

Dear Szymon and Thomas,

As you already know, ICAEW believes the SMOs provide a valuable benchmark for professional accountancy bodies and reflect key areas crucial to the profession. We believe they are of particular help to bodies in emerging economies which are working hard to build up their levels of expertise and range of activities. ICAEW uses the SMOs as an important tool in approaching our financial capacity building work with other member bodies.

As a general comment, the sheer variety of member bodies and related regulatory regimes does make us question the feasibility of standardising the text with common definitions throughout the SMOs. We also question the level of prescription in places. See the comments under SMOs 2 and 6 for some specific concerns.

And we would suggest you consider picking out what we see as the fundamental purpose of the SMOs ie, assisting member bodies to achieve quality outcomes (preface para 4) in a stand alone box on the front page rather than lose it among a rather process focused Introduction.

On the details:

#### SMO1 Quality Assurance

The draft is inconsistent in its terminology (eg, use of 'firm' and 'member', use of 'quality assurance system' and 'quality assurance review system'). And we wonder if it would be helpful to introduce the consistent use of a term such as 'responsible body' throughout this particular SMO?

We also feel that the paragraphs relating to the scope of quality assurance review systems need more work. There is an implied assumption that a regime designed to assure the quality of public interest entity audit is necessarily the right model for assurance of other professional services activity. Speaking as a member body which both inspects non listed company audits and operates a mandatory Practice Assurance (PA) scheme for member firms, we question this. If you or colleagues are interested to know more about our PA work, which is not designed to operate like audit regulation, I'd be happy to put you in touch with our Director of QA.

Under ethical requirements, we suggest that 'independence' and 'objectivity' are different and separate characteristics, not one and the same.

Under corrective actions, we suggest adding:

'requiring additional or external quality assurance reviews or monitoring'; and 'restrictions on the type of work a firm can perform or from taking on new work'.

#### SMO2 Education

Applicability Framework: we realise you have used a standard text throughout all the SMOs but are nevertheless a bit puzzled about the suggestion that an IFAC member body could fall into category (b) with no responsibility at all for any of the areas covered by IAESB standards and guidance. Surely even where member bodies don't control the qualification they will have a role in setting and monitoring CPD? Obviously you will know your member bodies far better than we do but it does come as a surprise to us that 'no responsibility' is a possibility.

Point 14 looks to be unduly prescriptive, covering as it does, 'proposed' standards etc. Once again, we realise you have used a standard text but we do not see the value in alerting our members to possible changes. Nor would we alert members to changes once approved unless and except they are relevant, in which case we would integrate the changes into existing ICAEW requirements and practice.

In the spirit of openness, we could, however, look at improving the links between the ICAEW and IFAC websites as a way of improving transparency and accessibility.

#### SMO5 Public Sector

You will be aware that the UK public sector authorities have adopted IFRS and we see no prospect of a shift to IPSAS. We do, however, plan to respond to the IPSASB Conceptual Framework consultation paper.

SMO6 Investigation and Discipline

Para 31 - This may just be a question of terminology as you say 'if local laws permit' but we should point out that ICAEW does not have the power to 'suspend' members and sees no need for it. Again, we wonder if you are being too prescriptive.

Para 32 - we question the distinction between 'loss of professional title' and 'exclusion from membership'. It is not something we would wish to introduce.

Para 34 - We suggest using the term 'guidance' rather than 'guidelines'. In our considerable experience, tribunals must have a wide discretion and flexibility because any 'guidelines', however carefully drafted, cannot be completely exhaustive.

Para 50 - as a body subject to external review, ICAEW does not produce an annual report of its own on these matters. We suggest you insert a caveat similar to the one adopted in Para 54.

Best wishes,

Jean Ettridge  
Head of International Affairs  
The Institute of Chartered Accountants in England and Wales