



# THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA

(Established by Act of Parliament No. 15 of 1965)

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*Registrar/Chief Executive*  
**JOHN I. EVBODAGHE, MBA, FCA**

The Monitoring Group

February 9, 2018

## **Strengthening the Governance and Oversight of the International Audit-Related Standard-Setting Boards in the Public Interest**

Dear Sir,

I write with reference to the above named subject matter and attach herewith our response to the Questionnaire.

The Institute of Chartered Accountants of Nigeria (ICAN) was established by the Act of Parliament No. 15 of 1965 to set standards and regulate the practice of accountancy in Nigeria and to review those standards from time to time as circumstances permit. The Institute has to date produced 43,283 chartered accountants, and 22,592 Associate Accounting Technicians who are very talented, ethically committed professionals working in every sphere of the Nigeria economy, combing their unrivalled knowledge and skills to support businesses, public sector organisations, not-for-profits, individuals and communities to achieve their financial and strategic goals.

Nigeria is the world's 20<sup>th</sup> largest economy, worth more than \$500 billion and \$1trillion in terms of nominal GDP and purchasing power parity respectively. Nigeria is a founding member of the African Union and a member of many other international organisations, including the United Nations, the Commonwealth of Nations and OPEC.

We thank the Monitoring Group for giving ICAN the opportunity to contribute to this important international project.

Yours faithfully,

**John. I. Evbodaghe, MBA, FCA**  
**Registrar/Chief Executive**



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No	Questions	Reactions
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?	The global acceptance and adoption of the work of the audit related standards setting boards indicate no ‘crack in the wall’ and what the MG regards as ‘concerns’ should be appropriately described as ‘views’ of some stakeholders. When there are concerns, there would certainly be public outcry and this is not the case now. When evidence abound that there are concerns, it would be clear to all parties. Of particular importance is the fact that the corporate failures have not been due to the crafting of the standards but the application of the standards. The standards are generally applied in the ‘letter’ and not in the ‘spirit.’
2	Do you agree with the overarching and supporting principles as articulated? Are there additional principles which the Monitoring Group should consider and why?	The principles as outlined are not novel. They are already in practice but could be improved upon. Therefore, the principles should not be used as basis to induce undue reforms that may injure the public interest which is well defined by IFAC.
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?	The MG should carryout in-depth research to enable it provide evidence of the current level of acceptance and adoption of the various standards instead of thinking of reforms based on ill-perceived platform. This is not an issue that requires anyone to hazard any guesses. Let’s be definite.
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	The thought of a single standard in matters as serious as auditing and ethical issues is an anomie. The critical issues involved in the subjects would be lost and the investing public will push back at the profession. Separate boards should exist as it is currently to better serve the public interest. As previously noted, the standards are not the issue but the individual, cultural and other country-wide idiosyncrasies in the application of the standards. The current model is robust and should be allowed to function.
5	Do you agree that responsibility for the development and adoption of educational standards and the IFAC compliance programme should remain a responsibility of IFAC? If not, why not?	The development and adoption of educational standards and the IFAC compliance programme should remain a responsibility of IFAC. IFAC has superintended the development and adoption of the education standards and so far, there have not been any misgivings on the part of the public. The IFAC



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		appreciates the terrain of the educational landscape of the various users of the standards and has been trying to ensure the expectations of the stakeholders are met and they have been largely met.
6	Should IFAC retain responsibility for the development and adoption of ethical standards for professional accountants in business? Please explain your reasoning.	The accountants in business and those in practice are two sides of the same coin. One could be in practice today and be in business tomorrow and vice versa. It, therefore, becomes unreasonable to think of different standards for the two. A unified standard is what should prevail as both accountants in practice and business are expected to bear the public interest at heart in the discharge of their legal and imperative duties. The public will certainly frown at two separate standards ‘regulating’ different aspect of the same subject.
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	The Monitoring Group should not consider any further options for reform but to offer any insight(s) into how the existing structure should continue to improve. Reforms become an option when the existing structure falls irretrievable and this is not the case as at now.
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?	The notion of being ‘more strategic’ implies a clear dichotomy between the board and the technical staff. It is the primary responsibility of the board to carry-out its assignment in its entirety. Becoming more strategic would lead to the assignment of standard setting being delegated to the technical staff. This would create backlash from the public because they would not be able to trust and rely on standards created within that context. The assignment of the board members should not be remunerated in order not to attract the wrong persons. It is individuals motivated by altruism that would do the job better and not those driven by perks of office.
9	Do you agree that the board should adopt standards on the basis of a majority?	The current 12 members required to approve or withdraw a standard is considered too low. Standards should be adopted or withdrawn on the strength of 15 out of the current 18 members of each of the boards provided the mix in terms of the membership is not compromised. It is important to also stress that any dissenting views (minority views) should be appropriately acknowledged and documented in case such views become relevant in the



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		light of the dynamic nature of the business environment.
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 parttime (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?	The current membership of 18 is supported provided all relevant stakeholders are considered. A board comprising smaller number could be disadvantageous especially where all members might not be present in meetings all of the time. The process of standard setting needs to be robust and so, 18 members with 15 members forming quorum for the business of the board is considered adequate. It is important to guide against a situation where members present and forming quorum are of the same cluster. Diversity is crucial in order not to compromise quality. Where diversity is not achieved in any meeting even though quorum is formed, such a meeting should be called off.
11	What skills or attributes should the Monitoring Group require of board members?	Board members should have good background education, technical competence and expertise, thoughtful, fluent in written and spoken language, not erratic. The key should be diverse skill-mix. ie subject matter experts.
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?	The existence of the CAG is imperative. It cannot be expected that the board members will have all the knowledge and expertise required to execute their assignment of standard setting. The views of the CAG is also needed in order to bring finesse into whatever comes out as a standard or an exposure draft. However, the CAG should not be in a position to sway the thoughts of members of the board out of the need to meet the public interest. They should not also be persons whose interests are of critical concern in the setting of any standard. They should be as diverse as possible in order not to skew any decision in favour of any particular interest.
13	Do you agree that task forces used to undertake detailed development work should adhere to the public interest framework?	The current task forces work and should continue to work in the public interest under approved framework and not any that is still being proposed.
14	Do you agree with the changes proposed to the nomination process?	The current process whereby standard-setting board members are appointed by IFAC on the recommendation of its Nominating Committee and with the approval of the PIOB and vacancies on the independent standard-setting boards filled through an open call for nominations is robust. It has the



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		appropriate checks and balances in place. Consequently, the process should remain in force and the idea of nominations process be administered solely by the PIOB should not be contemplated. It will lead to abuse and corruption because there will be no other oversight body regulating the PIOB.
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 judgments 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?	No. The roles and responsibilities as set out in the consultation paper are unacceptable especially as they relate to the nominations process as well as the ability of PIOB to veto a proposed standard, challenging the technical judgments of SSBs, and funding. The PIOB should oversee the nomination process and not take part in it directly. This is the only way the credibility of the process can be assured. To veto a proposed standard is autocratic especially where the decision to veto may be influenced by outside parties. PIOB should obtain necessary details about any proposed standard and offer insights to improve the proposal. In all, let the PIOB concentrate on its oversight mandate and allow other bodies to do their work.
16	Do you agree with the option to remove IFAC representation from the PIOB?	No. There is no empirical evidence that the PIOB is viewed by stakeholders as ‘un-independent’ of the accountancy and audit professions because IFAC proposes a member of the PIOB. PIOB members act in their personal capacity and not in the capacity of the organizations they work for. Issues relating to standard setting are serious matters that should not have any vestige of speculations.
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?	The PIOB should be a body that is as diverse as possible in terms of geographical zones, experience and expertise. The specific skills have already been articulated- technical expertise, people skills as well as writing skills. Knowledge of the macroeconomic environment of the various jurisdictions is also important.
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	A robust selection process must be employed, whereby there is an open call for any organization or individual to nominate for the PIOB. This, in essence means that appointments through MG members, or nominations within MG organizations should not be the process. The process should be rigorous to



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	suggestions regarding the nomination/appointment process?	mitigate any intended or unintended abuses.
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?	There is no strong basis for PIOB to provide oversight with respect to the education standards. The education standard is already well handled by IFAC. As earlier stated, the question of separate standards for accountants in business and those in practice should not be thought of. It is inimical to the wellbeing of the accountancy profession in letter and in spirit. Accountancy profession is one and should not be mutilated through different ethical standards. Ethics is the string with which all accountants the world over are bound together.
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?	No. The problem generally is not that of setting high quality standards but one of implementing the standards. The setting of standards is overt behaviour while implementing the standards in covert behaviour. For any oversight to work whether by MG or other bodies, they should go to the field where the standards are actually implemented.
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?	No. The status quo should remain.
22	Do you agree the permanent staff should be directly employed by the board?	No. The permanent staff should not be directly employed by the boards. This is to avoid abuses which could undermine the integrity of the standard setting process. The employment of permanent staff should be super-intended by IFAC.
23	Are there other areas in which the board could make process improvements – if so what are they?	Process improvement is a continuum due to the dynamic nature of the operating environment. The charge that SSBs should continue to improve their processes should be continually reiterated. Where improvements become necessary, the SSBs should discuss them with the PIOB and agreed on the worthwhileness of, and the modalities for the improvement, bearing in mind



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		the public interest mandate.
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)?	Appropriate checks and balances are already in place which have made it possible for risk of independence to be mitigated. While the current funding structure does not impair independence, it is appropriate to widen the scope of funding such that no individual or group of individuals could be seen and perceived as the chief financiers of the activities of the boards. Approval of budget and distributing funds have not been any problems. IFAC has been credible and accountable in all of these.
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?	No. The issue of contractual levy on the profession will not do anyone any good. There are so many reasons why levy can't be an appropriate source of funding. What would be the basis of the levy? Accounting firms across the globe are not of the same status. How would the levy be collected and what would happen to defaulters. How legislations in the various jurisdictions be taken care of. However, the MG could consider any additional funding mechanism, but not levy on firms.
26	In your view, are there any matters that the Monitoring Group should consider in implementation of the reforms? Please describe.	The question of implementing the reform by the MG does not arise. There are so many issues that could work against the efficacy of the reform. Besides, the reform is not auspicious and the basis for it is built on sinking sand. The reform agenda should be kept in the archive until such a time that it might be necessary to revisit it.
27	Do you have any further comments or suggestions to make that the Monitoring Group should consider?	Information on any reform agenda such as the one in issue should be widely publicized to enable relevant stakeholders contribute. There should be empirical data to support some of the premise(s) on which reforms are being proposed.