



30 September 2013

Olivia Kirtley
Chair, Constitution Review Working Group
IFAC
By email
elenachurikova@ifac.org

Dear Olivia

Proposed Amendments to the IFAC Constitution and Bylaws

ICAEW is pleased to respond to your request for comments on the *Proposed Amendments to the IFAC Constitution and Bylaws*.

ICAEW is, as you know, a strong supporter of IFAC and its long-standing commitment to establishing robust and globally accepted international standards. We hope that the process of reviewing the constitution will kick-start a wider consideration of how IFAC might refresh its relationships with its member bodies in the interest of the profession around the world. With this in mind we question the wisdom of rushing the proposals through Council unless the Board is confident that they have been carefully thought through and are not open to being misconstrued.

Should you wish to discuss any of the points in our attached response please do not hesitate to contact Jean Ettridge, Head of International Affairs, in the first instance (jean.ettridge@icaew.com; +44 (0)20 7920 8403).

Yours sincerely

Michael D M Izza
Chief Executive



ICAEW REPRESENTATION

PROPOSED AMENDMENTS TO THE IFAC CONSTITUTION AND BYLAWS

Memorandum of comment submitted in September 2013 by ICAEW, in response to IFAC on proposed amendments to the IFAC constitution and bylaws published in August 2013

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INTRODUCTION

1. ICAEW welcomes the opportunity to comment on the proposed amendments to the IFAC constitution and bylaws published by IFAC in August 2013.

WHO WE ARE

2. ICAEW is a world-leading professional accountancy body. We operate under a Royal Charter, working in the public interest. ICAEW's regulation of its members, in particular its responsibilities in respect of auditors, is overseen by the UK Financial Reporting Council. We provide leadership and practical support to over 140,000 member chartered accountants in more than 160 countries, working with governments, regulators and industry in order to ensure that the highest standards are maintained.
3. ICAEW members operate across a wide range of areas in business, practice and the public sector. They provide financial expertise and guidance based on the highest professional, technical and ethical standards. They are trained to provide clarity and apply rigour, and so help create long-term sustainable economic value.
4. ICAEW is a founding member of IFAC and the second largest contributing member body. Robert Hodgkinson, the ICAEW Executive Director, Technical, serves on the Board (to November 2013) and ICAEW is active on other Boards and Committees either directly or through our partnership with fellow professional accountancy bodies in the UK. Ian Rushby serves on the Professional Accountants in Business Committee, Katharine Bagshaw on the SMP Committee and Tony Bromell is technical adviser on the International Ethics Standards Board for Accountancy.

MAJOR POINTS

5. ICAEW believes IFAC's raison d'être and core strength comes from its member bodies, something that has perhaps been overlooked in recent years given the pressures of oversight, regulation and the continuing challenges of securing financial sustainability. We welcome, therefore, proposals to clarify the status, powers and role of member bodies but see constitutional clarification as merely the first step in reviewing and rebalancing IFAC's focus and relationships.
6. As a major professional accountancy body with members in 160 countries, we are well aware of the endless challenges of a diverse membership with very different perspectives of what their professional body could and should be doing. It is crucial that IFAC keeps its core purpose and mission to the forefront rather than risk being stretched in numerous different directions by its diverse stakeholders. And this means it is crucial that the constitution gives the IFAC leadership the legitimacy it needs to make what are often hard choices.
7. We note the short period for consultation and caution against rushing through proposals to Council which have not been properly thought through and which may not be easily understood. We advise the Board to think very carefully about seeking approval without full interaction and engagement with member bodies, many of which may not have the resource and expertise to respond formally to the consultation document.

RESPONSES TO SPECIFIC QUESTIONS

RECOMMENDATIONS A: IFAC Membership and Compliance with SMOs

8. ICAEW supports the continuation of one Member category and the related clarification of Associate and Affiliate categories.

9. We trust, however, that IFAC will continue to encourage, where appropriate, those in the Associate category to progress to full membership and that Associate status will be seen as a positive step in helping bodies develop in scale and expertise.
10. We welcome the broadening of the Affiliate category as an opportunity to engage with the very wide range of organisations around the world with an interest in supporting a diverse, vibrant and quality accounting profession. We suggest careful thought be given to the dues levied according to the size of the organisations concerned.
11. We support too the proposal that the Board may, by simple majority vote, approve the criteria, and procedures by which organisations may be admitted to these categories.

RECOMMENDATIONS B: Board Representation, Voting Rights and Financial Contributions

12. ICAEW agrees that the composition of the Board should continue to reflect the level of financial contributions to IFAC. It is unrealistic to expect major PAOs to continue to contribute material sums without the opportunity to participate in determining IFAC's strategic direction.
13. We appreciate the very real demands of the regulatory and oversight community and their concerns that IFAC demonstrates independence. However, IFAC must not lose sight of the huge value of involving practitioners in all that it does. We believe that the increasingly complex appointments structure can lead to unwelcome outcomes such as the failure to appoint the very best people to Boards and Committees.
14. We question whether these recommendations do more than tinker at the edges and would welcome, in the longer term, a more root and branch review.
15. In the shorter term, we would welcome clarification of:
 - the definition of a global body as one with more than 50% of its membership outside the home country. Has, for example, there been any assessment of which bodies will be affected? We suggest too that when a body is deemed to be global, the location of its HQ is irrelevant;
 - the introduction of observer with participation status to the Board. Has there been any assessment of the impact on governance of observers who do not share the obligations of Board members but who do have the right to participate?; and
 - the definition of member bodies in Good Standing.

RECOMMENDATIONS C: Governance Structure

16. ICAEW recognises the importance of effective and efficient decision making and largely supports the proposals to clarify the powers of the Board and Council, with one important caveat.
17. The annual IFAC Council provides an important opportunity both for IFAC to engage with its members and for IFAC member bodies to engage with each other. As a membership body, we believe it is for the IFAC membership as a whole (ie, the Council) to determine the admission of all new bodies, including Regional Organizations and those in the Associate and Affiliate categories.

RECOMMENDATIONS 4: Independence of the Standard Setting Boards

18. ICAEW recognises the pressure to ensure that standard setting is both independent and seen to be independent. Whether the recommendations will have any serious impact on perceptions is a moot point as we believe the issue to be far more than one of presentation and communication.

19. There is fundamental value in involving practitioners in setting standards if they are to be effective and work in practice as well as in theory. We do not believe that the regulatory and oversight authorities have sole monopoly on understanding and protecting the public interest. The profession can and should have a similar commitment and we would like to see IFAC voice this with more conviction. It is important IFAC does not lose sight of the fact that it is the profession's commitment to quality global standards which underpins its commitment, financially as well as in terms of expertise, to IFAC itself.
20. We believe it vital that IFAC, as the voice of the profession, continues to have a role in standard setting. We hope, if it is to emphasise its current role as a service provider to the standard setting Boards, that it will have a part to play in their monitoring and oversight.

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