting and audit to make its observations on the law and its effects on the profession in preparation for submission to Parliament
- During 2018, 2019 an agreement has been signed between FRA and ESAA so that ESAA provides technical support to the OU through the training of its staff and to the audit firms to achieve a high level of quality assurance

**ESAA role in Quality Assurance Requirements**

**ESAA own regulatory authority over its members.**

- ESAA committees include a complaints and disciplinary committee that is responsible for investigating ethical or technical complaints against its own members. These may be instigated by a complaint from a client or an ESAA member, the public or another regulator. Members who are found in violation can be subjected to disciplinary measures, including expulsion.
- An expulsion from ESAA would have serious implications on members who were able to obtain special rights to audit Public Interest Entities or Banks based on their membership of ESAA.
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**ESAA role on the Oversight board at FRA**

- ESAA is represented on the board of the Oversight Unit at FRA by its chairman. Currently two other board members of ESAA sit on the OU - Board by appointment. ESAA members work closely with the OU to ensure the quality Assurance program is constantly developed and adopted and are active in supporting the OU to achieve its goals.
- OU has dedicated teams working under direction of the OU board that conduct regular risk based quality reviews of registered auditors for Public Interest Entities. The reviews cover.
  - Systems of Quality
  - Engagement level quality assurance
  - Follow up on results of inspection teams and

**ESAA role on the Ministry of Finance, licensing committee**

MOF acts as the Licensing authority and registrar of generally licensed practitioners. ESAA board members are members of the selection committee that interviews and approves candidates who comply with the requirements.

**ESAA role with the Central Bank as regulator of bank auditors.**

- The Central Bank Regulates all auditors of banking institutions and takes necessary steps to ensure compliance.
- ESAA membership is one of the conditions to be a licensed bank auditors by the Central Bank
- ESAA Standards committee works closely with the CBE on setting auditing guidelines for banks and reporting on matters covering Internal Controls on Financial reporting (ICOFAR) and others.
- CBE investigates auditors performance and places sanctions on auditors when warranted. ESAA is advised by CBE in such cases relate to its members and relevant action is taken.

**ESAA role with the GAFI the regulator of all non PIE and non Banking entities.**

- All companies that are not regulated by CBR or FRA are regulated by GAFI.
- Auditors licensed by MOF are entitled to audit all GAFI entities.
- GAFI is supported by ESAA by regularly having consultations and advise between both entities.
- The chairman of the ESAA BOD served as chairman of the High Council for Investment ( advisory Board to GAFI) and other board members served on the GAFI BOD as representative of the profession.
- GAFI is currently advised by a senior member of ESAA BOD as a special advisor on corporate regulation.
- The above indicate the role that ESAA plays with GAFI to support the regulatory environment and enhance quality of financial reporting for all non-PIE and non-banking corporates and by extension the related oversight on the auditors of these financial statements.
- GAFI has the authority to investigate reporting irregularities and matters that impact shareholders and compliance including the auditors. The sanctioning body would be the MOF committee for reported non-compliance,

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Review of the Quality Assurance Requirements</i>					
1.	Ongoing	ESAA being strongly represented on the Board of the OU continue to work with FRA to support and enhance the role and function of the OU at FRA.	Ongoing	Standards Committee Chairman	Standards Committee (Chairman and 6 members)

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The Egyptian Society of Accountants & Auditors (ESAA)*

2.	Ongoing	<p>ESAA is a member of the high committee of setting the Egyptian Standards on Auditing (ESA), ESAA has active participation in modifying the ESA to be aligned with the International Standards on Auditing (ISA). ESAA standards committee normally prepare the first draft of all new standards and share with the ESA.</p> <p>ESAA reviews the latest update of ISA issued by IAASB, to modify the ESA to be in alignment with ISA and to apply ISQM 1 &amp; ISQM 2.</p> <p>ESAA finalized the draft of new ESAs which have been submitted to the FRA Committee to make decision of the issuance of new ESAs. It is expected that the New updated ESA will be issued within 2024 and early adoption in 2024 and compulsory in 2025.</p>	completed from ESAA side	Standards Committee Chairman	Standards Committee (Chairman and 6 members)
<i>Supporting ESAA Members in Implementation of the Control Standards</i>					
3.	Ongoing	ESAA publishes articles in its magazine about the requirements of quality assurance.	Ongoing	CAC Chairman	CAC (Chairman and 6 members)
4.	Ongoing	ESAA held workshop in cooperation with FRA related to ISQC1 and quality control requirements.	on going	CAC Chairman	CAC (Chairman and 6 members)
5.	Ongoing	<p>Discuss the Implementation of voluntary programs that enable accredited audit firms to obtain an independent, confidential assessment of their quality control policies and procedures, apart from quality assurance review system.</p> <p>Chapter 6 "oversight" of the abovementioned law will consider this aspect.</p>	Ongoing	CAC Chairman	CAC (Chairman and 6 members)

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6.	2024	ESAA holds regular training sessions for its members and the public on Auditing Standards and updates. After the issuance of updated version of ESA, ESAA will hold workshops to encourage its members to apply the latest version of ESA, which includes ISQM 1 & ISQM 2	2024	TC Chairman	TC (Chairman and 6 members)

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Maintaining Ongoing Process</i>					
7.	Ongoing	Continue to ensure that the FRA QA is in line with the revised SMO1 requirements and covers the requirements of the revised <u>ISQC1</u> .	Ongoing	Standards Committee Chairman	Standards Committee (Chairman and 6 members)
8.	Ongoing	ESAA is continuing to encourage the Accountant and Auditors Free Practitioners Division (AAFPD) of the Commercial Syndicate to develop and adopt a system of Quality Control, and take the necessary steps to be mandated on the Auditors listed, to cover all audits of financial statements. Chapter 6 "oversight" of the above-mentioned law will cover this issue.	Ongoing	Standards Committee Chairman	Standards Committee (Chairman and 6 members)
9.	Ongoing	ESAA is pushing all concerned parties and encouraging and supporting the Ministry of Finance to expedite the issuance of the new Law on Accounting and Auditing Practice which will mandate all auditors to apply quality assurance requirements.	Ongoing	Standards Committee Chairman	Standards Committee (Chairman and 6 members)

**Commented [DJ1]:** In the next SMO AP update, I recommend removing references to ISQC since ISQM 1 & 2 are now in effect and mandatory effective 2025

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		The draft of the new law regulating the audit profession currently being discussed includes provisions for QA reviews for auditors.			
<i>Review of ESAA's Compliance Information</i>					
10.	Ongoing	Perform review of ESAA's response to SMO 1 Section and update the response as necessary.	Ongoing	Secretary General	ESAA Executive Manager

Requirements	Y	N	Partially	Comments
<b>Scope of the System</b>				
1. At a minimum, mandatory QA reviews are required for all audits of financial statements.				
<b>Quality Control Standards and Other Quality Control Guidance</b>				
2. Firms are required to implement a system of quality control in accordance with the quality control standards.				
3. Most up to date versions of ISQC 1 and other relevant ISA are adopted as the quality control standards.				
4. Member Body assists firms in understanding the objectives of quality control and in implementing and maintaining appropriate systems of quality control.				
<b>Review Cycle</b>				
5. A cycle-based, risk-based, or a mixed approach for selecting firms for QA review is used.				

**Commented [DJ2]:** For the next SMO AP update, ESAA should complete this checklist for the jurisdiction to the best of its knowledge

Requirements	Y	N	Partially	Comments
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).				
<b>QA Review Team</b>				
7. Independence of the QA Team is assessed and documented.				
8. QA Team possesses appropriate levels of expertise.				
<b>Reporting</b>				
9. Documentation of evidence supporting the quality control review report is required.				
10. A written report is issued upon conclusion of the QA review and provided to the firm/partner reviewed.				
<b>Corrective and Disciplinary Actions</b>				
11. Reviewed firms/partners are required to make timely adjustments to meet recommendations from the review report.				
12. QA review system is linked to the investigation and discipline system.				
<b>Consideration of Public Oversight</b>				
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.				
<b>Regular Review of Implementation and Effectiveness</b>				
14. Regular reviews of implementation and effectiveness of the system are performed.				



**Action Plan Subject:** SMO 2–International Education Standards for Professional Accountants and Other Pronouncements issued by the IAESB  
**Action Plan Objective:** Develop and implement a continuing professional program based on IES7

**Background:**

Law No. 133 of 1951 concerning practicing the profession of accounting and auditing(article 6) and law No.4 of 1972 concerning the establishment of the commercial syndicate (Article 5) require candidates who seek to become certified accountants to be a graduate of a faculty of commerce of one of the Egyptian universities or hold a similar degree from any other local or foreign university or institute considered by the Supreme Council of Universities as equivalent.

Both of the above-mentioned laws did not establish continuing professional development requirements.

Chapter four article 48 of the new law – which is under discussion – mentioned that:

“All accountants enrolled in the lists of trainee accountants and practicing chartered accountants are subject to professional training and continuous education programs, and auditors cannot get their licenses to practice the profession or transfer from one list to another without fulfilling professional courses and the set hours of continuous education as defined by the executive regulations of this Law.”

Any person who seeks the membership of ESAA must be a graduate of a Faculty of Commerce of one of the Egyptian Universities, or hold a similar degree from any other local or foreign University or Institute considered by the Board of Directors as equivalent thereto, provided that he/she has three years of training at one of the accounting and auditing firm of a member of the society or audit firm accredited by ESAA’s board of directors and passes both intermediate and final examinations.

ESAA’s Board of Directors has approved the updated curriculum and the subjects which are necessary to permit candidates to gain the professional knowledge required for professional competence.

The Intermediate Examination includes 5 subjects as follow:

- Intermediate Financial Accounting
- Intermediate Auditing
- Taxation
- Cost Accounting & Managerial Accounting
- Law & Ethics

The Final Examination includes 5 subjects as follow:

- Advanced Financial Accounting
- Advanced Auditing
- Advanced Taxation
- Finance

**Commented [DJ3]:** Next SMO AP update, I recommend that ESAA focus on completing the IES checklist which is available in Arabic here: <https://www.ifac.org/knowledge-gateway/supporting-international-standards/publications/tqyvm-dhaty-astnadana-llmtlbat-alasasyt-lmayyr-altlym-aldwlyt-ies>

Then update this section to report that you completed the checklist and include plans to address any gaps found

– Corporate Governance & Risk Management

Most of the requirements prescribed in IESs are included in the education curriculum and the training programs provided by ESAA for students admitted for the Examinations.

ESAA's Board of Directors has approved a CPD program in its meeting held in July 2008. ESAA's members were notified of the adoption of the CPD, the requirements and commencement date of the first CPD courses which commenced on January 2009. ESAA's member are required to complete 120 hours of relevant professional development activity in each rolling three-year period, of which 84 hours are verifiable, and to complete 25 hours—at least—in each year.

ESAA's members are required to provide evidence that competence was developed or maintained. The professional accountant is responsible for providing the evidence to the administrative unit in ESAA upon request and for ensuring the evidence filed is sufficient and reliable.

The administrative unit monitors whether professional accountants meet the CPD requirements and provide for appropriate sanctions for failure in meeting any of the requirements, including failure to report or failure to develop and maintain competence.

The Committee of Continuing Professional Education (CCPE)-which is part of ESAA-, supervises the work of the administrative unit.

To assist ESAA's members in meeting their responsibility for lifelong learning, ESAA Provided many courses, training, forums & workshops to facilitate access to CPD opportunities and resources.

ESAA is in an ongoing process of reviewing its education programs requirements to ensure that they comply with IESs, and of improving the delivery of accountancy education and CPD training to fulfill the IESs requirements.

ESAA does not have the legal authority to change the educational standards or change the accounting education curriculum on universities therefore, its capacity to disseminate the adoption of international standards and to implement new education standards is limited to its students and members.

In October, 2018 ESAA has prepared a draft amendment to its by-laws in preparation for the approval by the Board of Directors and the competent authority, which contain:

- The members enhanced compliance requirements for continuing professional education as determined by the Board of Directors
- The board of directors enhanced ability to impose appropriate sanctions on members who do not abide by the rules of Continuing Professional Education.

Since 2017 the Training Center has held on going training courses especially for ESAA members university students and fresh graduates.

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#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Further Strengthening the Accountancy Education Program</i>					
11.					
12.	Ongoing	Continue to organize seminars and meetings with the representatives of the education institutes and universities to encourage them to update Accounting and Auditing Curriculums to be in compliance with the requirements of IFRS, IAS and ISA. Also to take into consideration all the International Education Standards requirements.  More than 100 members of ESAA are professors & instructors in the Egyptian universities such as Ein Shamas University, Cairo University.	Ongoing	CDC Chairman	CDC (Chairman and 6 members)
13.	July 2015 April 2018 June 2019	Organize with the participation of ESAA Experts a meeting with the professors from the leading commercial faculties to discuss the importance of compliance with International Education Standards (IES) and for strengthening the profession and overall economic environment.	Ongoing	CDC Chairman	CDC (Chairman and 6 members)
<i>Ensure the Compliance of CPD Requirements with IES 7</i>					

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#	Start Date	Actions	Completion Date	Responsibility	Resource
14.	ongoing	Publish articles in ESAA magazine to promote to ESAA's members, stakeholders and the public, the benefits of CPD highlighting the importance of continuous improvement of competence and a commencement to lifelong learning.	Ongoing	CAC Chairman	ESAA Staff
15.					
16.	ongoing	Establish a systematic process to monitor whether professional accountants meet the CPD requirements and provide for appropriate sanctions for failure to meet the requirement.	Ongoing	CCPE Chairman	CCPE (Chairman and 6 members)
17.	ongoing	Notify ESAA's Members of learning activities that may be under taken as part of a planned program of CPD activity.	Ongoing	CCPE Chairman	CCPE (Chairman and 6members)
18.	November 2013	Develop and provide guidance on the evidence to be obtained or created to demonstrate that ESAA's members' competence was developed or maintained.	Ongoing	CCPE Chairman	CCPE (Chairman and 6 members)
19.					
20.	ongoing	Foilow uimplement sanctions against the members who do not fulfill CPD mandatory hours.	Ongoing	Investigation and Disciplinary committee Chairman	Investigation and Disciplinary committee (Chairman and 3 members)
#	Start Date	Actions	Completion Date	Responsibility	Resource
21.	October 2018	ESAA has prepared a draft amendment to its by-laws in preparation for their approval by the Board of Directors and the relevant authority, which includes provisions to enhance the board of directors ability to impose appropriate sanctions on members who do comply with the requirements of Continuing Professional Education.	Ongoing	ESAA Executive Manager	ESAA Board of directors
22.	Ongoing	Periodically review the CPD policies and the application of IES7.	Ongoing	CCPE Chairman	CCPE (Chairman and 6 members)

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<i>Establishing a Training Center</i>					
23.	June 2012	ESAA has launched its Training Center on the first of October 2015.	Completed	The Board	ESSA Staff
24.	January 2016	Start delivering professional training courses.	Ongoing		
25.	July 2016	Organize Training Courses on the amended Egyptian Accounting Standard (2015) giving priority to ESAA members.	Completed	Training Committee Chairman	T&C (Chairman and 6 members)
26.	October 2016	Organize Training Courses on the Egyptian Standards on Auditing Review and Other Assurance Services (ESAROAS).	October 2016, March 2017, October 2017, March 2018 and October 2018	Training Committee Chairman	T&C (Chairman and 6 members)
27.	Oct. 2016 May, Nov. 2017 May, Oct 2018 May, Oct 2019	Organize Training Courses on the following subjects: - Cost Accounting & Managerial Accounting - Corporate Governance & Risk Management - Finance - Taxation	Nov. 2016 May, Nov. 2017 May, Oct 2018 May, Oct 2019	Training Committee Chairman	T&C (Chairman and 6 members)
28.	Oct. 2016 July 2017 Feb. 2018 Apr. 2019	Organize Training Courses on the contemporary concepts of Internal Audit.	Oct. 2016 July 2017 Feb. 2018 Apr. 2019	Training Committee Chairman	T&C (Chairman and 6 members)
29.	Ongoing	Holding protocols with some universities and training centers to participate in the training of all those interested in the profession of accounting and auditing.	Ongoing	Training Committee Chairman	T&C (Chairman and 6 members)
#	Start Date	Actions	Completion Date	Responsibility	Resource
30.	Nov. 2016 Feb. 2018 May 2019	Organize Training sessions on the Quality Assurance and the Quality Control to enhance ESAA's members of the importance of the subject.	Nov. 2016 Feb. 2018 May 2019	Training Committee Chairman	T&C (Chairman and 6 members)
31.	Sept. 2016 Jan. 2017 Jan. 2018 Jan. 2019	Provide Training sessions for fresh graduate accountants in Accounting & Auditing.	Oct. 2016 Jan. 2017 Jan. 2018 Jan. 2019	Training Committee Chairman	T&C (Chairman and 6 members)

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32.	Jan.2017 Jan. 2018 Feb. 2019	Organize Courses on IFRS for preparation to sit for IFRS Dip. Exam.	April2017 April 2018 May 2019	Training Committee Chairman	T&C (Chairman and 6 members)
<i>Maintaining Ongoing Processes–IES 1. 2. 3.</i>					
33.	Ongoing	Ensure on an ongoing basis that the students who pass ESAA's Examination had acquired enough advanced professional accountancy knowledge to enable them to function as competent professional accountants in an increasingly complex and changing environment.	Ongoing	Curriculum Development Committee Chairman	Curriculum Development Committee (Chairman and 6 members)
<i>Maintaining Ongoing Processes–IES 4. 5. 6. 8.</i>					
34.	Ongoing	Ensure on an ongoing basis that ESAA's practical experience requirements, its system of assessment of professional capabilities and competence prior to admission to ESAA and the knowledge content and skills requirements are kept in line with the relevant IES.	Ongoing	Curriculum Development Committee Chairman	Curriculum Development Committee (Chairman and 6 members)
<i>Maintaining Ongoing Processes–IES 7</i>					
35.	Ongoing	Ensure that ESAA's CPD program is in line with IES 7 requirements.	Ongoing	CCPE Chairman	CTCPE (Chairman and 7 members)
<i>Review of ESAA's Compliance Information</i>					
36.	Ongoing	Perform periodic review of ESAA's responses to sections relevant to SMO 2 as necessary.	Ongoing	CCPE Chairman	CTCPE (Chairman and 7 members)

**Action Plan Subject:** SMO 3–International Standards and other Pronouncements Issued by the IAASB  
**Action Plan Objective:** Ongoing convergence with IAASB Pronouncements

**Background:**

The Ministry of Investment ( the designated ministry at the time) issued decision NO, 166 / 2008 to apply the Egyptian Standards on Auditing Review and Other Assurance Services (ESAROAS) that are carried out when auditing the annual financial statements or reviewing the interim financial statements of the shareholding companies subject to the provisions of Law No. 159 of 1981 by issuing the law of joint stock companies, Or the provisions of the Capital Market Law promulgated by Law No. 95 of 1992 and their amendments (Auditors listed at FRA register and auditors listed at general register are committed to applying those standards)

The president of Accountability State Authority (ASA) issued decision No.1300/2008 to impose the application of the Egyptian Standards on Auditing Review and Other Assurance Services (ESAROAS) on all the assignments performed by the ASA.

The following companies and authorities must be audited with full compliance with ESAROAS:

- All companies that were established according to the provisions of both:
  - Act No.159 for the year 1981 of joint stock companies, partnerships limited by shares, and limited liability companies and its executive regulation.
  - Capital Market Act, issued by act No. 95 for the year 1992 and its executive regulations such as: listed companies, public subscription companies, securities companies, and investment funds established by banks and insurance companies, mortgage finance companies, insurance and re-insurance companies.
- Banks,
- Public sector companies,
- Public sector holding companies and affiliates,
- Economic bodies such as: Suez Canal Authority, National Telecommunication Regulatory Authority, Egyptian General Petroleum Company, General Authority for Investment & free Zones, New Urban Communities Authority Portal, Tourism Development Authority and Egypt Expo Convention Authority.

The Egyptian Standards on auditing review and other assurance services (ESAROAS) was matched with the translation of "IFAC Handbook of International Standards on Auditing and Quality Control" (2005 edition).

The updates of standards have been prepared by ESAA Standards committee and sent to FRA relevant committee to reviewed and issued. It is expected to e issued within 2024 and early adoption in 2024 is expected with compulsory adoption in 2025.

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ESAA Standards Committee continuously following-up the publication of the standards and their modifications issued by the IAASB, Identifying the differences and the amendments needed to keep the ESAROAS in line with the updated International Standards.

ESAA's Chairman and the standards committee chairman communicate regularly the results with the relevant governmental bodies and encourage them to take the necessary steps to incorporate the amendments in the existing standards.

Standard committee developed a modified version of the Egyptian Standards on Auditing Review and Other Assurance Services (ESAROAS) in full compliance with the IAASB revised.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Further Development of the Ongoing Implementation of the IAASB Pronouncements</i>					
	November 2012	Reviewing new and revised standards issued by the IAASB.	March 2013 Ongoing	Standards Committee Chairman	Standards Committee (Chairman and 6 members)
	November 2012	Compare existing ESAROAS with the new and revised standards issued by the IAASB and disclose the differences between national Audit Standards and International Standards on Auditing (ISAs).	March 2013 Ongoing	Standards Committee Chairman	Standards Committee (Chairman and 6 members)
	April 2013	ESAA is going to use its best endeavors to encourage FRA and, minister of investment and the president of ASA to modify ESAROAS to comply with latest IAASB pronouncement. ESAA's Standard Committee held many meetings in 2014 and 2015 with the delegations from the ministry of investment and ASA.	June 2013 Ongoing	ESAA Chairman	ESAA (Chairman and 5 members)
	January 2014	Disseminate new Exposure Drafts to ESAA's members with regard to reporting and take into account relevant comments.	Ongoing	CAC Chairman and SC Chairman	CAC (Chairman and 6 members) and SC (Chairman and 6 members)
	February 2014	Develop a training seminar specifically for university professors to assist them in teaching the theory and practical application of the new updates of ISA in the classroom. The seminar has not been developed yet.	Ongoing	TC Chairman	TC (Chairman and 6 members)



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#	Start Date	Actions	Completion Date	Responsibility	Resource
	February 2016	Developing a modified version of the Egyptian Standards on Auditing Review and Other Assurance Services (ESAROAS) in full compliance with the IAASB revised (2014 edition).	March 2017	Standards Committee Chairman	Standards Committee (Chairman and 6 members)
	Ongoing	Publish articles in ESAA Magazine to notify members of all new, proposed, revised international standards and other pronouncement issued by the IAASB, in order to enhance the awareness of the financial auditors , trainees and the public in general about the new and revised standards.	Ongoing	CAC Chairman	CAC (Chairman and 6members)
	Ongoing	Continue to provide training programs on (ESAROAS) for ESAA members, student and professional accountants. ESAA's Training Center provided training courses on (ESAROAS) during February 2016, April 2016, April 2017 and April 2018.	Ongoing	TC&CCPE Chairmen	TC&CCPE (Chairman and 6 members)
	Ongoing	Provide comments on new Exposure Drafts to the IAASB.	Ongoing	Standards Committee Chairman	Standards Committee (Chairman and 6 members)
	Ongoing	Developing a modified version of the Egyptian Standards on Auditing Review and Other Assurance Services (ESAROAS) in full compliance with the IAASB revised (2016/2017 edition)	Ongoing	Standards Committee Chairman	Standards Committee (Chairman and 6 members)
	2024	ESAA is a member of the high committee of setting the Egyptian Standards on Auditing (ESA), ESAA has active participation in modifying the ESA to be aligned with the International Standards on Auditing (ISA).  ESAA reviews the latest update of ISA issued by IAASB, to modify the ESA to be in alignment with ISA and apply ISQM 1 & ISQM 2.  ESAA almost finalized the draft of new ESA which will be submitted to the committee to make decision of the issuance of new ESA which is expected to be during year 2024	2024	Standards Committee Chairman	Standards Committee (Chairman and 6 members)

**Commented [DJ4]:** During the member engagement call next year (or this year once completed) please update IFAC staff if this has been completed - then we can upgrade the SMO rating to *Execute*.

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<i>Maintaining Ongoing Processes</i>					
	Ongoing	Continue to support ongoing adoption and implementation of IAASB pronouncements. This includes review of the implementation of the Action Plan to date and updating the Action plan for future activities as necessary.	Ongoing	Standards Committee Chairman	Standards Committee (Chairman and 6 members)
<i>Review of ESAA's Compliance Information</i>					
	Ongoing	Perform periodic review and update sections relevant to SMO 3 as necessary.	Ongoing	Foreign Affair Committee Chairman	FAC (Chairman and 6members)

**Action Plan Subject:** SMO 4–IESBA Code of Ethics for Professional Accountants  
**Action Plan Objective:** Updating the Code of Ethics

<b>Background:</b>					
<p>EFSA (FRA) issued decision No.79/2007 regarding Code of Ethics. The EFSA (FRA) Code of Ethics which is applicable to accountants and auditors listed at EFSA (FRA) register is based on the 2006 version of the IESBA Code of Ethics, ESAA is still using its best endeavors to persuade the Ministry of Finance to issue the same EFSA (FRA) Code of Ethics to be applied to all auditors who are listed at the General Register. The president of the ASA issued decision No. 2102/ 2009 regarding the code of ethics which is applicable to auditors of the ASA &amp; auditors who are appointed by the ASA.</p> <p>ESAA's Standards Committee are continuously following–up on the publications of the standards and their modifications issued by IESBA identifying the differences and the modifications needed to keep both EFSA (FRA) &amp; ASA code of ethics in line with the IESBA Code of Ethics for Professional Accountants (last Edition).</p>					
#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Support Implementation of Ethical Standards</i>					
	January 2013	ESAA is going to use its best endeavors to persuade the minister of finance to issue the ECE to be applied to all auditors who are listed at the General Register. A meeting was held with one of the minister consultants in 2014 and 2015 to discuss the topic.	May 2013 Ongoing	ESAA Chairman	ESAA Chairman and 5 members
	January 2013	Publish differences between the ECE and the revised IESBA code of ethics in ESAA's magazine "The Accountant."	May 2013 Ongoing	CAC Chairman	CAC (Chairman and 6 members)
	January 2014	ESAA is going to use its best endeavors to encourage the Oversight Board and the Accountants and Auditors Free Practitioners Division of the Commercial Syndicate to take the necessary steps to ensure that the listed auditors adhere to the ECE.	Ongoing	ESAA Chairman	ESAA Chairman and 5 members
	February 2016	Submit the revised Code of Ethics to the relevant minister for approval and issuance.	April 2017	Standards Committee Chairman	Standards Committee (Chairman and 6 members)
	November 2016	Submit the revised Code of Ethics to the relevant minister for approval and issuance.	April 2017	Standards Committee Chairman	Standards Committee (Chairman and 6 members)

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#	Start Date	Actions	Completion Date	Responsibility	Resource
	Ongoing	Prepare and publish articles and other promotional materials in ESAA Magazine (the Accountant) in order to enhance the awareness of the financial auditors, trainees in the financial audit and the public in general about the Egyptian Code of Ethics.	Ongoing	Cultural Committee Chairman	Cultural Committee (Chairman and 9 members)
	Ongoing	Continue to publish articles in ESAA magazine and holding workshops to notify ESAA's members of the provisions of the IESBA Code of Ethics and other pronouncements developed by IESBA.	Ongoing	CAC Chairman	CAC (Chairman and 6 members)
	Ongoing	Continue to notify ESAA members of all exposure drafts issued by the IESBA and to encourage them to comment on those exposure drafts.	Ongoing	CAC Chairman	CAC (Chairman and 6members)
	Ongoing	Maintaining Web based resource on the ESAA website. ECE is available on the ESAA website <a href="http://esaaegypt.com">http://esaaegypt.com</a> .	Ongoing	IT Committee Chairman	IT Committee (Chairman and 6 members)
		<p>ESAA is a member of the high committee of setting the Egyptian Standards on Auditing (ESA), ESAA has active participation in modifying the applicable code of ethics to be aligned with the International Ethics Standards Board of Accountants (IESBA).</p> <p>ESAA reviews the latest update of the code of ethics issued by IESBA, to modify the applicable code of ethics to be in alignment with the latest issuance by the IESBA.</p> <p>ESAA almost finalized the draft of the new code of ethics, which will be submitted to the committee to make decision of the issuance of the new code, which is expected to be during year 2024.</p>	2024	Standards Committee Chairman	Standards Committee (Chairman and 6 members)

**Commented [DJ5]:** During the member engagement call next year (or this year once completed) please update IFAC staff if this has been completed - this SMO should be a priority area for ESAA

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<i>Maintaining Ongoing Processes</i>					
	Ongoing	Ensure that the FRA code of ethics is in line with the IESBA Code of Ethics and other pronouncements developed by IESBA.	Ongoing	Standards Committee Chairman	Standards Committee (Chairman and 7 members)
	Ongoing	ESAA is going to use its best endeavors to encourage FRA, the minister of finance and the president of ASA to ensure that code of ethics is in line with the IESBA Code of Ethics and other pronouncements developed by IESBA.	Ongoing	Standards Committee Chairman	Standards Committee (Chairman and 7 members)
<i>Review of ESAA's Compliance Information</i>					
	Ongoing	Perform periodic review of ESAA's responses and update sections relevant to SMO4 as necessary.	Ongoing	FAC Chairman	FAC (Chairman and 6 members)

**Action Plan Subject:** SMO 5–International Public Sector Accounting Standards and Other Pronouncements Issued by the IPSASB  
**Action Plan Objective:** Promoting the use of IPSASs.

**Background:**

The International Public Sector Accounting Standards (IPSASs) have not been adopted in Egypt in accordance with the Egyptian Laws & Regulations.

Up to date the public sector accounting, which is adopted in Egypt, are based on cash-based accounting and regulated by law, therefore, in regards to SMO5, the role of ESAA, is limited to the promotion of IPSAS and other pronouncements issued by IPSASB.

There isn't a timeline to adopt IPSAS in the near future owing to the political situation.

ESAA's role is to support the adoption and implementation process. Supporting this process usually includes actions such as:

- a) Producing seminars/training courses on the subject;
- b) Raising awareness of the subject through online and mail publications;
- c) Engaging regulators and parliamentarians in discussion on the topic in an effort to raise awareness of the benefits and to encourage alignment with international standards and best practices; and
- d) ESAA plan to include IPSAS related materials into CPD courses and other training and educational activities once the ministry of finance adopts the IPSAS.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Continue to Use Best Endeavors to Support Incorporation of IPSAS Requirements into National Public Sector Accounting Requirements</i>					
	January 2014	Arrange a meeting and presentation with the Ministry of Finance to demonstrate the importance of IPSAS adoption in governmental departments.	January 2014	ESAA Chairman	ESAA Chairman and 5 members
	October 2016	Continue to provide information to the MOF on the latest activities of the IPSASB and the new IPSASs issued, and of the trends and developments occurring in the field of public sector accounting.	Ongoing	SC Chairman	SC Chairman and 6 members
	November 2016	Continue to engage the government in discussions on the benefits of adopting of IPSAS. A meeting was held with one of the minister consultants in 2014 and 2015 to discuss the topic.	Ongoing	SC Chairman	SC Chairman and 6 members

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#	Start Date	Actions	Completion Date	Responsibility	Resource
	Ongoing	ESAA is going to use its best endeavors to promote the use of IPSAS to the relevant Government authority.	Ongoing	ESAA Chairman	ESAA Chairman and 5 members
	Ongoing	Continue to encourage ESAA members and the experts from academia to prepare and publish articles and other promotional materials in ESAA magazine (the Accountant) in order to enhance the awareness of the financial auditors, trainees in the financial audit and the public in general about the IPSAS.	Ongoing	CAC Chairman	CAC (Chairman and 6 members)
	Ongoing	Publish articles in ESAA magazine notifying ESAA's members of all IPSAS, guidelines, studies and occasional papers developed by the IPSASB.	Ongoing	CAC Chairman	CAC (Chairman and 6 members)
	Ongoing	Continue to notify ESAA's members of all exposure drafts issued by the IPSASB and to encourage them to comment on behalf of those members who have an interest in public sector accounting standards.	Ongoing	CAC Chairman	CAC (Chairman and 6 members)
<i>Maintaining Ongoing Processes</i>					
	Ongoing	Continue to identify opportunities to further assist in implementation of IPSASs.	Ongoing	ESAA Chairman	ESAA Chairman and 5 members
<i>Review of ESAA's Compliance Information</i>					
	Ongoing	Perform periodic review of ESAA's response to SMO5 section and update the response as necessary.	Ongoing	FAC Chairman	FAC (Chairman and 6 members)

**Action Plan Subject:** SMO 6–Investigation and Discipline  
**Action Plan Objective:** Further Development of Investigation and Discipline process

**Background:**

**The Egyptian Society of Accountant & Auditors (ESAA):**

\* ESAA always had a complaints and disciplinary committee for investigating and disciplining its members for misconduct and failure to meet rules whereas, the committee's action is triggered by the receipt of a complaint from a client or a regulatory agency against one of ESAA's members.

The Charter of ESAA has the following provisions

A membership condition is that the applicant ( or member latter) must always be of good standing and repute.

A member is expelled if he loses any of the membership conditions including that he must always be of good standing and repute.

A member is also sanctioned for a period or permanently expelled if

- He/she is indicted in a crime impacting honor or honesty.
- If he/she undertakes any action that may cause any harm to the society whether tangible or reputational loss.
- If found after investigation based on a complaint from an ESAA member or any other person / body that he/she committed an act that violates the code of ethics of the profession.

All members are aware of these requirements as they sign a declaration to abide by ESAA bylaws upon applying to join ESAA and it remains a condition of membership. They are aware of the consequences of non-compliance.

The ethics guidelines that ESAA holds its members to when conducting its I&D activities is the rules issued in Egypt as mentioned above. However, the general rule in Egypt in all professional standards is that whatever is not specifically covered by a local standard is referenced to the corresponding International Standard. So while Egyptian ethics guidelines have not been updated by the relevant authority all new and detailed guidelines would form a strong reference point to judge any behavior while practicing the work or in any given investigation. In the absence of updated Egyptian code of ethics guidelines, ESAA considers IESBA code of ethics as a guiding reference in its conduct of its I&D activities.



\* ESAA's Board of Directors, according to ESAA's bye-Law "article 17," has the power to enforce and impose a range of penalties such as: reprimands, suspension of membership and exclusion from membership.

The Investigation and Disciplinary Committee

Investigates and takes disciplinary action based on either

Complaints

As explained ESAA conducts I&D action when a complaint is filed by a member of ESAA or the public or another regulator.

Information available

Information that is available to ESAA on court decisions, other regulators decisions etc will be an input to ESAA to commence an Investigation.

All matters covered in SMO 6 definition of misconduct are covered by ESAA I&D committee in its work.,

The I&D committee allows for an independent team to investigate and gear the opinion of the person under investigation. A decision is issued by the committee to the board for ratification and an appeals process is available for the person to be heard by a different team. This would be directly addressed to the board.

**Financial Regulatory Authority (FRA):**

\* FRA's I&D system is in line – in most important aspects – with the revised SMO 6 requirements.

\* FRA has general responsibility for investigating and disciplining the auditors who are authorized to perform financial audit services for listed companies.

\* The auditors oversight unit of FRA is entitled to receive the complaints against the listed auditors and carry out all the necessary procedures to inspect the complaint and ask for a hearing from concerned auditors.

\* Articles No. 8,9,10 of decision No. 33/2009 demonstrate the mechanism adopted by FRA for Investigating and Disciplining:

Article (8):" The following events are considered violations that requires further investigation and undertaking enforcement actions on the auditor:

- A. Errors, omissions and misstatements, whether intentional or through oversight, in the submission of any application, data forms and/or reports filled by the auditor to either the auditors oversight unit and /or the FRA.
- B. Non-compliance with the standards and codes of audit practice including but not limited to;
  - Egyptian Standards on Auditing inclusive of the quality control standards and independence standard.
  - The auditor did not verify the clients' compliance with the Egyptian Accounting Standards in the preparation of the financial statements being audited.
  - Non-compliance with the Code of Ethics promulgated by FRA.
- C. Non-compliance with the requirements of Continuing Professional Development (CPD) set forth in the Rules and Regulations pertaining thereto for auditor registration.
- D. Failure to furnish all information requested in connection with the registration or inspection registrants.
- E. Failure to cooperate with the reasonable requirements of a periodic inspection and / or special investigation of alleged violations.
- F. Material misstatement and /or inadequate disclosure in any financial report(s) issued by a regulated entity and audited and reported upon by a registrant and failure of the auditor to report on such violations /misstatements.
- G. Failure to abide by rulings of the OU and disciplinary proceeding levied therefrom.

Article (9):"The Auditors Oversight Unit's Board of Directors has the authority to enforce and levy disciplinary proceedings against auditors who violate any of the professional Code of Ethics, professional standards, Egyptian auditing standards or listing Criteria. Specifically, the OU's Board of Directors can suggest and enforce any one or more of the following sanctions:

- A. Issuing a notice of violation to the auditor indicating the period granted to him to provide corrective action and indicate measures taken to prevent re-occurrence.
- B. Requiring the registrant to promote its professional capacity through increasing the number of its professional staff or promoting the staff professional capacity and provide additional professional training for some or all of designated professionals.
- C. Requiring a registrant to assign a reviewer or quality control supervisor on outstanding engagements.
- D. Prohibiting a registrant from accepting new audit clients from the listed companies until taking proper corrective action to address raised violations.
- E. Temporary suspension of registration for a period that does not exceed 12 months.
- F. De-listing of the registrant from the auditors' registry.

AOUB's decisions are issued with the approval of the majority of the attending votes except for the proceeding no. (D),(E),(F) mentioned above , where an affirmative vote from at least five voting members of the OU's Board of Directors is required to decide on initiating these specific disciplinary proceedings."

Article (10): "A notice with raised deficiency and the above mentioned disciplinary proceedings will be the registrant. The registrant shall have 30 days to respond to the matter(s) set out in the Notice before presented for approval by the FRA's Board of Directors."

The FRA's Board of Directors has the right to request further technical investigation on the mentioned deficiency/violation.

**The Accountants and Auditors Free Practitioners Division (AAPAD):**

The Accountants and Auditors free practitioners division of the commerce Syndicate is responsible for investigating and disciplining the Auditors who are listed on the division record according to law No.4 issued in 1972. Some of the requirements set out in the law are not in line with the requirements of the revised SMO6. ESAA cooperates with AAPAD in Standard Setting and in the listing of the new practitioners in the registrar of accountants at the Syndicate. The AAPAD is a branch of the Commerce Syndicate which is responsible for investigating and disciplining the Auditors who are listed on the division record.

The developed draft of the new law on Accounting and Auditing Practice covered many aspects of the requirements of SMO 6

**The Accountability State Authority (ASA):**

The Accountability State Authority (ASA) is an independent governmental body that undertakes the audits and inspection of the public sector companies, Joint companies and the governmental bodies beside the evaluation of the performance of the mentioned entities. ASA has a very strict system for the investigation and discipline of its employees.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Reviewing the Investigation and Disciplinary Mechanism and Incorporating SMO 6 Requirements</i>					
	November 2012	ESAA is going to use its best endeavors to persuade the Accountant and Auditors Free Practitioners Division to consider the application of SMO 6 in the investigation and discipline of misconduct of the auditors who are listed on the division register. Meetings are regularly help representatives of ESAA & AAPAD to promote the incorporation of SMO 6 requirements among other matters	February 2013 Ongoing	ESAA Chairman	ESAA Chairman and 5 members
	October 2012	ESAA is going to use its best endeavors to persuade FRA to update its I&D system with the revised SMO6.	January 2013 Ongoing	ESAA Chairman	ESAA Chairman and 5 members

**Commented [DJ6]:** In the next SMO AP update, it's important to highlight what actions ESAA has taken since identifying the gaps with SMO 6 in 2020. What has been done between 2020-2024

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	June 2016	The investigation & complaints committee has reviewed all the requirements of SMO 6	ongoing	I&D Committee Chairman	I&D Committee Chairman and 5 members
	September 2016	The investigation & complaints committee developing a draft of a new system of I&D in accordance with ESAA by laws and the requirements of SMO 6.	consideration to an interim decision	I&D Committee Chairman	I&D Committee Chairman and 5 members
<b>#</b>	<b>Start Date</b>	<b>Actions</b>	<b>Completion Date</b>	<b>Responsibility</b>	<b>Resource</b>
	December 2016	The committee submits the draft of I&D system to the Board of Directors for discussion and approval.	December 2016	I&D Committee Chairman	I&D Committee Chairman and 5 members
	January 2017	The committee did all the required modifications and submitted the new I&D system to the Board of Directors for approval.	January 2017	I&D Committee Chairman	I&D Committee Chairman and 5 members
	February 2017	Inform all ESAA members of the new I&D system by publishing the new system in ESAA magazine "The Accountant" and through the website.	February 2017	I&D Committee Chairman	I&D Committee Chairman and 5 members
	May 2017	ESAA Board of Directors decided to postpone the approval of the developed draft of a new system of I&D as a result of the issuance of associations and private organizations Law which require to amend ESAA's by-laws.	May 2017	ESAA Board of Directors	I&D Committee Chairman and 5 members
	May 2018	The board asked the I&D committee to reconsider its developed draft to be in line with the new requirements	ongoing	I&D Committee Chairman	
	Ongoing	ESAA is going to make each member fully aware of all provisions of the ethical code and other applicable professional standards, rules and requirements (and any amendments) issued by ESAA or FRA and the consequences of non-compliance. ESAA disseminates information to its members on ethical requirements through the following: - ESAA website - Training courses - Publishing articles in ESAA's magazine	Ongoing	CAC Chairman	CAC (Chairman and 6members)

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	Ongoing	ESAA investigation and disciplinary committee is reviewing the elements in the revised SMO 6 that are not currently a part of the investigation and discipline mechanism and identify opportunities to further develop the investigation and discipline program. The gap in compliance of ESAA's I&D system is clarified in the table provided in page 30.	Ongoing	Investigation and Disciplinary Committee Chairman	Investigation and Disciplinary Committee (Chairman and 3 members)
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#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Maintaining Ongoing Processes</i>					
	Ongoing	Continue to ensure that ESAA's investigation and disciplinary mechanism comply with all SMO6 requirements this includes review of the existing mechanism and updating the Action Plan for future activities where necessary.	Ongoing	Investigation and Disciplinary Committee Chairman	Investigation and Disciplinary Committee (Chairman and 3 members)
	Ongoing	Perform periodic review of ESAA's response and update section relevant to SMO6 as necessary.	Ongoing	Investigation and Disciplinary Committee Chairman	Investigation and Disciplinary Committee (Chairman and 3 members)

**Main Requirements of SMO 6**

Requirements	Y	N	Partially	Comments
<b>Scope of the system</b>				
1. A system of investigation, discipline and appeals exists for the accountancy profession. The system is operational.	√			ESAA has it developed I&D function since its establishment. FRA has an elaborate system that has been in place for year
2. Information about the types of misconduct which may bring about investigative actions is publicly available.			√	ESAA charter discloses types of misconduct. FRA OU requires registrants are subject to oversight and there is a long tradition of practice. MOF and the Syndicate also have an I&D function and sanctions are issued. CBE also has a I&D function for its registrants for bank auditors.
<b>Initiation of Proceedings</b>				
3. Both a “complaints-based” and an “information-based” approach are adopted.	√			Confirmed
4. Link with the results of QA reviews has been established.			√	ESAA as represented on FRA OU is aware of any findings / sanctions against its members bt FRA or CBE.
<b>Investigative process</b>				
5. A committee or similar body exists for performing investigations.	√			ESAA / FRA / CBE and MOF all have units or committees.
6. Members of a committee are independent of the subject of the investigation and other related parties.	√			Confirmed

Requirements	Y	N	Partially	Comments
<b>Disciplinary process</b>				
7. A separate disciplinary committee/entity exists to make disciplinary decisions on referrals from the investigation committee.	√			Any decision will be made by the board while the proposal will come from the investigation and complaints committee.
8. Members of the committee/entity include professional accountants as well as non-accountants.	√			All members are professional accountants at ESAA At FRA appeals committee also include legal professionals
9. The tribunal exhibits independence of the subject of the investigation and other related parties.	√			Confirmed for all.
<b>Sanctions</b>				
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.	√			ESAA is currently able to issue sanctions that range from Warnings Suspension for a period Expulsion ( includes removal of designation ) and may expose the person to suspension/ expulsion from other registers that depended on being an ESAA member. ESAA is currently working on enhancing its ability to impose more detailed steps for sanctions on non-compliant members.
<b>Rights of representation and appeal</b>				
11. A third appeals body exists which is separate from both the disciplinary committee and investigative committee.	√			At FRA an appeals committee is independent from the I&D committee and team.  At ESAA an appeal would also be to the BOD not to the I&D committee as an independent team.

Requirements	Y	N	Partially	Comments
<b>Administrative Processes</b>				
12. Timeframe targets for disposal of all cases are set.	√			FRA OU sets fixed timelines for closing cases. ESAA is prompt once a case is raised and is follow up in BOD meetings that convene monthly for feedback from I&D committee
13. Tracking mechanisms to monitor progress in investigation and discipline and related procedures are established.	√			FRA has quarterly meetings showing all open cases and developments.  ESAA cases are tracked by the committee and the BOD in the monthly meetings
14. Records of investigations and disciplinary processes are established.	√			ESAA has full documentation of all cases raised and closure and are kept.  FRA OU maintains detailed files that are also kept. ESAA siting on the OU board review the documentation of each case until its closure.
<b>Public Interest Considerations</b>				
15. Activities are supported to ensure that the public is aware that an investigative and disciplinary system exists in the jurisdiction.		√		FRA advises other regulators of decisions.
16. A process for the independent review of complaints on which there was no follow-up is established.		√		FRA OU board and FRA board provides oversight on such cases.
17. The results of the investigative and disciplinary proceedings are made available to the public.		√		Under discussion.  ESAA advises other regulators of its decisions where ESAA membership is a condition of registration with such regulator.



Requirements	Y	N	Partially	Comments
<p><b>Liaison with Outside Bodies</b></p> <p>18. There is an appropriate process for liaison with outside bodies on possible involvement in serious crimes and offences.</p>		√		<p>FRA advises other regulators. ESAA expulsion decisions may expose persons involve to other regulators action. Any findings that is indicative of serious crimes or offences are advised to the authorities.</p> <p>ESAA BOD would seek legal advice and procced as advised.</p> <p>FRA OU advises FRA board and proceedings are started if needed and advised to authorities when warranted.</p>
<p><b>Regular review of implementation and effectiveness</b></p> <p>19. Regular review of implementation and effectiveness of the system are performed and corrective actions are implemented.</p>			√	<p>ESAA I&amp;D committee is subject to BOD oversight that would trigger a review of implementation and effectiveness. Corrective action is taken including adding resources and skill to the I&amp;D committee and review of its process.</p>

**Action Plan Subject:** SMO 7–International Financial Reporting Standards and Other Pronouncements issued by the IASB  
**Action Plan Objective:** Ongoing Convergence with IFRSs

**Background:**

The Minister of Investment issued decision No. 243/2006 to apply the Egyptian Accounting standards (EAS) on all corporations such as: listed companies, public subscription companies, securities companies, and investment funds established by banks and insurance companies, mortgage finance companies, insurance and re-insurance companies.

The president of the ASA issued decision No.1570/2006 to impose the application of the above-mentioned standards on the corporation under its supervision.

The above-mentioned standards comply with IFRS in most aspects.

The Types of companies which are required to apply the EAS:

- All Joint Stock companies;
- Banks;
- Public Sector Companies;
- Public Sector Holding Companies and Affiliates;
- Economic Bodies such as: National Telecommunication Regulatory Authority, Egyptian General Petroleum Company, General Authority for Investment & free Zones, New Urban Communities Authority Portal, Tourism Development Authority and Egypt Expo Convention Authority.

ESAA Standards Committee is continuously following up the publication of the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), identifying the differences and amendments needed to keep the EAS in line with the IFRSs.

ESAA's Chairman and the Standard Committee chairman communicate regularly the results to the relevant governmental body to take the necessary steps to incorporate the amendments in the existing Standards.

The Standards Committee has drafted the EAS for SMEs, in line with IFRS one, and has submitted it to FRA for issuance from the relevant minister.

The Minister of Investment issued decision No.110 on 9, July 2015 to impose the application of the Egyptian Accounting Standard (EAS) in line with 2014 IFRSs version and to impose the application of SMEs standard in line with IFRS for SMEs.

Any entity that publishes general purpose financial statements for external users and does not have public accountability can use the (EAS) for SMEs.

During 2017 and 2018 ESAA' Standards Committee developed amended draft for EAS latest version and approved by ESAA Board of Directors and it has been submitted to FRA in preparation for issuance of a resolution from the Minister of Investment.

The Minister of Investment issued decision No.69 on 18, March 2019 to impose the application of the Egyptian Accounting Standard (EAS) in line with 2018 IFRSs version.

#	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Promote and Support Implementation of IFRS</i>					
	Ongoing	Continue to support the implementation of IFRS in Egypt through preparing draft for the new IFRS to be issued by the FRA and the minister of investment and providing training and education in IFRS. ESAA Training Center has provided 6 courses in EAS in 2015, 3 courses in EAS in 2016, 3 courses in EAS in 2017, 3 courses in EAS in 2018 and courses in EAS in 2019. Regular courses and webinars have been regularly held on new standards and IFRS developments by ESAA sources 2019 to date.	Ongoing	Standards Committee Chairman Training center	Standards Committee (Chairman and 6members)  TC Committee (Chairman and members)
	Ongoing	Continue to identify opportunities to further assist in implementation of IFRS. This include review of the existing activities and updating the Action plan for the future activities where necessary.	Ongoing	Standards Committee Chairman	Standards Committee (Chairman and 6 members)
	Ongoing	Training Committee, Continuing Professional Education (CCPE) and Committee of Examination (CE) of ESAA maintain an ongoing process to monitor new and revised standards and incorporate them into education and examination requirements.	Ongoing	TC Committee· CCPE Chairman and CE Chairman	Concerned Committee
	October 2010	The standards committee drafted the EAS for SMES, in line with IFRS one, to be submitted to FRA for adopting. New IFRS have been adopted and sent to FRA. Most recent in 2024 re changes in exchange rate when there is lack of exchangeability ( amendments to IAS 21)	Completed	Standards Committee Chairman	Standards Committee (Chairman and 6 members)

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April 2014	Hold meetings with university professors to introduce the theory and practical application of the new updates of IFRS in classroom.	Ongoing	CCPE Chairman and Standards Committee Chairman	CCPE Committee (Chairman and 6 members) and Standards Committee (Chairman and 6 members)
June 2014	Deliver seminars regarding the implementation of IFRS and other IASB pronouncements and activities- placing special emphasis on new/ modified standards. Deliver preparation courses for IFRS Diploma (in English) in 2014, 2015, 2016, 2017, 2018 and 2019.	Ongoing	CAC Chairman	CAC (Chairman and 6 members)
July 2014	The standards committee drafted the revised EAS in line with 2014 IFRSs version, to be submitted to FRA for issuance from the minister concerned.	Completed	Standards Committee Chairman	Standards Committee (Chairman and 6 members)
Ongoing	Continue to disclose and document differences between Egyptian Accounting Standards and IFRSs.	Ongoing	Standards Committee Chairman	Standards Committee (Chairman and 6members)
Ongoing	Continue to notify ESAA's members of IFRSs and all the updates. Publishing the Egyptian Accounting Standard (EAS) and Articles about it in ESAA magazine "The Accountant".	Ongoing	CCPE Chairman	CCPE Committee (Chairman and 6 members)
Ongoing	Disseminate exposure drafts to ESAA's members and take into account their relevant comments.	Ongoing	CAC Chairman	CAC (Chairman and 6 members)
October 2018	The standards committee drafted the revised EAS in line with latest IFRSs version, to be submitted to FRA for issuance from the minister concerned.	Completed	Standards Committee Chairman	Standards Committee (Chairman and 6 members)
2023-2024	ESAA issued to FRA update IFRS sent to FRA. All IFRS amendments. Last IFRS 18 expected to be issued within nest few weeks.	On track and uptodate	Standards Committee Chairman	Standards Committee (Chairman and 6 members)
<i>Maintaining Ongoing Processes</i>				

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	Ongoing	Continue to support ongoing adoption and implementation of IFRS. This includes review of the implementation of the Action plan to date and updating the Action plan for future activities as necessary.	Ongoing	Standards Committee Chairman	Standards Committee (Chairman and 6members)
	Ongoing	Hold workshops related to the implementation of IFRS	Ongoing	CAC Chairman	CAC (Chairman and 6 members)
<i>Review of ESAA's Compliance Information</i>					
	Ongoing	Perform periodic review of ESAA's responses and update sections relevant to SMO 7 as necessary.	Ongoing	FAC Chairman	FAC (Chairman and 6 members)