

Mentoring Guidelines for Professional Accountancy Organizations



**International Federation
of Accountants**

IFAC's mission is to serve the public interest by contributing to the development, adoption and implementation of high-quality international standards and guidance; contributing to the development of strong professional accountancy organizations and accounting firms, and to high-quality practices by professional accountants; promoting the value of professional accountants worldwide; and speaking out on public interest issues where the accountancy profession's expertise is most relevant.

Copies of this paper may be downloaded free of charge from the IFAC website at <http://www.ifac.org>.

International Federation of Accountants
545 Fifth Avenue, 14th Floor
New York, NY 10017 USA

Copyright © September 2011 by the International Federation of Accountants (IFAC). All rights reserved. Permission is granted to make copies of this work provided that such copies are for use in academic classrooms or for personal use and are not sold or disseminated, and provided further that each copy bears the following credit line: “Copyright © September 2011 by the International Federation of Accountants. All rights reserved. Used by permission.” Otherwise, written permission from IFAC is required to reproduce, store or transmit this document, except as permitted by law. Contact permissions@ifac.org.

ISBN: 978-1-934779-08-8

Introduction

IFAC's mission, as stated in the IFAC's *Strategic Plan for 2011–2014*, is to serve the public interest by:

- Contributing to the development, adoption and implementation of high-quality international standards and guidance
- Contributing to the development of strong professional accountancy organizations (PAOs) and accounting firms
- Promoting high-quality practices by professional accountants worldwide
- Speaking out on public interest issues where the accountancy profession's expertise is most relevant

IFAC's *Strategic Plan for 2011–2014* explains that IFAC seeks to achieve its mission by influencing various economic and social *outcomes*. An important aspect of IFAC's strategic planning process is the selection of services and allocation of resources that have the greatest influence on the IFAC's vision in the context of the current environment.

The Statements of Membership Obligations (SMOs) provide clear benchmarks to current and potential IFAC members to assist them in ensuring high quality performance by professional accountants. The SMOs cover an IFAC member body's obligations to support the work of IFAC, the work of the International Accounting Standards Board (IASB), and obligations regarding quality assurance and investigation and discipline.

The IFAC mission is accomplished in a number of ways, including through collaboration between PAOs and various stakeholders. It is intended that this publication, *Mentoring Guidelines for Professional Accountancy Organizations* (the Guidelines) will materially contribute to the achievement of IFAC's mission by further facilitating such collaboration. The Guidelines are issued specifically for PAOs, including IFAC member bodies and potential IFAC members. In particular, the Guidelines are designed to assist in the creation of mentoring relationships between PAOs to achieve compliance with the SMOs and to address related matters such as strengthening institutional governance arrangements.

The inherent and essential characteristics of mentoring include mutual trust and respect between the parties and an unequivocal determination to achieve the established objectives of their agreement. These Guidelines outline how this can be achieved so that the establishment of mentoring relationships will effectively contribute to the advancement of the profession of accountancy and a greater understanding among PAOs.

The Guidelines will complement other IFAC publications intended to assist IFAC members and potential members in meeting their obligations to IFAC and in developing sustainable capacity. In particular, the Guidelines are designed to encourage the creation of mutually beneficial relationships between developed PAOs (the mentor) and developing professional accountancy bodies (the mentee). The objectives are to assist the latter to meet their obligations to IFAC, to build their sustainable capacity and to facilitate the ability of established PAOs to share their accumulated knowledge.

The IFAC PAO Development Committee acknowledges the significant contribution of CPA Australia in the preparation of these Guidelines.

CONTENTS

	Page
Introduction	3
Glossary	5
Section 1: Objective of Mentoring Guidelines	7
Section 2: Value of Mentoring.....	8
Section 3: Mentoring Considerations	9
Section 4: Making Mentoring Work	11
Section 5: The Mentoring Agreement	12
Section 6: Involvement of Other Entities	13
Section 7: Managing Possible Risks	14
Appendices	
Appendix 1: Implementation Steps	15
Appendix 2: Sample Memorandum of Understanding for Mentoring	16
Appendix 3: Action Plan Development Process	20

Glossary

The following glossary of commonly used terms is provided to assist PAOs¹ involved in mentoring to use these Guidelines:

- **Action Plan** - Action Plans are developed by IFAC members and associates to illustrate how organizations are addressing requirements set out in the seven Statements of Membership Obligations (SMOs). The Action Plan process can be also used by PAOs that are not yet members of IFAC. The process adds value to PAOs efforts to strengthen and improve the quality of the profession. The process is very useful as it allows consolidating in one place all that is being done to fulfill IFAC obligations. It also assists organizations in demonstrating to their stakeholders their strong commitment to quality and continuous improvement of the accountancy profession. In other words, the Action Plan is a useful tool for managing organization's commitment to SMOs and how it performs as a member or aspiring member of IFAC.
- **Mentor** – An organization that guides and supports another organization's actions to improve effectiveness and build sustainable capacity.
- **Mentee** – An organization receiving guidance and support to improve effectiveness and build sustainable capacity.
- **Mentoring**² can be defined in many ways, so the following have been included to demonstrate the breadth and depth needed of the relationship:
 - A twinning arrangement where one party [the mentor] freely, willingly and openly shares its expertise, experience, knowledge and intellectual capital with the other party [the mentee] to assist the latter in meeting its obligations to IFAC and to building sustainable capacity; it is in essence an honorary or volunteer relationship and can be viewed as a corporate social responsibility of the mentor.
 - The action of one party working with another to achieve an agreed mutually beneficial outcome;
 - An alliance of one or more parties that creates a space for dialogue which results in reflection, action and learning for both; and
 - A partnership where one party has access to the resources and expertise of the other party in order to increase their own capacity and effectiveness and their own profession.

¹ Mentoring relationships may also be established with individuals and regional and other accountancy organizations.

² For purposes of these Guidelines, consulting relationships, e.g., cost recovery or for profit arrangements, are not considered to be mentoring relationships. Although these types of arrangements have many similarities to the mentoring relationship which is the subject of these Guidelines, the financial and related commitments involved create different imperatives and commitments. Consulting relationships typically require the establishment of a contract between the parties and therefore represent a more formal legal agreement. Thus while many aspects of these Guidelines are consistent with consulting relationships, users are advised that the Guidelines are intended for honorary, volunteer or corporate social responsibility type of mentoring relationships.

- **Statements of Membership Obligations (SMOs)** - IFAC issues “*Statements of Membership Obligations*” covering the following areas of the accountancy profession:
 1. Quality Assurance
 2. International Education Standards (IESs) for Professional Accountants and Other International Accounting Education Standards Board (IAESB) Guidance
 3. International Standards, Related Practice Statements and Other Papers Issued by International Auditing and Assurance Standards Board (IAASB)
 4. International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants and other IESBA Pronouncements
 5. International Public Sector Accounting Standards (IPSAS) and Other IPSASB Guidance
 6. Investigation and Discipline
 7. International Financial Reporting Standards (IFRS)

The Statements of Membership Obligations (SMOs or Statements) provide clear benchmarks to current and potential IFAC members to assist them in ensuring high quality performance by professional accountants.

Section 1: Objectives of Mentoring Guidelines

Mentoring is a rewarding process that brings benefits to the parties involved. It exemplifies some of the best features of being a professional, particularly the desire to assist other professionals, which in turn brings benefits to a broader community. These Guidelines have been prepared to support the development and strengthening of the accountancy profession. The primary aim of these Guidelines is to provide guidance to mentors and mentees on how to enter into and sustain a mentoring relationship that will achieve the mutually agreed outcomes.

Specifically, the objectives of these Guidelines are to assist a professional accountancy organization (the mentee) with:

- Identifying a mentor;
- Creating and maintaining an effective and efficient structure of governance, management and finance, including membership support systems, necessary to sustain the organization; and
- Achieving compliance with the SMOs.

Mentoring in these circumstances requires a high degree of mutual respect and goodwill, commitment, and trust between the two bodies and an in-depth understanding of the circumstances and capability of the mentored body by the mentoring body. Effective mentoring is based on these essential attributes.

These Guidelines have been prepared based on the successful experiences of PAOs performing the mentor role with mentee bodies in developing nations to assist the latter in becoming members of IFAC and in complying with the SMOs.

IFAC, through the PAO Development Committee, has an important role in this mentoring function. The PAO Development Committee will provide advice, guidance and support to the parties as they progress toward selection of partners, the mentoring agreement, and then move the agreement to successful completion. Primarily, however, the success of a mentoring agreement rests with the PAOs involved and their commitment to achieve the agreed outcome.

Section 2: Value of Mentoring

Mentoring is a synergistic activity which involves one body sharing its attributes with another. When it is performed effectively, it can bring clear and sustainable benefits not only to the parties directly involved, but also to the broader local and global accountancy communities.

Mentor Mentoring assists the mentor in meeting its corporate social responsibility by working with the mentee. In addition, it provides the opportunity for the mentor for self-evaluation of its performance against the SMOs and the opportunity to develop a relationship with another body [the mentee] that otherwise may not arise.

Mentee Mentoring assists a professional accountancy organization to reach its full potential and take its place among the global accountancy profession. Concurrently, it assists in the economic growth of the relevant country. Specific benefits to the mentee might include:

- Increase in number of professional accountants;
- Enhanced competency of professional accountants;
- Improved structure and operations of the mentee;
- Ability to demonstrate compliance with the SMOs; and
- Enhanced accountability in the relevant country.

The Profession Mentoring supports the development of the global and national profession by strengthening accountancy bodies, which enables them to support their individual members in delivering high quality services and following the highest ethical standards. It contributes to the development of high quality professional standards, supports implementation of standards and contributes to the effective enforcement of such standards. In this respect, it supports the profession in protecting the public interest.

IFAC Mentoring represents one form of collaboration through which IFAC can facilitate the sharing of its members' knowledge and expertise for the betterment of the profession and those it serves.

The Public Interest Effective mentoring relationships serve the public interest by strengthening the worldwide accountancy profession so it can effectively contribute to the development of strong international economies.

Section 3: Mentoring Considerations

Attitude to Learning. Successful mentoring and being mentored require a firm commitment by all parties to development and learning. Experience shows that this cultural responsibility needs to permeate each body's attitude to the other for successful mentoring.

Selection of Mentor by Mentee. Generally the mentee will instigate a mentoring arrangement. The PAO Development Committee as well as regional and other accountancy groupings may assist by identifying bodies that it believes are suitable as mentors. However, the decision on the selection of the parties to fill these roles rests with each body involved.

A mentee may wish to have more than one mentor in order to access different areas of expertise. However, the mentee would normally want to limit the total number of simultaneous mentoring relationships in order to focus available resource and limit any potential confusion.

Characteristics of a Mentor. The mentor frequently plays a leading role in the Mentoring Agreement (See Section 5). It is essential that the mentor comprehends the dimensions of its responsibilities before entering into the agreement.

Characteristics of a mentor typically include the following:

- Being a full member of IFAC having demonstrated best endeavors with respect to the SMOs;
- Commitment from its governance and management to the role and to seeing the task through to successful completion;
- Having a full understanding of the mentee – its governance and management structures and their relative responsibilities including any government oversight, role or authority, mission and plans, resources, membership, and external stakeholders;
- Regarding the mentee as an equal partner in all circumstances;
- Having capacity to fulfill its role;
- Ability to establish and maintain the integrity of an amicable relationship at all times with the mentee;
- Having a clear understanding of the social responsibility and associated costs of the task;
- Demonstrating respect for mentee and sensitivity to its culture;
- Flexibility to adapt to changed circumstances and to amend the agreement as required; and
- Knowing when the time is right for the conclusion of the mentoring relationship.

Characteristics of a Mentee. The role and commitment of a mentee in a mentoring arrangement are critical to the future viability and sustainability of the organization. The arrangement provides a valuable opportunity for the mentee to twin with an experienced and willing partner for the benefit of the mentored body. The mentoring experience can be challenging at times and the mentee must be prepared to work towards meeting the agreed objectives. The mentee must be committed to the Mentoring Agreement and to commit its resources to ensure successful completion.

Characteristics of a mentee typically include the following:

- Willingness to assume responsibility for self improvement;
- Readiness to work and receptiveness to feedback and evaluation;
- A desire to increase and invest in building sustainable capacity;
- Willingness to adapt to and implement the recommendations of the mentoring agreement; and
- An understanding of governance and management structures and their relative responsibilities.

Characteristics of a Mentor and Mentee

Characteristics of both the mentor and mentee include the following:

- Ability and willingness to work as equal partners;
- Capacity to fulfill roles;
- Ability to establish and maintain a friendly and professional relationship at all times;
- Mutual respect and sensitivity to the culture of each party;
- Commitment to treat information received in confidence;
- Availability to the other party during planning and implementation;
- Willingness to regularly communicate about difficulties, progress and accomplishments with each other and with IFAC;
- Discretion;
- Patience; and
- Demonstration of enthusiasm and commitment to the cause.

Section 4: Making Mentoring Work

Successful, effective, enduring and fulfilling mentoring requires a clear commitment to complete the task as outlined in the agreement. While the agreement is not a contract, it is an obligation that must be completed as each party entrusts the other with resources and intellectual capital as well as with proprietary knowledge of their internal policies and workings. It is a sharing experience that, when effectively implemented, will bring benefits to both parties and, in turn, to their members and the wider community they serve.

The following matters should be considered in supporting a successful mentoring relationship:

1. Selection of parties – matters to consider:
 - Common business language;
 - Similar cultures;
 - Matching values and principles;
 - Understanding of the imperatives and priorities of the other parties but particularly the needs of the mentee;
 - Sensitivity to difficulties that may arise and be endured during the mentoring process by the other party; and
 - An ability to identify solutions when difficulties are encountered during the mentoring process without compromising standards or values.
2. Establishment of relationship:
 - A face-to-face meeting is recommended as the best means of establishing the compatibility of the parties;
 - During this meeting both parties need to address and satisfy themselves of their ability to work with and treat the other party as an equal; and
 - Open and forthright negotiations are required on the task identified by the mentee to assess its achievability within the proposed timeframe. (See Section 5).
3. Involvement of IFAC:
 - The PAO Development Committee and IFAC staff may be consulted at all key stages such as:
 - Needs assessment;
 - Development of Action Plans;
 - Implementation of Action Plans; and
 - Post- implementation review.
 - IFAC will regularly acknowledge bodies doing this work, convene meetings from time to time of mentor bodies and obtain feedback from mentees.

Section 5: The Mentoring Agreement

The Mentoring Agreement forms the basis of a mentoring arrangement. It is the key document that prescribes the responsibilities of, and commitments made, by both parties to the successful completion of the mentoring arrangement.

Development of the agreement is a critical step in the mentoring process as it requires consideration of what priority or priorities are necessary to build sustainable capacity in the mentee's professional body.

Consideration should be given to the level of authority within each organization (President, Chief Executive Officer, governing council, etc.) that should be involved in approving the Mentoring Agreement.

The agreement should typically address:

Scope of Project

- Clear objectives and desired outcomes;
- Timeline for commencement and completion of the task;
- Preparation of a project plan with realistic milestones;
- Agreement on milestones for periodic review of progress;
- Format of periodic review of progress;
- Where there is a linkage with IFAC membership and/or they consider how IFAC should be informed and/or consulted;
- Preparation of completion report; and
- Post-implementation review.

Responsibilities of the Parties

- The need for explicit commitment of both parties from the highest levels of each organization;
- Acknowledgement that each body will be responsible for its own costs;
- The understanding that the mentee will bear the costs of its internal development necessary to meet the aims of the agreement;
- Regularly communication about difficulties, progress and accomplishments with each other and with IFAC;
- An understanding about how to resolve conflict; and
- Appraisals of mentor by mentee.

A sample Mentoring Agreement is included in Appendix 2.

Section 6: Involvement of Other Entities

It is important to be aware that the accountancy profession and the organizations that regulate and/or represent the profession do not operate in isolation. The environment in which the profession operates and the extent to which the profession is supported by other entities can impact the quality of work provided by the profession.

- **Governments**
 - Governments have important roles in the development and regulation of the accountancy profession so that the profession can take its rightful place in an economy and contribute to the economic development of the country. It is, therefore, important that governments be supportive of actions, including mentoring arrangements, which will assist the professional accountancy organization in meeting the requirements of SMOs. It is also important for the mentee to consult with and keep its government informed about mentoring arrangements together with progress being made in implementation. Likewise, it is important for the mentor to keep its government and its government's representatives in the mentee's country aware of any mentoring arrangements involving an offshore partner.
- **Other Stakeholders**
 - Other stakeholders such as regulators and academic institutions also play important roles in the development of the profession and therefore should be informed of mentoring arrangements.
- **Recognized Regional Organizations (ROs) and Acknowledged Accountancy Groupings (AGs)**
 - These are independent bodies that share IFAC's membership and have objectives similar to IFAC's and would by such nature support IFAC initiatives for the advancement of the profession.
 - ROs and AGs may assist in identifying or acting as mentors.
- **Aid Agencies**
 - Multilateral and national agencies (such as the World Bank, African Development Bank, Asian Development Bank, Inter-American Development Bank, USAID, AusAID, DFID, etc.) support the development of the profession with the objective of assisting countries achieve long-term sustainable economic growth and reduction of poverty. Such agencies contribute to the development of the profession in a number of ways including needs assessments programs, country action plans, high-level policy advice, etc.
 - IFAC works in close collaboration with multilateral aid agencies to identify development needs and common tools to facilitate and contribute to development work.

Section 7: Managing Possible Risks

There are a number of potential risks associated with a mentoring arrangement. The best way to either avoid or minimize these risks is to ensure that the process for negotiation of the Mentoring Agreement is rigorous and complete. Experience shows that most parties are very ambitious in their assessments of their abilities to achieve what, in many cases, are significant changes in the culture of organizations, increased workloads in implementation and maintenance together with associated processes, reporting required of members, regulation and enforcement as well as involvement of other interested parties such as governments.

- **Potential risks to both mentor and mentee:**
 - An overly ambitious timeframe included in the agreement;
 - Failure to establish clear expected outcomes;
 - Inability to establish rapport with the other party;
 - Exhaustion because of the complexity and/or size of the task;
 - Loss of interest;
 - Loss of support by the senior management;
 - Frustration with the other party;
 - Lack of funding and resources;
 - Lack of government support;
 - Legislative barriers;
 - Breakdown in communication; and
 - Cultural insensitivity.
- **Potential risks to the Mentor:**
 - Failure to deliver on time;
 - Failure to allocate adequate resources;
 - Lack of commitment; and
 - Lack of requisite skills.
- **Potential risks to the Mentee:**
 - Failure to respond to the mentor on time;
 - Failure to allocate adequate resources;
 - Failure to act; and a
 - Lack of commitment.

The key to avoiding and minimizing risks is a pragmatic approach to the Mentoring Agreement and the tasks that it encompasses.

Appendix 1:

IMPLEMENTATION STEPS

1. Identification by a professional accountancy organization that one or more matters need to be addressed by the organization so that it can more effectively meet its responsibilities to the public and its members.
2. Identification of suitable mentor – see Section 3.
3. Arrange a meeting between the mentor and mentee to determine their mutual suitability and desire to enter into the agreement.
4. Negotiation on the agreement – See Section 5.
5. Joint drafting of the agreement.
6. Implementation of the mentoring agreement.
7. Periodic review of progress.
8. Preparation of completion report.
9. Post-project review and report.

Appendix 2

SAMPLE MEMORANDUM OF UNDERSTANDING FOR MENTORING

MENTORING AGREEMENT

Between

Institute of Chartered Accountants Erewhon (the Mentor)

And

Association of Accountants and Auditors of Basco (the Mentee)

Background

The Institute of Chartered Accountants of Erewhon (ICAE), as the national accountancy organization recognized under Erewhon's Accounting Law (revised 1985), and IFAC member since 1977, represents over 10,000 chartered accountants operating in public practice, business, government and academe. In accordance with ICAE's mission of providing assistance in the development and enhancement of the accountancy profession, ICAE is committed to act as Mentor to professional accountancy organizations (PAOs) seeking to become IFAC members.

The Association of Accountants and Auditors of Basco (AAAB) was established in 1996 and reconstituted in 2005 under the Accounting Law of 2005 as the national accountancy organization responsible for education, ethics and certification of professional accountants. As an organization committed to convergence with International Standards, AAAB seeks a professional accountancy body to act as a mentor in developing programs and training courses as part of its long term objective of meeting IFAC's membership requirements.

Objectives

AAAB has a long term objective of obtaining IFAC membership and convergence with International Standards and practices. AAAB has identified the following specific projects as part of this objective:

1. Increase its technical and operating capacity;
2. Expand its education and certification requirements in accordance with the International Standards on Education; and
3. Expand its investigation and disciplinary process in accordance with Statement of Membership Obligation 6, Investigation and Discipline.

This Mentoring Agreement (MA) sets out the agreement between the ICAE to act as Mentor to AAAB in developing and implementing the above activities.

Responsibilities

All parties:

- ICAE and AAAB will draw on the guide, *Establishing and Developing a Professional Accountancy Body*, developed by the IFAC PAO Development Committee in carrying out their responsibilities.
- ICAE and AAAB will approve all public announcements related to the projects being carried out through this MA.

ICAE will:

1. Nominate an ICAE Project Team Leader to be AAAB's main contact
2. Assist AAAB in benchmarking its current programs and activities against the IFAC membership requirements with primary emphasis on the requirements established by SMO 2, SMO 4 and SMO 6.
3. Assist AAAB in benchmarking its current accountancy education program with ICAE's Chartered Accountancy Program and the requirements of International Education Standards issued by the International Accounting Education Standards Board.
4. Assist AAAB in the development of a membership database.
5. Assist AAAB in the development of an ethics resolution process.
6. Initiate the development of Action Plans and related work programs with regards to the above items.
7. Assist AAAB in preparing a longer term Action Plan for the future development of a continuing professional education program and due process for convergence with International Standards on Auditing.

AAAB will:

1. Assign the AAAB Executive Director to be ICAE's main contact person throughout the term of this MA.
2. Include the above projects in its 2011-2014 work program.
3. Allocate appropriate staff and technical volunteers to work with ICAE in carrying out project tasks.
4. Provide translations of relevant documents from local language to English and relevant International Standards and other pronouncements from English to the local language.
5. Establish an Investigation and Disciplinary Process Review Task Force.
6. Appoint the Chairman of the AAAB Education Committee to be the primary contact between AAAB, ICAE and university and other education providers participating in the project.

Time Frame and Evaluation Points

The first two projects meetings are scheduled for:

- November 10-11, 2012 in Basco
- January 22-25, 2013 in Basco

Key Project Activities and Timetable

January-August 2012

- Benchmarking activities
- Develop membership database
- AAAB Council begins process to establish an Investigation and Discipline Review Task Force (IDRTF). The IDRTF should include an ICAE representative.
- Develop Action Plans for the development of new education modules based on ICAE syllabus based on benchmarking results and local needs
- Hire new AAAB technical manager

September 2012 – June 2013

- Develop Action Plan to implement IDRTF review results

July – August 2013

- Update Action Plans and work programs for 2013-2014 focusing on:
 - Implementation of new course modules
 - Introducing ethics conflict resolution process
 - Implementing priority actions identified by the IDRTF
- Identify opportunities to apply for additional national and international development funding

September 2013

- Prepare final completion reports.

Progress Reporting and Evaluations

AAAB and ICAE will prepare a progress reports for submission to AAAB's Council and the Ministry of Finance of Basco every 3 months beginning 3 months from the date of the signed MA to the completion date. The progress report will identify completed and to be completed tasks against an Action Plan.

At the completion of the project, AAAB will prepare a summary of outcomes against the MA terms. This completion report will include an evaluation of ICAE as mentor.

Conflict Resolution

The progress report will state whether the parties to this MA have met their stated responsibilities. The progress report shall be signed by all parties to confirm their agreement.

In the event of conflicts with regards to the terms of this MA, AAAB and ICAE will seek to resolve the conflict with the assistance of a mutually appointed arbitrator.

Where AAAB and ICAE are not able to resolve a conflict within 3 months of meeting with an arbitrator, either AAAB or ICAE may request termination of this MA.

Costs

AAAB has applied for and received a grant from the Ministry of Finance of Basco for use in developing programs and activities to support its IFAC membership and convergence objectives as well as specific activities directly related to its responsibilities as specified in the Accounting Law of 2005.

AAAB will be responsible for all costs relating to:

- Travel and accommodation incurred for AAAB staff and volunteers,
- Translation costs,
- Any other costs incurred to purchase assets for the development of programs and activities relating to these projects.

ICAE will be responsible for all costs relating to:

- Time incurred by ICAE staff and consultants participating in the projects and related mentoring activities,
- Travel and accommodation incurred for ICAE staff and consultants.

All parties will maintain a record of their travel, travel related and level of effort costs of this MA.

Effective Date

This MA will take effect when signed by the parties and will terminate no later than September 30, 2013 or earlier at the discretion of the parties to this MA. It is recognized and encouraged that ICAE and AAAB continue their cooperation beyond the term of this MA.

MADE AND ENTERED INTO BY:

Signed: _____ Date: _____
Mr. YYYYYY
Chief Executive Officer,
ICAE

Signed: _____ Date: _____
Ms. ZZZZZZ
Chief Executive Officer
AAAB

Appendix 3

ACTION PLAN DEVELOPMENT PROCESS

Most companies undergo periodic strategic reviews—some are financial, and others relate to future planning or an emerging issue. Either way, companies are required to continually evolve to keep up with market demands. Professional Accountancy Organizations (PAOs) are no different. Regardless of organization-specific goals and plans, PAOs look to the future with an eye for how to best serve the needs of their members and the public interest, and modify their goals to meet emerging needs.

Once completed, there are multiple ways a PAO can make use of an Action Plan. These include: as a communications tool to demonstrate transparency and accountability to donors, developers, investors, and the general public; as a way to communicate the plans and progress the organization has made; and as a way to increase the trust and confidence of stakeholders by demonstrating clear plans for future progress and continual compliance. This roadmap for the future also serves the global profession by displaying a coordinated approach, evidence of progress, and a plan to overcome obstacles for the accountancy profession worldwide.

To be fully useful for PAOs, a plan needs to be part of a continuing conversation—not simply a once-a-year evaluation. Some PAOs incorporate their plans into annual strategic planning. For example, Action Plan can be embedded into the organizational structure by making it part of the ongoing governance program. That way the plan, its relevance, and progress made can be reviewed at regular intervals during the year, and be a standing agenda item at Board or Council meetings.

The outline of the process to develop an Action Plan is described below:

1. PAOs have ownership of their Action Plans, and therefore draft plans are discussed and agreed by the leadership of the respective PAO (typically that is the PAO's Board, Council, or Chief Executive).
2. To ensure uniform presentation of published Action Plans, all PAOs are provided with the Action Plan template developed by IFAC staff. The template as well as examples of published Action Plans are available on the IFAC website at: www.ifac.org/ComplianceProgram.
3. All seven SMO areas need to be addressed.
 - a. For those SMO areas where PAOs currently use their best endeavors they indicate what ongoing processes are already in place.
 - b. Where PAOs do not have responsibilities for some SMO areas (e.g. they do not represent auditors and therefore SMO 1 and SMO 3 may not be as relevant), they should at a minimum provide a short explanation in the background note and provide one or two action steps that may be relevant to the particular area.

4. PAOs are asked to present each SMO area in a separate section with:
 - a. A clear subject and objective line for each section.
 - b. Background information for each section that should indicate key contextual information including:
 - i. The organization responsible for the SMO area
 - ii. The role of the PAO if it is not the responsible organization
 - iii. The status of incorporation of relevant international standards
 - iv. The ongoing process to review and incorporate international standards
 - c. Action steps covering:
 - v. Improvements – if necessary to fully comply with the SMOs
 - vi. New developments
 - vii. Ongoing processes in place
 - d. To emphasize the continuous nature of an Action Plan, at the end of each section an indication is included about the Action Plan and the compliance information being subject to regular review and updates to address new developments in international standards, environmental changes, etc. (for example adoption of Clarity ISAs, revised Code of Ethics, changes in the law, etc.)
5. PAOs are asked to clearly identify responsibility and resource information. Clear guidance is provided in the template to advise about the purpose of relevant columns:
 - a. the “responsibility” column should indicate the person or position responsible for carrying through specific action (for example president, CEO or committee chair)
 - b. the “resource” column should indicate those specific resources (human and financial) that are required to carry out the action
6. PAOs should indicate steps to seek additional resources where they are needed
7. Timetables should be realistic. PAOs are asked to ensure enough time is allocated for all steps in a realistic manner as well as indicate and explain priority SMO actions
8. Clear subheadings should be used in each SMO section to group actions related to the same process

The complete name of a relevant committee, board, or organization should be listed and followed by its acronym the first time it appears in the Action Plan. Thereafter an acronym may be used. A glossary of acronyms should be included at the beginning of the document.

For PAOs that may be struggling with how to solve a problem or complete a section of the Action Plan Template, IFAC has many tools and resources available that can offer guidance.

Resources and tools available to PAOs developing Action Plan reviews include:

- IFAC Member Body Development (MBD) Staff

IFAC staff members are available to give advice and to discuss challenges. They are familiar with comparable challenges that other members have overcome and can facilitate discussions between member bodies.

- Action Plans on IFAC website

<http://www.ifac.org/ComplianceAssessment/published.php>

All Action Plans are available on the IFAC website in the Compliance Program section. IFAC MBD staff can direct members to plans that are relevant to specific situations.

- Action Plan Template and Guidance Notes

http://web.ifac.org/download/Action_Plan_Template.doc

http://web.ifac.org/download/Part_3_Guidance_and_Template_on_Preparing_Action_Plans.pdf

An Action Plan template and guidance is available on the IFAC website. These have been created by IFAC MBD staff to offer suggestions, tips, and tools.

- IFAC Establishing and Developing a Professional Accountancy Body Toolkit

<http://web.ifac.org/publications/professional-accountancy-organization-development-committee/good-practice-guidance-20>

To support professional accountancy organizations in expanding and strengthening their role and responsibilities in representing the accountancy profession, the PAODC Good Practice Guide Part 1, Establishing and Developing a Professional Accountancy Body which covers the roles and responsibilities of a professional accountancy organization, education and examinations, and capacity development; and Good Practice Guide Part 2, Tools and Resources to Support the Development of the Accounting Profession, which includes new case studies, practical illustrations, and supplementary guidance are now available for download. Please download both documents for benefit maximization.

