



The Monitoring Group  
c/o International Organisation of Securities Commissions

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**PUBLIC CONSULTATION ON THE GOVERNANCE OF THE MONITORING GROUP, THE IOB AND THE STANDARD SETTING BOARDS AND COMPLIANCE ADVISORY PANEL OPERATING UNDER THE AUSPICES OF IFAC**

ACCA is pleased to have the opportunity to provide comments on the public consultation on the governance of those institutions involved in the activity of issuing international standards for accountants with an overall goal of improving audit quality.

Responses/comments to the specific questions raised in the paper are as follows:

**Q1: Do you consider it necessary to enhance representation of the public interest? In that case, which additional actions, apart from the appointment of an independent IESBA Chair and redefining the nature of non-practitioner board members, would you suggest to reinforce the mechanisms to safeguard the public interest?**

ACCA accepts that IFAC already recognises the importance of serving the public interest in the current constitutional arrangements concerning the PIACs.

Notwithstanding the above, one aspect of the arrangements which we suggest merits consideration relates to the criteria for practitioner and non-practitioner members – the criteria as currently framed contain an express requirement for the latter group to act ‘in the public interest’. ACCA would expect that all members of standard setting boards should be committed to acting in the public interest, whether they are practitioners or non-practitioner members – and so would expect any principles to be applied to all members of standard setting boards.

One of the mechanisms that the Monitoring Group (MG) may wish to consider to further enhance representation of the public interest is to ensure that the

views of the end users of the standards that are developed – such as investors and businesses – are more fully involved in the standard setting process.

**Q2: In the long term, would you favour a different and fully independent standard-setting model completely outside the IFAC structure and if so, how could such a structure be funded?**

In the long term, ACCA can see benefits in a standard setting model that is more fully independent from the accountancy profession– but this would have to be determined by a detailed review of the current model with clear recommendations on how an alternative model will enhance the standard setting process. It is also important to emphasise that individual standard setting boards should not be seen in isolation from other standard setters – and so the benefits of looking at all standards together should be fully explored (particularly how the activity between the auditing and accounting standard setters could be co-ordinated).

On funding, as outlined further in ACCA’s response to question 21, ACCA would support seeking wider funding for PIOB from regulators, governments and international associations, and wider funding for PIACs from the primary stakeholder groups including governments, investors, preparers and the wider accountancy profession.

**Q3: Do you consider the current three-tier system adequate for achieving its objectives, or an alternative model could be more adequate? In the latter case, which model would you suggest?**

Consideration should only be given to an alternative model in the event that there is evidence that the current three-tier model is not working effectively or efficiently, which is not clear from the consultation paper. ACCA would welcome the opportunity to comment on alternative models that are based on a detailed review of the current system with clear recommendations for change. Any such review should aim to reduce complexity and increase efficiency, given the complexity and cost of having a three-tier system.

**Q4: Would you support the IPSASB being subject to PIOB oversight? Why? What conditions, if any, would you impose on such oversight? Would you see as a factor to take into account the fact that IPSASB deals with accounting rules instead of auditing ones?**

ACCA believes that the mission of IPSASB should be to promote the adoption of international public sector standards by national and regional governments. In this context, the significance of the governance arrangements of IPSASB is that they have a bearing on the credibility of IPSASB as a standard setter, and thereby on the rate of adoption of its standards.

ACCA does agree that IPSASB should be the subject of independent oversight, but consideration should be given to the question as to whether the PIOB is the most suitable long-term option for that oversight. The main technical issue as we see it is that the focus of PIOB at present is largely on audit and assurance, whereas IPSASB covers accounting as well as audit. This means that there is likely to be a shortfall of skills and experience in PIOB from the public sector which would need to be addressed if effective oversight were to be possible. ACCA would support the assumption of oversight by PIOB in the short term but would also recommend consideration of a long-term roadmap to convergence so responsibility can move to the IASB or equivalent. Where possible, IAS should be used to avoid the need for additional standards – and on this basis, in the longer term it would be appropriate to move public sector standards to the IASB so that additional standards will only be issued when required.

Should IPSASB be made subject to PIOB oversight, ACCA would make that conditional on external funding being made available for PIOB, especially from governments who are the primary beneficiaries of public sector standards.

**Q5: Do you see merit in having a 'Compilation document' for the whole structure? In this case, which alternative would you prefer for organising the structure and nature of the Compilation document?**

ACCA would see merit in the production of a 'compilation document' and would favour it being organised through the PIOB Foundation.

**Q6: Given the breadth of the current mandate, would you consider it helpful to modify the name of the structure to improve its visibility? In this case, what name would you suggest?**

ACCA would not consider it helpful to consider modifying the name of the structure – any changes may have the result of confusing stakeholders as opposed to improving visibility.

**Q7: Do you agree with the proposal that the MG should have more of a strategic role?**

ACCA does not agree with the proposal that the MG should have more of a strategic role as outlined in the consultation paper. It is essential that the standard setting process remains independent and so the MG should not be directly involved with the PIACs and keep involvement with the PIOB to its current mandate.

**Q8: Do you agree with the objectives proposed and, specifically, with the MG having the possibility of conferring with the PIOB on the PIACs' agendas and receiving appropriate feedback?**

ACCA does not believe it is appropriate for the MG to be directly involved in determining the agendas of the PIACs – given MG's oversight role. ACCA believes that the organisations on the MG already have appropriate channels in place to input into the agendas through representation on the Consultative Advisory Groups (CAGs).

**Q9: Do you agree with the suggested ways of improving the communication activities? Would you consider it useful for the MG to have in the special occasions above described direct involvement with PIACs?**

In ACCA's view, the communication activities of MG should be appropriate to its overall governance and monitoring mandate and take into account the communication activities already undertaken by the PIOB.

**Q10: Do you have any specific suggestions on how liaison with investors could be improved? In this sense, do you see merit in some portions of the MG meetings having public attendance?**

ACCA would support investors' involvement in the standard setting process, as opposed to involvement in the MG. Standard setters need to clearly understand investors' needs and so this is an area that should be dealt with by PIACs and their CAGs. It is not consistent with the mandate of the MG to have a direct role in engaging with investors in relation to the activities of the PAICs.

**Q11: Would you find it useful that the MG engages with organisations representing governmental institutions? Would the G20 be the most appropriate or, should others be considered instead?**

ACCA would support the MG engaging with governmental institutions as it deems to be appropriate and relevant to its function.

**Q12: What is your opinion about the current composition of the MG? (i) Do you believe that other organisations (i.e. national and regional regulators) should or could be represented in the MG? If so, which criteria do you think new members should fulfil to become MG members? (ii) Should a maximum be set to the number of MG members? (iii) Would you favour a change on how the Chairperson is appointed?**

(i) ACCA believes that any changes that are made to the current composition should be driven by the need to bring a more diverse perspective to the MG, rather than risk representation by individual roles or organisations. ACCA would support widening participation to include the perspective of emerging/developing and high-growth markets.

(ii) In ACCA's view, there should be a maximum number of MG members to ensure overall effectiveness of the group. However, ACCA would support the MG periodically widening the group as required to ensure a wider, diverse pool of expertise can be convened to consider specific reviews and consultations. This expansion of the MG would be short term and for the duration of any consultation.

(iii) Many organisations globally use a form of Nominating Committee to appoint a Chairperson and ACCA would therefore recommend that MG consider a similar approach.

**Q13: Do you see a problem in MG members appointing full time employees of organisations represented in the MG as PIOB members?**

ACCA does not regard this as a problem as long as the appointees have clear personal responsibilities to act in the best interests of PIOB.

**Q14: Would you consider convenient to avoid direct hierarchical relationship between the PIOB and the MG members?**

ACCA would expect the relationship between the MG and PIOB to be managed appropriately and in the public interest – and that it would be best to avoid a direct hierarchical relationship between the PIOB and MG members.

**Q15: Do you think that the roles and responsibilities of MG and PIOB should be further clarified? Do you have specific suggestions regarding which areas this clarification should address?**

ACCA believes that at present the roles and responsibilities of both the MG and PIOB are sufficiently clear and therefore ACCA does not consider further clarification to be required.

**Q16: Do you see merit in the PIOB undertaking a regular review of its due process and oversight framework through its strategy document?**

ACCA supports the PIOB undertaking a regular review of its due process and oversight framework to ensure that confidence in independence is maintained – although good practice would suggest such a review is conducted every five years.

**Q17: Do you see merit in the PIOB periodically producing a strategy document that would supplement the yearly business plan and budget? What should the involvement of the MG be in the production of these documents?**

ACCA would support the PIOB periodically producing a strategy document that includes a regular review of its due process and oversight framework, as referred to in Q16. The MG should be consulted as part of the process and continue to exercise oversight in relation to it.

**Q18: Do you think that the current composition of the PIOB could be enhanced? Would you consider convenient that the PIOB's composition is reviewed each time a new body becomes a full member of the MG?**

ACCA would propose that the composition of the PIOB is reviewed, should PIOB assume oversight responsibility for IPSASB. Should this be agreed, then the composition of the PIOB should include appropriate expertise on public sector accounting.

**Q19: Would you consider the current composition of the PIACs appropriate? Do you see merit, in the context of a second effectiveness review, in exploring the idea of having a majority of non-practitioners and a majority of public members?**

ACCA regards the current composition of the PIACs, with an equal split between expert and lay members, to be appropriate in ensuring they work in the public interest. ACCA would reinforce the importance of having expert skills on the PIACs to ensure they can discharge their mandate (which is now the case).

**Q20: Do you consider best practice a nine years period for rotation of the representatives of CAG member organisations?**

ACCA considers a nine year period for rotation to reflect current good practice.

**Q21: Would you agree that it is not realistic at the current time to attempt to alter the funding structure of standard setting activities in any substantial fashion?**

ACCA would not agree with this statement. Given the oversight role of the PIOB, ACCA believes that the PIOB should be primarily funded from outside the profession – to include regulators, governments and international associations.

ACCA would further support broadening out the funding model for PIACs in recognition of how important standards are to maintaining confidence in capital markets. This should include all the stakeholder groups that are the major beneficiaries of the standards.

Should the funding base become broader, it may be necessary to revise the governance model to accommodate that.

**Q22: Do you consider appropriate that IFAC finances the largest part of the PIOB budget? If not, do you consider appropriate that IFAC launches an external fundraising having some contributions of the MG members in the mean time (until the fundraising is able to provide with some funds)?**

ACCA does not consider it appropriate that IFAC finances the largest part of the PIOB budget, given the importance of the perception of independence to wider stakeholder groups. ACCA would consider it appropriate for PIOB to undertake external fundraising and for MG members to contribute funds.

**Q23: Do you think it is feasible to have a similar funding structure in place for the PIOB to that in place for funding the IFRS Foundation?**

It may be feasible to use a similar funding structure for the PIOB as used for the IFRS Foundation, but the differences in governance and purpose between the two organisations would need to be clearly understood, and the most appropriate long-term funding structure for PIOB chosen. The wider breadth of funding from stakeholder groups that benefit from the standards could also be replicated for the PIACs.

**Q24: Do you see the need for and/or merit in having a permanent Secretariat for the MG? In this case, do you think IOSCO should provide resources for a permanent Secretariat to the MG?**

ACCA would regard it as a matter for the MG to consider the most effective means of ensuring it is sufficiently resourced to carry out its role.

**Q25: How do you think the governance of the international auditing, ethics and education standards setting process could improve audit quality? What are the main objectives that those responsible for governance should take into account?**

ACCA believes that the standard setting process does improve audit quality work by:

- identifying best practice clearly and comprehensively
- covering all relevant technical issues
- providing a source for determining the competences required by auditors and therefore the training and educational requirements for professional auditors



- being consistent with other relevant guidance, including ethical rules and to the extent that is practicable, legal requirements
- making the process of compliance straightforward and cost effective, thus avoiding superfluous requirements.

The governance of the standard setting process should therefore aim to ensure that standard setters develop and issue standards which are clearly written and presented, are technically expert, identifying and addressing all the right issues, are prepared in a way which is mindful of other relevant guidance and which accommodates a concern for how compliance can be most effectively achieved at the practitioner level and monitored and enforced by regulatory bodies.

It should also be noted that standards themselves are only one element in achieving quality work. Other factors have to be taken into account, including internal quality control arrangements and external monitoring and enforcement activities.

**Q26: What is your opinion about the current structure? Do you think the current structure is appropriate in order to improve audit quality? If not, what changes, suggestions or remarks would you propose?**

ACCA believes that the current governance structure in place is appropriate to continue to improve audit quality. Any proposed changes to the structure should be based on evidence either that there are problems with the current structure or significant governance improvements that can be made in line with best practice, and to ensure they can more effectively discharge their mandate to work in the public interest. It should also be noted that if the funding model changes to include a wider group of stakeholders, then the governance structures may also need to be revised.

**Q27: Do you agree that the current levels of empowerment and responsibility of the bodies that compose the current structure (MG, IOB and PIACs) are appropriate? If so, do you have any suggestions for improving the dialogue and interaction between the different bodies? If not, how these levels of empowerment and responsibility could be improved?**

Whilst ACCA believes that the current levels of empowerment and responsibility of the MG, IOB and PIACs are appropriate, there could be a clearer separation between the IOB and PIACs – reinforcing that IOB should not itself take part in developing a standard.

ACCA supports the application of good regulation principles. Using regulatory impact assessments and ensuring there is transparency regarding the meetings of the MG/PIOB and PIACs will help to ensure that empowerment and responsibility continue to be enhanced.

**Q28: Do you think that there is any overall structure that could achieve improvement in audit quality more efficiently? If so, what could they be and how might they be financed?**

Please see the response to question 2. It is also important to emphasise that individual standard setting boards should not be seen in isolation from other standard setters – and so the benefits of looking at all standards through a more integrated framework should be fully explored.

On funding, as outlined further in ACCA's response to question 21, ACCA would support seeking wider funding for PIOB from regulators, governments and international associations, and wider funding for PIACs from the primary stakeholder groups including governments, investors, preparers and the wider accountancy profession.

Please direct any requests for clarifications to:

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