

**The Japanese Institute of  
Certified Public Accountants**

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Mr. Stephen Walker  
Director of Operations  
International Federation of Accountants  
545 Fifth Avenue, 14th Floor  
New York, New York 10017  
United States of America

**Comments on the “Proposed Revision to the  
Constitution of the International Federation of Accountants”**

Dear Mr. Walker:

The Japanese Institute of Certified Public Accountants (JICPA) supports the efforts of the Constitutional Working Group to improve governance within the International Federation of Accountants. We are therefore pleased to provide you with our thoughts in response to your “Invitation to Comment.”

First of all, we recommend that when the Constitutional Working Group proposes the new constitution, that it provide drafts of all of the provisions of Bylaws. Detailed discussion and point-by-point review of these sections by IFAC member bodies will be crucial to ensure that all of the proposed changes are clearly understood. In the course of our thorough review of this Invitation to Comment (“Proposal”), we had difficulty clearly understanding the criterion for changing the existing provisions of the Constitution into Bylaws. Moreover, we found the wording and overall content of the draft Bylaws ambiguous (in spite of the clarifications given in Invitation to Comment Paragraphs 9, 12, 17, 26, 27, and 28 in Appendix 1 “Table of Proposed Changes to the IFAC Constitution” (summary of the changes and the purposes behind them)). Under the current Constitution, all of the altered provisions to be changed into Bylaws in this Proposal will require the approval of the Council. If the major changes set out in this Proposal are approved and put into effect, the IFAC Board could conceivably gain the power to amend these provisions for immediate effect. We suggest that all member bodies of the IFAC comprehensively review a draft proposal of the Constitution together with a draft of the Bylaws well in advance of a final approval.

Second, we believe that the provisions regarding the organizational matters of the IFAC Board should be retained in the Constitution. As we understand it, all of the organizational provisions of the Board other than those on procedural matters are expected to be deleted from the Constitution and moved to the Bylaws. The provision restricting the number of Board members from a member body is a pertinent example. If the major changes set out in this Proposal are approved put in effect, the IFAC Board would gain the power to alter the organizational rules and immediately put them into effect. In our view, this would be in conflict with the principles of good governance.

Third, we think that the references to the IFAC standing committees should be retained in the Constitution. The work of the standing committees to develop standards is a vital activity and *raison d'etre* for the IFAC. Accordingly, we think that the IFAC Constitution should clearly name each of the standing committees and the specific fields in which the committees develop standards for auditing, ethics, and so on. It is vitally critical for IFAC and member bodies to lead the public to understanding IFAC activities more precisely.

Fourth, though we acknowledge that the Constitution should be drafted in wording that will not require frequent amendment in the future, we recommend that future amendments to the Constitution be deemed acceptable when the need arises.

In accordance with our basic views on this proposed Constitution and Proposal, we would like to provide the following comments:

### **Request for Comments**

Question 1.

In relation to the IFAC Bylaws, do you agree that the Board should have the power to approve amendments to the Bylaws for immediate effect on the basis that all amendments are then subject to final approval by the Council at its next meeting? If not, for what reasons?

[Our Comment]

Given the ambiguities in the current draft of the Bylaws, we cannot agree. If all member bodies comprehensively review the proposed Constitution together with a draft of the Bylaws, they may come to understand the Bylaws clearly enough to invest with Board with this power of amendment. In brief, we would be likely to agree with the establishment of Bylaws which are able to address

issues on a timely basis on the condition that the Bylaws do not alter the alignment of the powers between each function in the existing governance structure.

Question 2.

Do you agree that the provisions relating to “associates” and “affiliates” should be moved to the IFAC Bylaws? If not, for what reasons?

[Our Comment]

We agree that the Constitution should specify that only full members have voting rights, as required under the current Swiss Civil Code and in keeping with the principles of good governance. We have doubts, however, as to whether it would be appropriate to leave the “associates” and “affiliates” unmentioned and to move all of the provisions relating to these two categories to the Bylaws. We propose that the Constitutional Working Group consider ways to mention these categories (categories with no voting rights) in the Constitution within the constraints of the Swiss Civil Code.

Question 3.

Do you agree with providing to Council a small degree of flexibility in the number of Board members to be selected from the three categories of dues contributors? If not, for what reasons?

[Our Comment]

We agree that the Council should be granted some flexibility in the number of Board members to be selected from each of the three categories of due-paying members.

Question 4.

Do you agree that reference to all IFAC standing committees should be moved to the IFAC Bylaws? If not, for what reason?

[Our Comment]

We do not think that all of the references to the IFAC standing committees should be moved to the IFAC Bylaws. As we previously mentioned, the work of the standing committees to develop standards is a vital activity and *raison d'etre* for the IFAC. We are concerned that the proposed Sections 1.4 and 5.4 poorly reflect the current activities of the standing committees and might therefore mislead the public. We recommend that the roles and activities of the standing committees be clearly set forth in the Constitution in order publicly declare our professional interest in the standards-setting process. To be more precise, we propose the following addition (underlined) in Section 5.4;

“The Board shall have the power to take all practicable steps to achieve the objectives of the IFAC as set out in Section 1.4, and to take any action which is on the general interest of the IFAC through the principal standard-setting activities of the IFAC Standing Committees and which is not expressly addressed in this Constitution and IFAC Bylaws.”

By the same reasoning, we believe that the Constitution should list the names of the standing committees and the fields in which the committees develop standards. We recommend that the IFAC draft a new section in the Constitution to specify the specific fields and activities of each standing committee.

Question 5.

Are there any other matters that you wish to raise with the proposed revision to the IFAC Constitution?

[Our Comment]

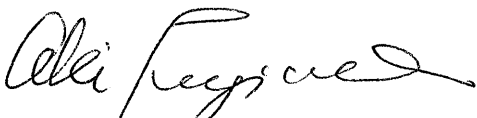
JICPA wishes to thank the IFAC for its careful attention to the matters mentioned at the beginning.

#### **Editorial Comment**

A minor editorial point: Item “4.9(a)” in provision 14.2 should be “4.8(a).”

In closing, we would like to express our appreciation for this opportunity to comment. We hope that our views are duly considered.

Sincerely yours,



Tsuguoki (Aki) Fujinuma

Chairman and President

The Japanese Institute of Certified Public Accountants