



Strategic Review of IFAC Regional Engagement

ICAEW welcomes the opportunity to comment on the *Strategic Review of IFAC Regional Engagement* published by IFAC in September 2016.

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ICAEW is headquartered in the UK and is active around the world with staff based in Brussels, Nicosia, Warsaw, Dubai, Djakarta, Kuala Lumpur, Singapore, Hanoi, Ho Chi Minh City, Beijing, Shanghai and Hong Kong.

ICAEW is a member of three IFAC Recognised Regional Organisations (Accountancy Europe, the Confederation of Asian and Pacific Accountants and the Pan African Federation of Accountants) and one Acknowledged Regional Grouping (the Institute of Chartered Accountants of the Caribbean).

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MAJOR POINTS

- 1 ICAEW is a founding member of IFAC. We work with many groupings of professional accountancy bodies, some of which are recognised by IFAC as Regional Organisations or Groups.
 - Accountancy Europe
 - Pan African Federation of Accountants (PAFA)
 - Confederation of Asian and Pacific Accountants (CAPA)
 - ASEAN Federation of Accountants (AFA)
 - Institute of Chartered Accountants of the Caribbean (ICAC)
 - Global Accounting Alliance (GAA)
 - Chartered Accountants Worldwide (CAW)
 - International Innovations Network (IIN)
 - Consultative Committee of Accountancy Bodies (CCAB)
- 2 We believe IFAC would have benefited from involving ICAEW, and other professional accountancy organisations similarly working with a range of regional groupings, in the stakeholder discussions conducted between February and July 2016.
- 3 ICAEW is aware that the regional groupings to which we belong may react differently to the consultation depending on how they perceive the direct benefits or otherwise of the proposals. We have not attempted to reconcile possibly conflicting views but have developed our own comments drawing on our experience of working collaboratively with other professional accountancy organisations.
- 4 We welcome the concept of strategic partnership. However, we see the consultation as a missed opportunity for a wider ranging review of IFAC's regional strategy. We suggest further thought be given to issues highlighted below before making any fundamental changes. A one size fits all model may look good on paper but may not prove to be the best approach in practice.
- 5 Regional groupings are independent organisations and it is legitimate that they develop their own strategic objectives and membership criteria. They are not funded by IFAC. So while it is important that they align with IFAC's strategic objectives – otherwise why would they seek a relationship with IFAC and why would IFAC want a relationship with them? - it is not for IFAC to dictate their strategic direction or membership.
- 7 Geographies can be complex. It is common for groupings to draw in members from beyond recognised political boundaries, and common for subsets to develop in geographically large regions. IFAC will need to be wary of undermining, however unintentionally, groupings which do not necessarily fit a set geography but which nevertheless produce excellent work.
- 8 ICAEW supports a partnership model that works well in both directions. We would welcome greater emphasis on what IFAC can learn from the grassroots activities of regional groupings, and on the value of the support they offer to professional accountancy organisations which are not yet ready to apply for IFAC membership.
- 9 ICAEW also suggests that IFAC take the opportunity to review its own regional divisions: their geographical spread, the number and size of member bodies within these regions, and how these regions are represented on IFAC committees and the Standard Setting Boards.
- 10 One of the aims of a new partnership model should be to encourage and support the development of more effective regional groupings working more closely with IFAC. To achieve this, IFAC will need to devote new and dedicated staff resource to account management.

- 11 In summary, ICAEW supports the concept of a strategic partnership model but believes more thought is needed in developing an effective model which works in the interest of professional accountancy organisations worldwide, whether already IFAC members or aspiring to becoming members in the future.

RESPONSES TO SPECIFIC QUESTIONS

Q1: What are your overall views on the proposed Strategic Regional Partner (SRP) Model?

- 12 ICAEW's experience as a member of several regional groupings is that they are all very different: they have different rationales, resources, histories, cultures and differing levels of engagement with governments, regulators and development agencies. They seek different levels and types of participation and expertise from their member bodies.
- 13 Different rationales may well attract overlapping memberships. As an example, ICAEW has invested significantly in Asia and thus chooses to belong to CAPA, with its mix of mature and emerging professional accountancy bodies and its focus on capacity building and public sector financial management, and also to AFA with its focus on relationships with ASEAN governments. We are not alone in doing so.
- 14 The proposed SRP Model does not appear to value diversity, being largely concerned with simplicity, conformity, compliance and operational issues.
- 15 Nor do the proposals reference the inevitable and additional call on staff resources needed to develop sound and effective account management with what can be expected to be an increasing number of regional groupings. Without the commitment of such resource there can be no real partnerships developed between IFAC and these groupings.

Q2: What are your views on recognizing all SRPs as one group, rather than two separate groups as is the case with the current two tiered model?

- 16 The consultation paper refers (para 12, p 10) to *unhelpful constraints and incentives* created by the current two tiered policy framework. It states: *In some regions this [the two tiered framework] has appeared to create constraints and incentives that may be distracting from effective collaboration toward shared strategic objectives*. However, no examples are supplied. It is therefore difficult to know what these constraints and incentives are, let alone offer a view as to whether the problems they apparently create will be resolved by moving all organisations into one group. Such vague and unsubstantiated references do not in themselves make the case for change.

Q3: Do you have any comments or suggestions on the specific aspects of the SRP Model, detailed in Appendix 3?

- 17 Looking at the *criteria for entry*, ICAEW fully supports the concept of a clear strategic basis for engagement with regional groupings. Indeed, we would be disappointed to learn that this is not already the case under the existing model.
- 18 Regional groupings, some of which predate IFAC, have developed as standalone organisations with a purpose that is right for their regional constituency. We do not see how IFAC could or should – assuming this is what is being suggested – dictate to such groupings which professional accountancy organisations they should, or should not, admit. This is their decision as independent organisations just as it is for IFAC to determine which organisations it admits to its own membership.

- 19 The proposals recommend *Adjusted membership and representation criteria related to representation and interests of the global accountancy profession, rather than a majority of cross-membership per extant regional organisation policy*. But what does this mean? Without further explanation, it is not possible to offer comment as to whether it is a good or a bad idea.
- 20 The proposals also state that one criterion for entry should be that *a sufficient and appropriate number of members of the SRP are already members of IFAC*. There is no explanation as to how IFAC will decide what is *sufficient and appropriate*. Viability in terms of governance, finances and membership may be a better measure.
- 21 ICAEW also hopes IFAC will recognise the value of membership of regional groupings to small (often fragile and always under-funded) professional accountancy organisations in emerging economies. Such organisations may not be ready for many years to apply to IFAC and can benefit enormously from working with a regional grouping. We believe that IFAC should value and encourage this.
- 22 The other *main proposed changes* identified in s3 (ie, those relating to *systematic interactions, reporting, obligations of IFAC*) look to be largely operational and therefore something for the IFAC Board and staff to determine.