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2nd March 2012

Executive Director
Quality and Member Relations
International Federation of Accountants
545 Fifth Avenue, 14th Floor
New York, New York 10017 USA

Dear Sir,

RE: IFAC SMOS (REVISION) EXPOSURE DRAFT

This communication serves as our due response to the above captioned exposure draft. We laud the ongoing quality work by IFAC to enrich, deepen and concretise the contribution of the accountancy profession to global socio economic development through strengthening of the framework for regulation of the accountancy profession globally.

Our comments are structured on three subheadings,

- General observations
- Specific SMOs (1-7)
- Response to specific questions from IFAC

General Observations

- We agree with the clarification of responsibility and application of the principle of best endeavor (SMO1 Paragraph 8 to 14 and in other SMOs).
- We agree that linking of SMOs to the IFAC constitution is appropriate as it emphasizes the responsibilities that come with becoming an IFAC member one among which should be to uphold its constitution as may be appropriate.
- Use of “shall” to communicate obligations is appropriate. We believe this eliminates the theoretical option not to fully comply with the SMOs (we believe relative to factors outlined in bullet no 4 of page 8 in the ED document).
- We agree with replacement of the term incorporation with “Adoption and Implementation”. This is an explicit phrasing as it requires implementation subsequent to adoption. It thus will in time improve the success rate of the IFAC mission.

- Inclusion of application guidance for each standard setting SMO is appropriate.
- The inclusion of translation requirement in all standard setting SMOs is appropriate to encourage fuller global compliance with standards.

Comments on specific SMOs

SMO 1: Quality Assurance

Extension of the scope of QA review system (paragraph 15 to 19) to cover all financial audits is welcome. We further agree with the guidance available on this which will in part address the differences in stages of development of different jurisdictions.

Clarity on review cycles and the risk based approach is welcome as it will improve the framework for conducting reviews especially in non developed jurisdictions (where such guidance is needed as a priority). This is the more relevant given that in such jurisdictions the QA review systems are not quite developed or even taken off/started operating.

SMO 2; 3; 4; 5

We agree with the proposed changes.

SMO 6: Investigations and Discipline

Restructuring to achieve logical flow is welcome.

Guidance on proportional disciplinary responses (SMO 6 Paragraph 33 to 34) is also a welcome and timely development. This will enhance justice and fairness by eliminating un proportionate responses by the disciplinary mechanism.

Guidance on disclosure of disciplinary outcomes to other PAOs is welcome (SMO 6, Paragraph 52 to 53). This issue has been discussed at different forums in various jurisdictions without an explicit piece of guidance as an authoritative basis for its execution.

Linkage between SMO1 and 6 is logical and appropriate because this linkage has existed in practice (in various jurisdictions) but had not been explicitly grounded in the SMOs.

SMO 7: International Financial Reporting Standards

We agree with the changes to SMO 7. The distinction between use of *IFRS* and *IFRS for SMEs* is appropriate as this reflects the guidance on the ground as issued by the IFRS foundation (IASB).

Response to Specific Questions From IFAC

1. Considering differing national regulatory environments around the world, does the applicability framework included in each SMO provide sufficient clarity on what is expected of member bodies, when they have varying degrees of responsibility for an SMO area?

Our Response: Yes

2. The SMOs refer to adoption and implementation of international standards and provide descriptions of both concepts to ensure that both terms are understood in their broader meaning. Are these descriptions sufficient to ensure clear understanding that adoption and implementation encompasses a broad range of actions including national convergence, harmonization, incorporation, transposition, and integration of international standards into national frameworks?

Our Response: Yes. However we would have expected a specification of the effective date of the revised SMOs. Various PAOs will need to make adjustments to their policy actions and educate their technical teams on the new requirements, among other things. It is therefore appropriate to anticipate the effective date of the proposed changes.