

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 actions of a Member or Associate to fulfill the IFAC membership requirements.

IFAC [Statements of Membership Obligations](#) (SMOs) require IFAC Members and Associates to support the adoption¹ and implementation² of international standards and other pronouncements issued by independent standard-setting boards under the auspices of IFAC as well as by the International Accounting Standards Board (IASB); and to establish a quality assurance (QA) review and investigation and disciplinary (I&D) systems. The SMOs are recognized as the international benchmarks for credible and high-quality PAOs that are focused on and have the necessary expertise to serve the public interest and meet the market demands of their respective jurisdictions.

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

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

Regular updates of the SMO Action Plans are required as part of the [IFAC Member Compliance Program](#).

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.

Use of Information: Please refer to the [Disclaimer](#) published on the IFAC website.

ACTION PLAN

IFAC Member: Institute of Chartered Accountants of Nepal (ICAN)
Approved by Governing Body: ICAN Council/Accounting Standards Board (ASB) & Auditing Standards Board (AuSB)
Last Updated: May 2024

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	ICAN Level of Responsibility for Adoption	Adoption Status as of 2023	Level of SMO Fulfillment as of 2023
QA / SMO 1			
IES / SMO 2			
ISA / SMO 3			
IESBA / SMO 4			
IPSAS / SMO 5			
I&D / SMO 6			
IFRS / SMO 7			

Attestation of SMO Compliance

The **Institute of Chartered Accountants of Nepal (ICAN)** 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 **ICAN** 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 **ICAN** 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 **ICAN**, 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

ASB	Accounting Standards Board, Nepal	IFRS	International Financial Reporting Standards
AuSB	Auditing Standards Board, Nepal	IPSAS	International Public Sector Accounting Standards
BOS	Board of Studies	IPSASB	International Public Sector Accounting Standards Board
CA	Chartered Accountant	ISA	International Auditing Standards
CAP	Chartered Accountancy Professional	ISQC	International Standards on Quality Control
CPD	Continuous Professional Development	MoF	Ministry of Finance
CPE	Continuing Professional Education	NPSAS	Nepal Public Sector Accounting Standards
DC	Disciplinary Committee/ICAN	NSA	Nepal Standards on Auditing
EC	Education Committee/ICAN	NSQC	Nepal Standards on Quality Control-1
ED	Executive Director/ICAN	OAG	Office of the Auditor General
EthC	Ethics Committee/ICAN	PDC	Professional Development Committee
FCA	Fellow Chartered Accountant	PEFA	Public Expenditure & Financial Accountability
FCGO	Financial Controller General Office	PR	Peer Review (Quality Assurance Programme)
GMCS	General Management and Communication Skills	PRB	Peer Review Board/ICAN
GON	Government of Nepal	QAB	Quality Assurance Board
I&D	Investigation and Discipline	QA	Quality Assurance
IAASB	International Auditing and Assurance Standards Board	QMU	Quality Monitoring Unit
IAESB	International Accounting Education Standards Board	RA	Registered Auditor
ICAN	Institute of Chartered Accountants of Nepal	SME	Small and Medium Enterprises
IES	International Education Standards		
IESBA	International Ethics Standards Board for Accountants		

Action Plan Subject: SMO 1–Quality Assurance
Action Plan Objective: Support QAB with its QA Function

Background:

Under the Nepal Chartered Accountants Act 1997, the Quality Assurance Board (QAB) was established by the Institute of Chartered Accountants of Nepal (ICAN) and is responsible for supervising and carrying out quality assurance (QA) reviews in the jurisdiction.

The Auditing Standards Board (AuSB) in Nepal is currently reviewing the 2021 ISA for adoption in 2023. This will include ISQM 1 and ISQM 2. Currently, the 2016-17 ISA including ISQC 1 is adopted.

As of 2023, the QAB carries out reviews of firms conducting audits of listed companies and firms who perform audit engagements of clients with a total balance sheet of NPR 500 million or more. Other reviews will be considered and conducted in phases.

The QAB is independent but remains under the governance structure of ICAN. The QAB consists of 7 individuals and ICAN provides human, meeting space, and financial support.

ICAN has been considering the quality management standards in its training. A training was conducted in collaboration with ICAEW in 2022. Other CPD sessions have been offered around the changes being introduced because of the quality management standards. ICAN plans to launch additional interactive sessions and reference documents around quality management as soon the AuSB adopts the standards.

SN	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Adoption of Relevant Standards</i>					
1.	Ongoing	The Auditing Standards Board (AuSB) in Nepal is currently reviewing the 2021 ISA for adoption in 2023. This will include ISQM 1 and ISQM 2. Currently, the 2016 ISA including ISQC 1 is adopted.	Ongoing	AuSB	ICAN
<i>Guidance and Implementation Support</i>					
2.	Ongoing	Conduct training sessions on Quality Management Standards for ICAN members.	Ongoing	ICAN and QAB	ICAN
<i>Supporting the Quality Assurance Board</i>					
3.	Dec 2015	The QAB is independent but remains under the governance structure of ICAN. The QAB consists of 7 individuals and ICAN provides human, meeting space, and financial support.	Ongoing	ICAN	ICAN
<i>Review of ICAN's Compliance Information</i>					

SN	Start Date	Actions	Completion Date	Responsibility	Resource
4.	Ongoing	Perform periodic review of ICAN's SMO Action Plan and update sections relevant to SMO-1 as necessary.	Ongoing	ICAN	Council and QAB

Main Requirements of SMO 1

Requirements	Y	N	Partially	Comments
<p>Scope of the System</p> <p>1. At a minimum, mandatory QA reviews are required for all audits of financial statements.</p>	Y			Yes, but priorities are fixed first for all audit firms performing audit of listed entities for audit firms performing audit of entities with size of balance sheet above NPR 500 million. The rest of the firms fall within the scope of the monitoring committee and are monitored to see if they accept any audits above the specified limit and if so, they are subject to quality assurance.
<p>Quality Control Standards and Other Quality Control Guidance</p> <p>2. Firms are required to implement a system of quality control in accordance with the quality control standards.</p>	Y			Yes, NSQC-1 is applicable and firms are required to comply. ISQM 1 and ISQM 2 will be applicable by the end of 2023. Firms compliance to the requirement of quality control system is checked during the quality assurance review.
<p>3. Most up to date versions of ISQC 1 and other relevant ISAs are adopted as the quality control standards.</p>	Y			Yes, Nepal Standards on Auditing are based upon 2016-17 version of ISAs pronounced by IAASB. We are going to adopt ISA 2021 version soon.
<p>4. Member Body assists firms in understanding the objectives of quality control and in implementing and maintaining appropriate systems of quality control.</p>	Y			Yes, the Member body organizes several training and seminars where NSQC-1 is also the topic. Also, the CPD program of the Institute includes training on NSQC-1. Likewise, Quality Assurance Program of the Institute's makes an assessment of the firm's system of quality control and provide suggestions to the firms. We have issued supplementary guidance for implementation of NSQC-1 and published in the website.
<p>Review Cycle</p> <p>5. A cycle-based, risk-based, or a mixed approach for selecting firms for QA review is used.</p>	Y			Yes, our procedures include all those approaches and we have been following the same.

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).	Y			Yes, we do follow the same cycle.
QA Review Team				
7. Independence of the QA Team is assessed and documented.	Y			Yes. Assessed and documented for all the QA team members.
8. QA Team possesses appropriate levels of expertise.	Y			Yes, all of the QA team members are Chartered Accountants with varied level of experience and a hierarchy is maintained within the QA team, as reviewers and supervisors
Reporting				
9. Documentation of evidence supporting the quality control review report is required.	Y			Yes, checklists are used, where detail procedures and results are recorded. Documents are obtained from client for wherever required. Further, we obtain responses on the findings in the QA Report.
10. A written report is issued upon conclusion of the QA review and provided to the firm/partner reviewed.	Y			Yes. It is provided.
Corrective and Disciplinary Actions				
11. Reviewed firms/partners are required to make timely adjustments to meet recommendations from the review report.	Y			Yes. They are required to express commitments along with action plan which would be followed up.
12. QA review system is linked to the Investigation and Discipline system.	Y			Yes, extremely serious cases, violation of ethics etc. are sent to Council for referring to Disciplinary Committee.
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.				In this jurisdiction, there is no separate oversight body. The Council of the Institute overviews the functioning of the QAB.
Regular Review of Implementation and Effectiveness				
14. Regular reviews of implementation and effectiveness of the system are performed.	Y			Yes, Progress reports are submitted to Council and the Council reviews the same. We have also published year wise separate progress reports of QAB in the website of the Institute.

Action Plan Subject: SMO 2–International Education Standards for Professional Accountants and Other Pronouncements
Action Plan Objective: Ensure that all IES Requirements are incorporated into the ICAN Professional Accountancy Education System – Focus on Promoting ICAN’s Own Qualification

Background:

Under the Nepal Chartered Accountants Act 1997, the Institute of Chartered Accountants of Nepal (ICAN) is responsible for establishing initial professional development (IPD) and continuing professional development (CPD) for its members.

The professional titles used by ICAN members are Chartered Accountants (CA) and Registered Auditors (RA). The CA members who have completed 5 years of professional practice in accounting and auditing are designated as Fellow Chartered Accountant (FCA) and those who have less than 5 years professional practice are designated as Chartered Accountant (CA). Students who have completed their school education (10 years basic plus 2 years) may apply for admission into the Chartered Accountancy Professional (CAP)-I Level. The duration of the CAP-I Level is 6 months. Students who have completed graduate/post graduate degree with specified minimum score or the CAP-I Level may apply for admission in CAP-II Level. The duration of CAP-II Level is 9 Months. Similarly, students who have completed CAP-II Course are eligible for admission into the CAP-III/Final Level. Three years of practical experience training under a practicing Chartered Accountant is required during the CAP-III. The duration of the CAP-III together with practical training is 3 years.

With respect to the exams, the students have to first qualify the qualifying tests so as to make themselves eligible for the final examinations in each level. Further students have to go through 100 hours of Information Technology Training as well as 15 days full time General Management and Communication Skills (GMCS) Training during their study period of CAP-II & CAP-III level.

The final examination of CAP I consists of 3 papers carrying 300 weight to be attempted in a single attempt and shall declare successful with a minimum of 40% marks in each paper and an aggregate 50% of all the papers. Whereas CAP-II and CAP-III level consists of 7 and 8 papers respectively which are divided into two groups carrying 100 weight in each paper. A candidate shall be declared to have passed in each level if s/he passes both the groups (CAP-II & CAP-III) with a minimum of 40% marks in each paper of each group and an aggregate 50% of all the papers of the group.

Candidates for the Chartered Accountant designation must fulfill education, practical experience, and examination requirements stipulated by ICAN. ICAN reports it reviews its curriculum to be in line with IES and verifies compliance with the requirements through its Board of Studies. The last review and revisions took place in 2023 and will be applicable December 2024.

As for CPD, members who are in public practice are required to complete at least 30 hours each year and 120 credit hours in a rolling period of three years. CPD is offered in-person and virtually, via formal training, research activities, attending conferences, seminars and webinars, and earning other accredited credentials. The Accounting Standards Board of Nepal, Auditing Standards Board of Nepal and Office of Auditor General of Nepal also conduct various CPD trainings.

SN	Start Date	Actions	Completion Date	Responsibility	Resource
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Further Develop and Promote ICAN’s Qualification

5.	Ongoing	Carry out research on how other member bodies have structured and implemented their final assessment.	Ongoing	ED/ EC	ICAN Council and EC
<i>Strengthening IESs and New Developments</i>					
6.	Ongoing	In 2023, ICAN revised the Chartered Accountant Certification program's curriculum to be in line with IES and verifies compliance with the requirements through its Board of Studies. It also works with universities to revise and update their curricula in line with IES.	Ongoing	ED / EC	ICAN Council and EC
<i>Maintaining Ongoing Processes</i>					
7.	Ongoing	Continue disseminating theoretical knowledge and education on changes/amendments in Education Standards and technical standards through CPE.	Ongoing	ED/CPE Committee	Council and CPE Committee
8.	Ongoing	Monitor new and revised standards and incorporate them into education and examination requirements.	Ongoing	ED, EC	Council, EC and CPE Committee
<i>Review of ICAN's Compliance Information</i>					
9.	Ongoing	Perform periodic review of ICAN's SMO Action Plan and update sections relevant to SMO-2 as necessary. Once updated inform IFAC Compliance staff about the updates to re-publish the updated information.	Ongoing	Council, ED and Compliance Staffs	Council and BOS

Action Plan Subject: SMO 3–International Standards and other Pronouncements Issued by the IAASB
Action Plan Objective: Best endeavor to adopt and implement the Nepal Standards on Auditing (NSAs) developed by AuSB in line with International Auditing and Assurance Standards Board (IAASB) and Pronouncements

Background:					
<p>Formulation of Nepal Standards on Auditing (NSAs) is carried out by the Auditing Standards Board (AuSB) established under Section 15 (d) of Nepal Chartered Accountants Act 1997 by the Government of Nepal in 2003 and supported by ICAN. Although the Board is responsible for the standard development process, ICAN has the responsibility for pronouncement of the standards and regulating compliance with the standards. The AuSB developed Nepal Standards on Auditing that are based on the 2016-17 ISA. The AuSB is currently reviewing the 2021 ISA for adoption by end of 2023.</p> <p>ICAN provides support by conducting training, workshops, and symposiums on applicable standards to educate members and stakeholders. Additionally, it develops and disseminates implementation guidance to promote an enhanced understanding of the standards. The AuSB makes the standards publicly available in its website and distributes the published the standards.</p>					
SN	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Aligning Standards with ISA</i>					
10.	Ongoing	Review the 2021 ISA for Adoption	Ongoing	AuSB	AuSB
<i>Implementation Guidance</i>					
11.	Ongoing	Develop Guidance to support members	Ongoing	AuSB	AuSB
<i>Continuing Professional Development</i>					
12.	Ongoing	Conduct trainings, workshops, symposium on revised and new NSAs to educate members and stakeholders.	Ongoing	AuSB/Professional Development Committee	AuSB, ICAN Council, CPE Committee
<i>Maintaining Ongoing Processes</i>					
13.	Ongoing	Continue to support ongoing adoption and implementation of IAASB pronouncements. This includes review of implementation of Action Plan and updating Action Plan for future activities as necessary.	Ongoing	AuSB	AuSB & ICAN Council
<i>Maintain Ongoing Translation Process</i>					
14.	Ongoing	Perform a translation of NSAs into native language for ease in understanding and application. Make translated standards publicly available through ICAN and Board's websites. Print translated NSAs into a booklet and make available for the members.	Ongoing	AuSB	AuSB/ICAN
15.	Ongoing	Develop Implementation Guidance on NSAs assessing the requirements from	Ongoing	AuSB	AuSB/ICAN

		member for proper implementation of NSAs.			
<i>Review of ICAN's Compliance Information</i>					
16.	Ongoing	Perform periodic review of ICAN SMO Action Plan and update sections relevant to SMO-3 as necessary. Once updated inform IFAC Compliance staff about the updates to republish the updated information.	Ongoing	AuSB /Council and Compliance Staffs	AuSB, Council and ED

Action Plan Subject: SMO 4–IESBA Code of Ethics for Professional Accountants
Action Plan Objective: Ensure Alignment of ICAN Code of Ethics with IESBA Code of Ethics

Background:					
<p>The Nepal Chartered Accountants Act 1997 provides the Institute of Chartered Accountants of Nepal (ICAN) with the mandate to regulate the profession. With that regulatory power, ICAN has adopted the 2021 International Code of Ethics for Professional Accountants.</p> <p>ICAN reports that it included the requirements of the IESBA Code in its continuing professional development program and enforces its provisions through its Monitoring Committee. To further assist its members, ICAN produces case studies and issues responses to frequently asked questions related to ethics.</p> <p>ICAN offers regular trainings and CPD on ethical requirements.</p>					
SN	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Application of the Code of Ethics Standards</i>					
17.	Ongoing	Conduct various programs to create awareness about the provisions stipulated in the Code	Ongoing	Ethics Committee	ICAN council and Ethics Committee
18.	Ongoing	Translate Ethics into Nepali language and made available to the members.	Ongoing	Ethics Committee	ICAN council and Ethics Committee
<i>Member Notification, Education and Promotion Activities</i>					
19.	Ongoing	Produce case studies and provide ICAN's view as Frequently Asked Questions on Ethics Observance.	Ongoing	Ethics Committee	ICAN Council & ED
20.	Ongoing	Include a topic on Ethics as a part of compulsory CPE to its members.	Ongoing	ED and Ethics Committee	ICAN Council and Ethics Committee
<i>Proposed Code of Ethics Revisions</i>					
21.	Ongoing	Monitor the changes made to the IESBA Code of Ethics and adopt the changes following the existing due process. In particular, monitor closely the IESBA work program and proposed revisions to the IESBA Code of Ethics so they can be incorporated into ICAN's framework.	Ongoing	Ethics Committee	ICAN Council and Ethics Committee
<i>Review of ICAN's Compliance Information</i>					
22.	Ongoing	Periodic review of ICAN response to and update sections relevant to SMO-4 as necessary.	Ongoing	ED/Ethics Committee and Compliance Staffs	ICAN Council and Ethics Committee

Action Plan Subject: SMO 5–International Public Sector Accounting Standards and Other Pronouncements Issued by the IPSASB
Action Plan Objective: Best Endeavors in Adoption and Implementation of Nepal Public Sector Accounting Standards (NPSAS)

Background:					
<p>The Government of Nepal has entrusted the Accounting Standards Board, Nepal (ASB Nepal) with the responsibility to develop accounting standards for the public sector. The current version of Nepal Public Sector Accounting Standards (NPSAS) is based on the 2017 Cash Basis International Public Sector Accounting Standards (IPSAS).</p> <p>ICAN maintains an active working relationship with various government bodies to support the implementation of NPSAS and disseminates updates and other relevant information to support implementation. As public financial management is a priority in Nepal, ICAN formed a committee to support the government in strengthening the public financial management system and the implementation of NPSAS. This committee is called the ICAN Public Finance and NPSAS committee.</p> <p>ICAN has further supported first time NFRS adoption for two major Public Enterprise (PEs) in Nepal and has provided training on financial reporting and NFRS to the staff of the PEs along with other staff involved in government. ICAN is in the process of developing its own certification course on Public Financial Management for its Members. The Public Finance and NPSAS Committee has prepared a study report on “NPSAS implementation in Nepal” and the report is being prepared for presentation to the Ministry of Finance. ICAN has signed an MoU with the Securities Exchange Board of Nepal, Nepal Insurance Authority, and Inland Revenue Department to collaborate on policy matters. Further, ICAN has been closely working with the Supreme Audit Institution of Nepal, The office of Auditor General of Nepal and Nepal Rastra Bank, the Central Bank of Nepal on other implementation activities.</p>					
SN	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Preparation of Nepal Public Sector Accounting Standards (Cash Basis and Adoption by the Government)</i>					
23.	Ongoing	Regularly Coordinate with government bodies to conduct training on applicable standards.	Ongoing	ASB	PEFA Steering Committee
24.	Ongoing	Organize workshops for disseminating NPSAS and implementation guide/instructions at required levels.	Ongoing	FCGO/MoF	OAG, FCGO and ASB
25.	Ongoing	Organize trainings for implementation of NPSAS with a focus on reporting requirements as the basic accounting treatment remains similar to the existing cash basis accounting.	Ongoing	FCGO/MoF	OAG, FCGO and ASB
26.	Ongoing	Periodic review of Government’s response and update sections relevant to SMO-5 as necessary.	Ongoing	ASB, ICAN Council and Compliance Staff	OAG, FCGO and ASB, Council

Action Plan Subject: SMO 6–Investigation and Discipline

Action Plan Objective: Ensure Ongoing Maintenance of ICAN Investigation and Discipline System in line with SMO-6

Background: Under the Nepal Chartered Accountants Act 1997, as amended in 2004, the Institute of Chartered Accountants of Nepal (ICAN) is responsible for establishing an investigation and disciplinary (I&D) system for all professional accountants. In 2023, ICAN conducted a self-assessment of its I&D system against the requirements of SMO 6 and reported alignment.

ICAN established a Disciplinary Committee and Monitoring Committee to enforce compliance with technical and professional standards. The Disciplinary Committee has quasi-judiciary power to investigate any complaint filed against a member for violations of practice with respect to professional standards, ethics, and laws and recommend sanctions to ICAN's Council while the Monitoring Committee monitors possible violations and breaches of professional conduct by ICAN members.

ICAN has issued Disciplinary Investigation Procedures 2076 (2019) to regularize the disciplinary actions being initiated from the Institute to the members. A Disciplinary Division has been established under Technical Directorate of the Institute to work as secretariate of the Disciplinary Committee. The procedure defines time bound action on the disciplinary cases by the Disciplinary Committee and Council.

SN	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Maintaining Ongoing Processes</i>					
27.	Ongoing	Liaison with other regulators (such as Nepal Rastra Bank – the Central Bank, the Securities Board of Nepal, the Inland Revenue Department, the Office of Company Registrar, Department of Cooperatives, Office of the Company Registrar, Insurance Board etc.) where ICAN members provide services and are subject to their actions for misconduct to establish a system of one window policy to take action against a member for misconduct by ICAN.	Ongoing	President/ ED Chairman DC	ICAN Council / ED and DC
28.	Ongoing	Closely monitor violations of the Act and Rules and possible misconduct of ethics by members and accounting firms.	Ongoing	Monitoring Committee	ICAN Council and DC
29.	Ongoing	Update and educate members about the importance of disciplinary issues in the profession and the mechanism and working modality of the Investigation and Disciplinary system.	Ongoing	Member Section and PDD	ICAN Council and DC
30.	Ongoing	Review Annual Report from Disciplinary Committee and publish status of cases on disciplinary action taken in the annual report of the ICAN and upload the report on the website.	Ongoing	ICAN Council	ICAN Council and DC
31.	Ongoing	Monitor on a periodic basis the timeline of disciplinary cases both in investigation and where formal complaints have been laid down.	Ongoing	Disciplinary Committee (DC)	Professional Development

					Department, DC and ICAN Council
32.	Ongoing	Perform periodic review of ICAN's response to SMO Action Plan and <u>update sections</u> relevant to SMO 6 as necessary. Once updated <u>inform</u> IFAC Compliance staff about the updates to re-publish the updated information.	Ongoing	DC/ED and Compliance Staffs	DC & ED and Compliance Staffs

Main Requirements of SMO 6

Requirements	Y	N	Partially	Comments
<p>Scope of the System</p> <p>1. A system of investigation, discipline and appeals exists for the accountancy profession. The system is operational.</p>	Yes			Disciplinary Committee (Standing Committee of the Institute) Chaired by one of the senior Council Members is in existence to investigate and recommend action to be taken by the Council on complaints lodged or information received against member's misconduct and /or violation of acts, rules, regulation and the code of ethics of ICAN. There is also a Disciplinary Investigation Division to carry out the operational process of the investigation and support the Committee.
<p>2. Information about the types of misconduct which may bring about investigative actions is publicly available.</p>	Yes			Yes, Section 34 of Nepal Chartered Accountants Act 1997 specifies the code of conduct, and Rule 64 of The Nepal Chartered Accountants Regulation specifies additional responsibilities and Section 14 of the Act states that disciplinary process will be initiated if the same are violated. We have also been regularly carrying out CPE sessions to orient members in various past cases that were decided for educational and awareness purposes.
<p>Initiation of Proceedings</p> <p>3. Both a "complaints-based" and an "information-based" approach are adopted.</p>	Yes			Yes, Section 35 (1) of the NCA Act provides for complaints-based cases and 35 (2) for the information-based cases which is taken up by the Executive Director for further proceeding.
<p>4. Link with the results of QA reviews has been established.</p>	Yes			Yes, grave cases out of Quality Assurance Reviews are recommended to the Council and then Council determines if it is to be forwarded to the Disciplinary Committee for investigation or not.
<p>Investigative Process</p> <p>5. A committee or similar body exists for performing</p>	Yes			Yes, Disciplinary Committee exists for overseeing the investigation process and making final decisions as to the cases, and subcommittees

Requirements	Y	N	Partially	Comments
investigations.				are also formed to guide the Disciplinary Investigation Division, a permanent staff structure, that actually carries the operational process of the investigation. This division is manned by professional staffs, assisted by lawyer.
6. Members of a committee are independent of the subject of the investigation and other related parties.	Yes			Members must be independent of cases being investigated by the disciplinary committee. As a rule, they do not participate in discussion of the particular cases where his/her interest is involved. They must make declarations at the first meeting of the Committee, to abide by the confidentiality and conflict of interest provisions.
Disciplinary Process 7. A separate disciplinary committee/entity exists to make disciplinary decisions on referrals from the investigation committee.	Yes			As already explained above, Disciplinary Investigation Division carries out the process of investigation, as supervised by the subcommittees of Disciplinary Committee. The Disciplinary Committee takes the final decision on cases and recommends to the Council for approval.
8. Members of the committee/entity include professional accountants as well as non-accountants.	Yes			Out of total 7 members, 4 are from Council including Chairman, 2 from general members, 1 from Office of Auditor General. There is no rule as to the specified number of non-accountants. However, the committee consists of non-accountants as well but most of them are professional accountants.
9. The tribunal exhibits independence of the subject of the investigation and other related parties.	Yes			Sign offs are required and members are oriented on this at the first meeting.
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			Section 14 of Nepal Chartered Accountants Act 1997 has specific provisions to deal with all these types of penalties.

Requirements	Y	N	Partially	Comments
<p>Rights of Representation and Appeal</p> <p>11. A third appeals body exists which is separate from both the disciplinary committee and investigative committee.</p>	Yes			There is no separate body but it is the Council that provides for an opportunity of hearing before taking the final decision as per section 14 (7) of Nepal Chartered Accountants Act.
<p>Administrative Processes</p> <p>12. Timeframe targets for disposal of all cases are set.</p>	Yes			Yes, we have Disciplinary Investigation Procedure which sets these. It is 75 days for the Disciplinary Investigation Division and the Committee is to finalize the decision within next 30 days.
<p>13. Tracking mechanisms to monitor progress in investigation and discipline and related procedures are established.</p>	Yes			Yes, Disciplinary Committee oversees this aspect, and the committee has to submit the progress report to the Council, which is the agenda of Council's Discussion.
<p>14. Records of investigations and disciplinary processes are established.</p>	Yes			Yes, we prepare separate files for each of the cases and are effectively safeguarded.
<p>Public Interest Considerations</p> <p>15. Activities are supported to ensure that the public is aware that an investigative and disciplinary system exists in the jurisdiction.</p>	Yes			It is an established fact that the ICAN is the regulator for the accounting profession in the country and it has powers to carry out the disciplinary investigation process of its members related to professional misconduct. The same is also emphasized time and again through communications and exchange with other regulatory authorities, and through events connected with other stakeholder organizations.
<p>16. A process for the independent review of complaints on which there was no follow-up is established.</p>	Yes			Of the registered cases, as already explained, the disciplinary committee oversees the progress of complaints lodged with the Institute. Of the complaints received and not yet registered as cases, the Executive Director oversees the status. The Disciplinary Investigation Division either recommends to Council for an approval to register cases or dismiss the cases after preliminary investigation.

Requirements	Y	N	Partially	Comments
17. The results of the investigative and disciplinary proceedings are made available to the public.	Yes			Only the results concerning the cases where members are punished for professional misconduct are made available to the public as per our procedures. This means that if the cases are closed without any punishable action to members, are not published but used for educational and awareness purposes only.
Liaison with Outside Bodies 18. There is an appropriate process for liaison with outside bodies on possible involvement in serious crimes and offences.	Yes			Yes. The Courts and other regulators regularly recommend cases to us. We also communicate and engage on various matters. Most of the complaints come through them.
Regular Review of Implementation and Effectiveness 19. Regular review of implementation and effectiveness of the system are performed and corrective actions are implemented.	Yes			Yes. As already said, Disciplinary Committee oversees the work of the Disciplinary Investigation Division and overall progress of investigation and Council further keeps an eye on the functioning of the Committee.

Action Plan Subject: SMO 7–International Financial Reporting Standards and Other Pronouncements issued by the IASB
Action Plan Objective: Best Endeavors in Adoption and Implementation of Nepal Financial Reporting Standards (NFRS)

Background:

Under the Nepal Chartered Accountants Act 1997, as amended in 2004, the Accounting Standards Board (ASB) was established to develop Nepal Financial Reporting Standards (NFRS). The NFRS are aligned with the 2018 IFRS.

Listed multinational manufacturing companies and listed state-owned enterprises (SOE) with minimum paid up capital of 5 billion Nepalese Rupees (NPR) must comply with NFRS. All commercial banks, financial institutions and all other SOEs are also required to apply IFRS. Likewise, all listed entities and entities with public accountability which doesn't fall under the scope of NFRS for SMEs, have to comply with NFRS.

The ASB has also issued NFRS for SMEs, which are aligned with IFRS for SMEs. Likewise, ASB has issued NAS for MEs and NAS for NPOs also.

ICAN supports its members with application of accounting standards in the jurisdiction. It also works closely with other regulators (for example, banks, insurance companies, securities etc.) to ensure effective implementation.

ICAN and the ASB have been individually, and jointly, holding training programs, educational initiatives, workshops, and IFRS certification courses to generate awareness and to educate relevant stakeholders.

SN	Start Date	Actions	Completion Date	Responsibility	Resource
<i>Maintaining Ongoing Processes</i>					
33.	Ongoing	Conduct relevant training to members on IFRS	Ongoing	ICAN/ASB	ASB/Government Grants
34.	Ongoing	Review updates by IFRS to incorporate into Nepal standards	Ongoing	ICAN/ASB	ASB and ICAN Council
35.	Ongoing	Support training to public entities, banks, and other financial institutions	Ongoing	ICAN/ASB	ASB and ICAN Council
<i>Review of ICAN's Compliance Information</i>					
36.	Ongoing	Perform periodic review of ICAN's SMO Action plan and <u>update sections relevant to SMO-7 as necessary.</u>	Ongoing	ICAN Council/ Compliance Staffs	ASB and ICAN Council