



中国注册会计师协会

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

March 2, 2012

Dear Sir/Madam,

Subject: Comments on Revision to Statement of Member body Obligations (SMOs)

The Chinese Institute of Certified Public Accountants(CICPA) welcomes the opportunity to comment on the Statement of Member body Obligations. We offer our comments as follows:

Comments on SMO 1

The exposure says in the seventh paragraph of SMO1 that “In some jurisdictions, quality assurance systems for firms performing audits of listed or other public interest entities are operated by an external authority, while systems for firms performing all other audits are operated by IFAC member bodies. In such cases, IFAC member bodies shall give due consideration to quality assurance systems operated by the external authority to ensure there is no undue overlap between the systems”.

We suggest revising the statement in the seventh paragraph of SMO1 that “In such cases, IFAC member bodies shall give due consideration to quality assurance systems operated by the external authority to ensure there is no undue overlap between the systems” to “in such cases, IFAC member bodies shall give due consideration to quality assurance systems operated, promote communications and exchanges with the external authority, and try to avoid undue overlap between the systems”.

As the practice quality review on their members is a fundamental function of the accounting organizations, which aims to help the firms to improve themselves, and the function is particularly important when the regulation on CPAs has been enhanced globally. We believe that the regulation of accounting organizations is essential whether there is regulation of external authorities or not.

Comments on SMO 2

We recognize that the applicability framework is helpful for IFAC member bodies in different countries and jurisdictions to understand and implement SMO 2. At the same time, we suggest the Requirements and Application Guidance and IFAC Compliance Assessment

could also be written consistent with the structure of applicability framework, so that different IFAC member bodies could clearly understand their responsibilities and the scope of the assessment.

The definitions of adoption and implementation is helpful for IFAC member bodies to implement SMO 2. If they could be written in a single section such as Definitions or Glossary to explain their meaning, maybe it's of more help for understanding SMO 2.

Comments on SMO 3 and 4

I Consistency between SMO 3 and SMO 4

Regarding the section of scope, we notice that the SMO 3 and SMO 4 have different contents. Besides the description of the Code of Ethics, there are two additional sentences describing IESBA's remit and products, "The IESBA also fosters international debate on ethical issues faced by accountants. The IESBA Code of Ethics establishes the fundamental principles of professional ethics for professional accountants, and provides a conceptual framework and guidance for applying those principles." We do not understand why the two sentences are added in SMO 4.

Regarding the section of Requirements and Application Guidance, we notice that there is an additional sentence in SMO 4, "Given the importance of consistent, high quality ethical standards, member bodies should not apply less stringent standards than those stated in the IESBA Code of Ethics". We do not understand why the sentence is added in SMO 4 while there is no such requirement in SMO 3.

II The Definition of Adoption

We notice that "adoption" is defined as "the decision that international standards are appropriate for use in specific national financial reporting environments and with the actions necessary to effect those decisions, including incorporation into national requirements or requiring the use of international standards through law". We think "financial reporting environments" here perhaps is not wide enough in scope to cover all the fields in which international standards issued by IAASB are applied. In SMO 3, the international standards issued by IAASB not only include the International Standards on Auditing (ISAs), International Standards on Review Engagements (ISREs) that are mainly applied in the field of financial information, but also include the International Standards on Assurance Engagements (ISAEs) that are ordinarily applied in assurance engagements of non-financial information.

In the definition, "adoption" is defined as "the decision that international standards are appropriate for use in specific national financial reporting environments and with the actions necessary to effect those decisions, including incorporation into national requirements or requiring the use of international standards through law". We think the term "national requirements" probably is not appropriate here. Take ISAs for example, each ISA is presented in five sections: Introduction, Objective, Definitions, Requirements, and Application and Other Explanatory Material. The application and other explanatory material does not impose obligations on auditors and it could not be incorporated into national requirements, and as such we think the term "national standards" will be more appropriate here.

With respect to the adoption process, “Adoption typically includes 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”. We believe that the process is not applicable in China. In China, the adoption process includes translation, incorporation into national requirements, and public exposure of proposed standards, approval, and promulgation of final standards. The content of international standards issued by IAASB and IESBA has been incorporated into national standards when we release the exposure draft.

III Requirements and Application Guidance

The definitions of adoption and implementation are presented in the section of Requirements and Application Guidance. We also notice that the Para. 15 and 16 of SMO 3, and Para. 14 and 15 of SMO 4 are written in a manner that is not like a requirement. We suggest that in order to clarify the requirements of SMO, the section of requirements should be presented separately, the definitions should be removed out of the section and the written style of these paragraphs should be revised.

Comments on SMO 5

We suggest revising the “adoption” of IPSASs in SMO 5 to “convergence”. As the application of IPSASs in various jurisdictions is highly influenced by the financial management of local governments and social and economic factors, it is difficult to require all countries to “adopt” the IPSASs, so it is practical to promote the international convergence of IPSASs.

Comments on SMO 6

We have no comments on SMO 6.

Comments on SMO 7

We have no comments on SMO 7.

We appreciate this opportunity to comment, and would be pleased to discuss in further detail our comments and any other matters with respect to the Exposure Draft.

Yours sincerely,

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