

Date: February 9, 2018

**Monitoring Group**

[MG2017consultation@iosco.org](mailto:MG2017consultation@iosco.org)

Dear Sir or Madam,

The Institute of Cost and Management Accountants of Bangladesh (ICMAB) is happy to put its comments across different questions raised in the Monitoring Group Consultation Paper on **Strengthening the Governance and Oversight of the International Audit-Related Standard-Setting Boards in the Public Interest**.

ICMAB is the national body of the professional Cost and Management Accountants of Bangladesh established with the prime objective of promoting and regulating the Cost and Management Accounting profession. The institute is set up under an act of parliament and is an autonomous body under the Ministry of Commerce, Government of the Peoples' Republic of Bangladesh. Currently ICMAB have around 1,400 members and more than 20,000 students.

As a national level Professional Accounting Organization, ICMAB is an active stakeholder of the concerned issues like governance and oversight of international standard setting boards acting in public interest. We welcome the Monitoring Group's (MG) initiative to strengthen international standard setting modalities and the ultimate objectives of this endeavour. Below you will find our responses to particular questions of our interest and options presented in the consultation paper.

**Concerns in Current Standard Setting Model**

***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? (Question 1)***

**On the issue of Stakeholders' Confidence and Undue Influence**

We would like to note that the long-years standard setting model that IFAC follows has not so far been questioned on the ground of undue influence by the profession. The hypothecation that IFAC's nomination process in the standard setting boards has adverse effect on stakeholders' confidence in the standards does not take into consideration the important role of the PIOB in the nomination and selection process including setting the selection criteria and approval of the nominations made by IFAC. Thus under the existing model PIOB is in a well placed position to protect any compromise with the public interest through managing the nomination process. The universal acceptance of the IFAC's Standards or the standard modeled on those also goes against MG's hypothecation.

ICMAB believes that the current governance model is highly stringent and transparent which is overseen by an independent public interest oversight body. The process can adequately take care of the public interest threats that according to MG's observation might be present in the IFAC's nomination process or funding. However, although there is no credible evidence that dependence on funding has directly or indirectly influenced the standard setting process, alternative funding arrangements may completely eliminate the risk associated therewith. Similarly, increase of independent members in the boards may also be considered.

ICMAB endorses the fundamental principle that standard setting needs to be independent such that it is free of undue influence from any one stakeholder group and believes that this is achievable through the current governance model.

### **Relevance and Timeliness**

While we agree that standards should be responsive to address the changing business needs in relevant and timely manner, necessary improvement in process should address any particular gap if existed and identified. While saying so, we at the same time, would like to note that based on local needs and readiness, adoption/implementation of IFAC standards are delayed in many jurisdiction which testifies IFAC's timely responsiveness.

***Do you agree with the overarching and supporting principles as articulated? Are there additional principles which the Monitoring Group should consider and why? (Question 2)***

The overarching and supporting principles as articulated in the consultation paper are fully desirable for any standard setting process. And ICMAB fully agrees with the principles as outlined. The desired outcome of any standards set out following the process as expected 'should be well placed to secure public acceptance and adoption in a broad range of jurisdictions over the long term'. And we believe that IFAC standard setting process has the principles embedded therein which has made them globally accepted over a longer period of time.

### **Number of Boards**

***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. (Question 4)***

ICMAB supports the continuation of two separate boards. A single board may not accommodate technical resources to that extent as required. Two boards have their particular scope of work and demands different types of skills.

The intended benefits of better coordination as MG foresees can be achieved through including some of the members who are common in both the boards.

### **Adoption of Educational Standards**

***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? (Question 5)***

We believe that the responsibility for the development and adoption of educational standards and the IFAC compliance program should remain a responsibility of IFAC. IFAC as an international regulator of accountancy profession can better comprehend the needs due to its close tie with key stakeholders. They have a very stringent compliance program and are placed in a better state to monitor them. Effective monitoring can be ensured by IFAC through compliance with SMO requirements of Professional Accounting Organizations.

***Should IFAC retain responsibility for the development and adoption of ethical standards for professional accountants in business? Please explain your reasoning. (Question 6)***

As per the MG proposal, ethical standards for independent auditors will be set by proposed new board and ethics standards for other professional accountants in practice and professional accountants in business (for example, those responsible for preparing financial statements) being done by IFAC under separate standard-setting arrangements. Currently IFAC issues a single set of standards for both auditors and other professional accountants. Fundamental ethical standard should be same whether a professional accountant is in practice or in business. So it is neither understandable nor logical to have separate ethical standards. Moreover, what additional benefit such separate ethical standard will bring is not pointed out in the consultation paper. Thus, ICMAB agrees with the existing model of single set of Code of Ethics for both auditors and other professional accountants as set by IFAC. And both set of standards should be set by IFAC.

**Adoption of Standard on the basis of Majority**

***Do you agree that the board should adopt standards on the basis of a majority? (Question 9)***

We believe that consensus is desirable but that in the interests of pragmatism the present two-thirds majority, albeit more systematically applied, is appropriate. This means no one group (practitioners, non-practitioners, or public members) can approve a pronouncement without at least some support from other groups. It will ensure multi-stakeholders support in adopting new standards.

**Board Composition**

***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? (Question 10)***

A smaller board may be manageable and cost effective, however, may not be properly represented by different stakeholders. Current size is effective in leveraging the skills to optimize the delivery and concurrently with gaining buy-in from the broad array of stakeholders under a robust public interest oversight framework. Larger board will also ensure broad diversity in membership.

We agree with the multi-stakeholders diversity in the board including diversity in term of geographical and skill matrix. However, adequate emphasis should be there on the specific skill sets that are demanded for development of the standards. As such equal representation from three groups may not attain the objectives.

The idea to have some members of the board on full time basis deserves consideration.

## **Nomination Process**

### ***Do you agree with the changes proposed to the nomination process? (Question 14)***

We don't find any problem with existing nomination process. Our position has been stated in earlier response.

## **Representation of IFAC in PIOB**

### ***Do you agree with the option to remove IFAC representation from the PIOB? (Question 16)***

We don't agree with the option to remove IFAC representation from the PIOB. PIOB members are appointed at their individual capacity and they are not the representatives of the organizations that nominate them. Thus, IFAC may also nominate and if the skills and qualifications match, he/she may be appointed.

Finally, we thank MG for their increased concern for protection and promotion of public interest and the opportunity given for comments on the consultation draft. Should there be any question or clarification, please feel free to contact.

Yours faithfully,



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Consultant Academic Affairs

On behalf of the Institute of Cost and Management Accountants of Bangladesh