

Question 1

Do you agree with the key areas of concern identified with the current standard setting model? Are there additional concerns that the Monitoring Group should consider?

Response

Agree.

The main users of auditing and ethical standards with respect to the audit of Public Interest Entities (PIE) globally are the few big accounting firms. Given their financial resources and intellectual capabilities, they are also influential in the governance of many professional accountancy bodies which are members of IFAC. Hence, the concern about the influence of the users over the output of auditing and ethical standards could be observed from such perspective.

At the technical level, these big accounting firms have significant influence over technical issue at the country levels. Such dominant would be reflected in views submitted to the relevant IFAC standard boards whenever they are sought. This would be a concern especially when public interests collide with risk-rewards and operational interests of these firms.

IFAC as an institution has to cater to the diverse interests in the global accountancy profession including small and medium accounting practices which form the majority of practices globally but may not have significant presence in the PIE space. However, due to various constraints, this constituent of IFAC had been advocating “think small first” in formulating standards. This approach may not necessarily be in public interest.

Question 2

Do you agree with the overarching and supporting principles as articulated? Are there additional principles which the Monitoring Group should consider and why?

Response

Agree.

The Monitoring Group should also consider the financing model which enables the new standard setting structure to operate and set standards based on the agreed principles. While many stakeholders are keen in setting expectations, not many are willing to/or capable of providing financial support.

Investors, the main beneficiary of high quality audit should have a stake in financing the new standard setting structure.

Question 3

Do you have other suggestions for inclusion in a framework for assessing whether a standard has been developed to represent the public interest? If so what are they?

Response

The Monitoring Group should also consider the enforceability of the standards set by the new structure. As PIEs operate in complex structures across industries in several jurisdictions with different regulatory frameworks and supervisors, the level of enforceability of the relevant standards has to be high.

Question 4

Do you support establishing a single independent board, to develop and adopt auditing and assurance standards and ethical standards for auditors, or do you support the retention of separate boards for auditing and assurance and ethics? Please explain your reasoning.

Response

I support the Monitoring Group proposal in setting up a single standard board for auditing and assurance standards and ethical standards for audit of PIE. This may open the possibility of IFAC having standard setting jurisdiction over standards relating to non-PIE audit, provided the principles remain equivalent.

The strategy, structure and operational arrangement of audit firms are influenced by the standards which they need to comply in ensuring audit quality. In this respect, ethical standards influence the philosophy behind the business structures (to ensure independence, as an example) while auditing and assurance standards have more influence over the operational aspects of firms.

Hence, It is important that those standards are set with the same principles and approach within the timeline which is determined by market needs.

The present standards setting boards have to deal with many other issues beyond PIE matters, hence their focus, resources deployed and the timelines of their work may not be in line with public interests.

Question 5

Do you agree that responsibility for the development and adoption of educational standards and the IFAC compliance program should remain a responsibility of IFAC? If not why not?

Response

Agree.

Question 6

Should IFAC retain responsibility for the development and adoption of ethical standards for professional accountants in business? Please explain your reasoning.

Response

Yes.

While some professional accountants in business do serve PIE, it would be difficult to differentiate specific areas for a split standards setting arrangements. Hence, standards relating to professional accountants in business should remain within the remit of IFAC.

Question 7

Do you believe the Monitoring Group should consider any further options for reform in relation to the organization of the standard setting boards? If so please set these out in your response along with your rationale.

Response

The present proposal to have a single standard setting body for auditing and assurance and ethical standards for audit of PIE should sufficiently address the present concerns around the independence of the present arrangements.

Question 8

Do you agree that the focus of the board should be more strategic in nature? And do you agree that the members of the board should be remunerated?

Response

While the members of the board should be focusing on strategy setting and ensuring high quality standards are adopted on a timely manner, their oversight over technical issue is also critical.

Inherently, there could be issues which, if not dealt with decisively, would either unnecessarily prolonged the standard setting process or would result in compromised standards. Hence, board members should not leave these kind of issue to the executive staff to resolve.

The other role of board members would be to develop good working relationship with stakeholders to ensure continuous support and to resolve principal or operational differences. This is important due to the wide impact the standards have to stakeholders globally.

Question 9

Do you agree that the board should adopt standards on the basis of a majority?

Response

Given that auditing and assurance standards and ethical standards are applied globally, it would be difficult if those standards are not widely supported.

In managing risks the risk of disagreements over implementation considerations, the number of board members representing the accountancy profession should be limited to a minority. On the other hand, the competency, skill sets and familiarity of other board members with the subjects under consideration would be critical as well and must be ensured.

Question 10

Do you agree with changing the composition of the board to no fewer than twelve (or a larger number of) members; allowing both full time (one quarter?) and part-time (three quarters?) members? Or do you propose an alternative model? Are there other stakeholder groups that should also be included in the board membership, and are there any other factors that the Monitoring Group should take account of to ensure that the board has appropriate diversity and is representative of stakeholders?

Response

I support the idea of a representative board which are effective. Hence, the membership should cover sectorial and geographical representations where core competency and expertise should be the overriding consideration. It should not be too big which makes the board less effective.

The number of those representing the accountancy profession should be limited and not more than a third.

In terms of full or part-time membership, it should be left to the need of the board rather than the proportion is arbitrarily determined.

Question 11

What skills or attributes should the Monitoring Group require of board members?

Response

Members of the board, at the minimum, should collectively have experience in high level accounting, auditing, public policy, audit and financial markets supervision, investment, economics and trans-national business.

They must be respected personalities and have enough seniority and experience to understand conceptual and policy issues around any standard being developed and able to appreciate the potential consequences of the standards to stakeholders.

In determining the skills and attributes, the skills and competencies of the full time executives supporting the board members should also be taken into considerations.

Question 12

Do you agree to retain the concept of a CAG with the current role and focus, or should its remit and membership be changed, and if so, how?

Response

The CAG could be retained at the present form to ensure the board receives valuable feedbacks and information from a wider constituents in determining the strategy and priorities of the board agenda.

Question 13

Do you agree that task forces used to undertake detailed development work should adhere to the public interest framework?

Response

Agree.

Public interest should be the overriding consideration and the criteria to resolve conflicts.

Question 14

Do you agree with the changes proposed to the nomination process?

Response

Agree.

Views from the profession should be allowed, through IFAC.

Irrespective of any category, the number of board member who are partners or employees of accounting firms should be limited to not more than a third.

Question 15

Do you agree with the role and responsibilities of the PIOB as set out in this consultation? Should the PIOB be able to veto the adoption of a standard, or challenge the technical judgements made by the board in developing or revising standards? Are there further responsibilities that should be assigned to the PIOB to ensure that standards are set in the public interest?

Response

The PIOB should play the role of managing the process of appointment of the standard board, assess the performance of those members and determine whether public interests are served.

By having a veto power, the clarity of authority may be diminished and could create confusion.

The PIOB should be able to provide its views on public interest aspects of standards being developed and that should be given more weightage by the standard board in making its decisions.

Question 16

Do you agree with the option to remove IFAC representation from the PIOB?

Response

IFAC has made its commitment to protect public interest. Hence, its representation on POIB should not be a problem. However, the representative should not be a partner or executive of any accounting practice.

Question 17

Do you have suggestions regarding the composition of the PIOB to ensure that it is representative of non-practitioner stakeholders, and what skills and attributes should members of the PIOB be required to have?

Response

Agree.

Question 18

Do you believe that PIOB members should continue to be appointed through individual MG members or should PIOB members be identified through an open call for nominations from within MG member organizations, or do you have other suggestions regarding the nomination/appointment process?

Response

Appointment through an open call for nominations from within the Monitoring Group member organisation would make the process more transparent.

Question 19

Should PIOB oversight focus only on the independent standard setting board for auditing and assurance standards and ethical standards for auditors, or should it continue to oversee the work of other standard-setting boards (eg issuing educational standards and ethical standards for professional accountants in business) where they set standards in the public interest?

Response

The objective of the Monitoring Group proposals is to enhance auditing and assurance standards and ethical standards for auditors, focusing on public

interest entities. If PIOB is created with this in mind, it should focus only on this remit. This is also important when the financial aspect of the structure is considered. By limiting the scope of PIOB, the cost to operate could be further contained.

Question 20

Do you agree that the Monitoring Group should retain its current oversight role for the whole standard-setting and oversight process including monitoring the implementation and effectiveness of reforms, appointing PIOB members and monitoring its work, promoting high-quality standards and supporting public accountability?

Response

Agree.

Question 21

Do you agree with the option to support the work of the standard setting board with an expanded professional technical staff? Are there specific skills that a new standard setting board should look to acquire?

Response

Agree.

Question 22

Do you agree that permanent staff should be directly employed by the board?

Response

Agree.

Question 23

Are there other areas in which the board could make process improvements – if so what are they?

Response

To consider the enforceability of the standards across jurisdictions to ensure uniform implementation outcomes

Question 24

Do you agree with the Monitoring Group that appropriate checks and balances can be put in place to mitigate any risk to the independence of the board as a result of it being funded in part by audit firms or the accountancy profession (eg independent approval of the budget by the PIOB, providing the funds to a separate foundation or the PIOB which would distribute the funds)?

Response

Agree.

Question 25

Do you support the application of a "contractual" levy on the profession to fund the board and the PIOB? Over what period should that levy be set? Should the Monitoring Group consider any additional funding mechanisms, beyond those opt for in the paper, and if so what are they?

Response

The contractual levy is appropriate and it should be set based on the strategy horizon of the standard setting board, for example, rolling 3 years.

The Monitoring Board should also consider funding from the investment community as they are also the main beneficiary of high quality audit.

The regulatory community such as IOSCO and Basel Committee should also be willing to finance the financial needs of the board as the output goes directly to enhance financial reporting in the global capital and financial markets.

Question 26

In your view, are there any matters that the Monitoring Group should consider in implementation of the reforms? Please describe.

Response

In addition to the setting of high quality auditing and assurance and ethical standards, how the standards are implemented is also critical. A structure which assists the interpretation of should be set up to ensure effective implementation of the standards.

As mentioned earlier, the enforceability of the standards is also critical in enhancing audit quality. This aspect has to be considered at the standard formulation stages. It is necessary to recognised that due to different regulatory framework and capacity, standards may not be implemented uniformly across the globe.

Question 27

Do you have any further comments or suggestions to make that the Monitoring Group should consider?

Response

No.