

**IFAC Statements of Membership Obligations 1 – 7 (Revised)
Exposure Draft (6 December 2011)**

**Response from the Chartered Institute of Management
Accountants (CIMA) March 2012**

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Dear Sir/Madam

General Comments

CIMA welcomes the opportunity to comment on the Exposure Draft issued by the IFAC Board. We continue to support fully the objectives of IFAC's compliance programme as a means of encouraging member bodies to aspire to continuous improvement and adoption of best practice. The guiding principle at all times should be to add value and to raise the bar on member body standards to ensure the profession itself continues to be strengthened on a regular basis.

Transparency and Oversight

The information provided, with particular reference to the external stakeholders (IOSCO, IFIAR and The World Bank) who access the compliance responses is helpful in confirming the nature and level of external interest in and referencing of the compliance program. We would welcome a more detailed analysis of the download activity reported since 2005, along with supporting commentary on any trends or issues arising.

Outcomes

The action plans which form part of the compliance requirements are a practical and consistent means of articulating intent, of demonstrating progress and transformation and, of benchmarking, across the IFAC community. However, bearing in mind the tremendous wealth of information which the compliance programme captures, we believe that the "constant interaction with member bodies" referred to in the previous section of the exposure draft could be more dynamic – with systematic feedback provided to stakeholders – so as to assure the currency and extend the reach of the outcomes. Benchmarking has been mentioned in the context of outcomes, likewise we believe that there could be more overt showcasing by IFAC of key developments across the global profession.

Best Endeavours concept, Applicability Framework, and Clearly Defined Requirements

We note the comments relating to the "best endeavours" concept in relation to member body expectations and interpretations of their responsibilities, and regard the introduction of the applicability framework as a useful and appropriate means of enhancing clarity and understanding in that respect. Likewise, the use of the word 'shall' in conjunction with the prescribed levels of responsibility ensures clarity in relation to member body compliance obligations.

However, as the best endeavours concept is still referenced in the “No Responsibility” paragraph within each SMO, we suggest it would be helpful to include the existing definition in the Preface to the SMOs (Key Concepts) as well.

Also, in relation to **Diagram 1 – Illustration of the applicability framework**, as a minor point, we suggest it would be useful for “MB” to be defined as Member Body either in the main body of the diagram or via an accompanying “Note”, particularly as the SMO’s are accessed by interested third parties who may not be familiar with the acronym.

Use of Plain English Writing Principles

The language used throughout the revisions is much clearer than previously and the length of content effectively reduced without loss of meaning or substance.

Change of terminology from “Incorporation” to “Adoption and Implementation”

The change from “incorporation” to ‘adoption and implementation’ adds clarity and acknowledges the realities of the differing stages, pace and uptake of international standards amongst member bodies.

We also welcome the acknowledgement by IFAC that standard setters globally are at different stages of development and that differing approaches to adoption will continue to be acceptable.

Translation

Accessibility to the SMO content and the supporting compliance documentation is, of course, key to enhanced understanding and ongoing improvement within the international accountancy profession, as well as in the public interest.

In that regard we fully understand the rationale for the addition of the translation requirements in the standard setting SMOs, and would invite IFAC to consider providing a translation service, at a reasonable cost to member bodies by way of assistance and added value.

Summary of Changes in Individual SMOs

SMO1- Quality Assurance

The additional guidance relating to extending the scope of professional services covered in quality assurance is welcomed.

As a non audit body, we appreciate that while the additional regulation required for audit bodies does not apply, we continue to regulate and monitor our members as required by local and international regulators, particularly those individuals working directly at the interface with the general public, and have established a new quality assurance protocol review system to monitor compliance with our licensing regime.

SMO2 – International Education Standards

CIMA remains committed to providing students with support in successfully progressing through their examinations. As a global organization we need to ensure that we can offer consistent student support for all papers in all markets.

Currently “CIMA Professional Development” is the continuing professional development scheme for CIMA members. It is designed primarily to help CIMA members fulfil their career aspirations and reflect on the benefits of their development activities. It is an output based scheme and is applicable to all members. Unlike input based schemes - where there is a requirement to count hours or units – CIMA’s CPD allows members to focus on learning activities that directly relate to their role and future career aspirations.

Members must work through the CIMA professional development cycle annually and record their development activities. CIMA assess 1 in every 120 Member in Business record and 1 in 5 Member in Practice record, on a random basis as part of the annual monitoring process.

The proposed SMO2 revisions- in particular the translation requirement – fit well with our own assessment development work, demonstrated by the introduction of non-English examination papers at both the operational and management levels of the qualifying programme in Russian, Arabic and soon to be, Mandarin.

SMO3 – International Auditing Standards

CIMA, as a non-audit body, has no direct responsibility for implementing all the requirements of SMO3, but continue to use our best endeavours to highlight key pronouncements of the IAASB to the extent that they might impact on the work of our members,

SMO4 – Code of Ethics for Professional Accountants

CIMA members and registered students throughout the world have a duty to observe the highest standards of conduct and integrity and to uphold the good standing and reputation of the profession. In turn, CIMA actively promotes the highest ethical and business standards and encourages its members to be good, responsible professionals, who are regarded as trusted advisors by their colleagues, employers and clients. In our view, it is essential that CIMA members sustain their integrity and remember the trust and confidence which is placed on them by whoever relies on their objectivity and professionalism.

CIMA has adopted the IFAC/IESBA code in full, and continues to develop guidance and offer support around it in fulfilling its obligation to comply with SMO4.

SMO5 – International Public Sector Accounting Standards

The UK public sector applies accounting guidance which is broadly consistent with IPSAS, though accounts are produced using International Financial Reporting Standards as adopted by the EU.

IPSAS are relied on where they address issues not covered by the IFRS or IAS, or where they offer guidance on interpretations for the public sector context.

CIMA’s contribution to the development of the profession (non audit related) in the international public sector arena continues to be through the articulation and dissemination of best practice; and

to help address the accounting needs of public sector entities by facilitating ongoing dialogue and debate.

SMO6 – Investigation and Discipline

CIMA is committed to a regulatory system which is open and accountable, with procedures and processes which are fair, timely and effective, and demonstrably so to stakeholders worldwide. We ensure that CIMA's conduct processes are effective in dealing with complaints of professional misconduct, in the interests of the public and all stakeholders, we are dedicated to advancing our regulatory system in line with best practice developments, innovating appropriately without any compromise to transparent decision making.

As IFAC will already be aware, CIMA's disciplinary process applies to individual members and registered students, and we do not regulate firms. We have a degree of shared responsibility for investigation and discipline with national regulators as well as a level of accountability to them in relation to our overall conduct process. Any regulatory changes which may be needed to facilitate full compliance with each national or international authority's requirements are considered carefully, and then taken forward in line with our prescribed decision making timeframes and protocols.

SMO7 – International Financial Reporting Standards

CIMA aims to highlight awareness of the IFRS regulatory environment to its members and students particularly those management accountants working in multinational firms; and, to facilitate discussion and debate around the content and requirements of key IFRS along with other commonly encountered issues.

Conclusion

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?

Considering the differing national regulatory environments around the world, we believe that the applicability framework included in each SMO does provide sufficient clarity on what is expected of member bodies. We welcome the retention of the "best endeavours" concept as a realistic and pragmatic approach to compliance in areas of shared or no responsibility.

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?

The brief descriptions of "adoption" and "implementation" are sufficiently clear to ensure an understanding of each concept in its broadest sense, but more guidance could be given in relation to the different approaches and actions referred to.

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The Chartered Institute of Management Accountants, founded in 1919, is the world's leading and largest professional body of Management Accountants, with 195,000 members and students operating in 176 countries, working at the heart of business. CIMA members and students work in industry, commerce, the public sector and not-for-profit organisations. CIMA works closely with employers and sponsors leading-edge research, constantly updating its qualification, professional experience requirements and continuing professional development to ensure it remains the employers' choice when recruiting financially-trained business leaders.

Professionalism is at the core of CIMA's activities with every member and student bound by rigorous standards so that integrity, expertise and vision are brought together.

CIMA is proud to be the first professional accounting body to offer a truly global product in the fast-moving area of Islamic Finance.

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