

5 March 2012



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Dear Mr Guthrie

Exposure Draft: Statements of Membership Obligations 1-7 (Revised)

Thank you for the opportunity to comment on the subject Exposure Draft. CPA Australia is one of the world's largest professional accounting bodies, with a membership of more than 139,000 finance, accounting and business professionals and leaders in 114 countries. Our vision is for CPA Australia to be the global professional accountancy designation for strategic business leaders. We make this submission on behalf of our members and in the broader public interest.

CPA Australia supports the revised Statements of Membership Obligations 1 - 7. We are of the opinion that the proposed changes clearly communicate member obligations while taking into account individual member considerations that may affect compliance and reporting.

General Comments

Paragraph 8 of the SMOs states that in exceptional circumstances a member body with direct responsibility may depart from a requirement of this SMO, if doing so is determined by the member body to be in the public interest. We understand IFAC acts in the public interest and we therefore find it counterintuitive that a member body could determine that the IFAC SMOs are not in the public interest.

Specific Comments

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?

The applicability framework provides a clear guidance for member bodies to assess their level of responsibility and to report clearly against that identified level of responsibility.

The enhanced explanations of the terms 'direct responsibility', 'no responsibility', and 'shared responsibility' will inform member bodies of the extent of the reporting required for their circumstances, and will aid in ensuring that they report adequately in light of their circumstances. The inclusion of this information will also allow for clear assessment by the member body as to whether their obligations are being met.

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? We are of the opinion that the guidance provided in relation to 'adoption' and 'implementation' provide sufficient description of the required actions and processes.

SMO 1: Quality Assurance

CPA Australia supports the proposed changes to SMO 1 and is of the opinion that it clearly communicates member obligations.

SMO 2: International Education Standards for Professional Accountants and Other IAESB Guidance

CPA Australia supports the proposed changes to SMO 2. The revised SMO provides a greater level of guidance to enable member bodies to accurately report on their performance given their individual circumstances. The inclusion of the detailed applicability framework provides increased visibility of the requirements within the statement. CPA Australia endorses the expansion of the content of the SMO. The expanded format and content greatly enhance the clarity for member bodies when assessing the extent of information required to accurately reflect their performance.

SMO 3: International Auditing and Assurance

CPA Australia supports the revised SMO 3 and is of the opinion that it clearly communicates member obligations.

SMO 4: Code of Ethics for Professional Accountants

CPA Australia supports the revised SMO 3 and is of the opinion that it clearly communicates member obligations.

SMO 5: International Public Sector Accounting Standards and Other IPSASB Guidance

While CPA Australia generally supports the revised SMO 5, we suggest that the title should read "and Other Papers Issued by the IPSASB" instead of the existing "and Other IPSASB Guidance". We are of the opinion that the proposed change more accurately reflects the requirements and is consistent with SMO 3.

CPA Australia is of the opinion that paragraph 3 would be improved if it were more consistent with the words used in the Preface to the International Public Sector Accounting Standards, so that it reads as follows: "The IPSASB focuses on the general purpose financial statements reporting needs of all public sector entities. Public sector entities include national governments, regional governments (for example, state, provincial, territorial), local governments (for example, city, town) and their component entities (for example, departments, agencies, boards, commissions), unless otherwise stated. The IPSASB does not concern itself with the reporting needs of Government Business Enterprises as they apply International Financial Reporting Standards (IFRSs) which are issued by the International Accounting Standards Board (IASB). The IPSASB addresses these reporting needs of public sector entities by issuing International Public Sector Accounting Standards (IPSASs) and publishing other documents which provide guidance on issues and experiences in financial reporting in the public sector."

We further acknowledge the validity of the statement made in paragraph 5, that: 'While it is possible for an IFAC member body to have direct responsibility for public sector accounting standards, it is recognized that most IFAC member bodies have no or very limited responsibility for this area.' However, we question whether it is necessary as it does not seem to provide any more clarity, given the content of paragraphs 6 to 11.

SMO 6 Investigation and Discipline

CPA Australia supports the revised SMO 6. However, we are of the opinion that the investigative process described in paragraphs 24 to 26 should include a provision that states that the investigative process must be placed on hold if the matter being investigated comes or is currently before a court or regulatory authority.

We also suggest that there should be a statement to the effect that a member should not be able to initiate legal proceedings to stop the matter being investigated.

SMO 7 International Financial Reporting Standards

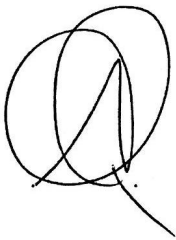
CPA Australia supports the revised SMO 7. We suggest the words 'Interpretations and Other Papers Issued by the IPSASB' be added to the title so that it is consistent with SMO 3 and SMO 5 and better reflect content.

In paragraph 2, we suggest that the third line should include a reference to Interpretations so it reads: 'International Financial Reporting Standards (IFRSs) Interpretations, issued by the International Accounting Standards Board (IASB).'

Paragraphs 11 and 12 refer to public interest entities as defined by the Code of Ethics of the IESBA and use this definition to differentiate those entities that would use IFRS as issued by the IASB and those that would use IFRS for SMEs. In contrast, the IASB uses the term 'public accountability' for the same purpose. Our understanding is that the operation of the different terms results in the same outcomes but we suggest that it is clarified that 'public interest entities' are 'public accountability' entities in the IFRSs issued by the IASB.

If you have any questions regarding this submission please do not hesitate to contact Dr Eva Tsahuridu, CPA Australia by email at Eva.Tsahuridu@cpaaustralia.com.au.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Alex Malley', written over a circular scribble.

Alex Malley FCPA
Chief Executive Officer

cc: E Tsahuridu