



MALAYSIAN INSTITUTE
OF ACCOUNTANTS

6 February 2018

International Organization of Securities Commissions ("IOSCO")
C/ Oquendo 12
28006 Madrid
SPAIN

Dear Sir,

**COMMENTS ON THE MONITORING GROUP CONSULTATION PAPER
"STRENGTHENING THE GOVERNANCE AND OVERSIGHT OF THE INTERNATIONAL
AUDIT-RELATED STANDARD-SETTING BOARDS IN THE PUBLIC INTEREST"**

Malaysian Institute of Accountants ("MIA") appreciates the opportunity to provide comments on the Consultation Paper "Strengthening the Governance and Oversight of the International Audit-related Standard-setting Boards in the Public Interest". We thank the IOSCO for the effort to enhance the governance and oversight of the standard-setting process to serve the public interest.

We are of the view that there are no fundamental deficiencies in the existing standard-setting process and we believe that practitioners should continue to play an important role in contributing to the standard-setting process. We welcome the initiatives of addressing the stakeholders' perception that the accountancy profession exerts undue influence in standard-setting process whilst taking into consideration of associated risks and impact assessment, costs and benefits in implementing the reforms.

Our comments on the Consultation Paper are provided in Appendix 1.

We trust that our comments are helpful in your final deliberations. MIA looks forward to strengthening the dialogue between both organisations.

Thank you.

Yours faithfully,

MALAYSIAN INSTITUTE OF ACCOUNTANTS

DR NURMAZILAH DATO' MAHZAN
Chief Executive Officer

MIA would like to provide our comments on the Consultation Paper as follows:

No.	Questions	Comments
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?	<p>MIA believes that the current international standard-setting model has the appropriate checks and balances in place to ensure that no single stakeholder can exercise undue influence over the development of standards.</p> <p>Technical input provided by audit firms and professional accountancy bodies does not tantamount to undue influence as may be perceived by some parties. In fact, the involvement of audit firms and professional accountancy bodies help to ensure that new standards are relevant to current business environment and incorporate practical issues. They would also provide valuable insights regarding current issues.</p> <p>However, MIA is supportive of any efforts to enhance and increase transparency and reduce the perception that the accountancy profession exerts undue influence in standard setting.</p> <p>Whilst the timeliness of developing the standards is important to ensure the standards respond and better serve the public interest, it should not be the main driver in reforming the standard-setting process. Serving better public interest should be the main driver.</p> <p>There may be some concerns about the time taken in setting a standard which is further compounded by the public perception that the timeliness of standards is not met. While we empathise with the complexities involved in setting a standard, it could be possible to expedite the process so that the concept of timeliness is better addressed.</p>
2	Do you agree with the overarching and supporting principles as articulated? Are there additional principles which the Monitoring Group should consider and why?	<p>As indicated, serving better public interest better must be the main driver for reforms in the standard-setting process.</p> <p>It is therefore essential that public interest be defined and a 'public interest framework' be developed as a matter of priority. This will then serve as a guide for</p>

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		<p>all reform efforts to ensure public interest can be best served and achieved.</p> <p>We suggest that the Monitoring Group also consider the existing definition for public interest in the market, such as “Policy Statement No. 5’ provided by IFAC.</p>
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?	Efforts should be made to further strengthen the strategic and technical coordination between the IAASB and the IESBA to reduce duplication of efforts on issues that are relevant to both auditing and ethics and to further align strategies and work plans.
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.	<p>Given the number and complexity of audit and ethics issues currently being addressed by the International Auditing and Assurance Standards Board (IAASB) and International Ethics Standards Board for Accountants (IESBA), it would be more appropriate to retain separate boards for auditing and assurance and ethics.</p> <p>MIA is not supportive of the creation of a single standard-setting board for auditing and ethics. MIA acknowledges that there may be gaps between the two boards and the establishment of an independent board may address such an issue. However, it may give rise to other problems such as loss of focus and increased workload.</p> <p>Efforts should therefore be made to further strengthen the strategic and technical coordination between the IAASB and the IESBA to reduce duplication of efforts on issues that are relevant to both auditing and ethics and to further align strategies and work plans.</p>
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?	<p>IFAC, as an organisation representing the global accountancy profession, is well-positioned to undertake the responsibility for the development and adoption of educational standards and the IFAC compliance programme.</p> <p>Therefore, the development and adoption of educational standards and the IFAC compliance programme should remain a responsibility of IFAC together with</p>

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		continued engagement with relevant stakeholders.
6	Should IFAC retain responsibility for the development and adoption of ethical standards for professional accountants in business? Please explain your reasoning.	<p>MIA is not supportive of the splitting of ethical standards for auditors and professional accountants in business.</p> <p>The responsibility for ethical standards should be included within the remit of the board to facilitate alignment and differentiation (where applicable) of the development and adoption of ethical standards for auditors and professional accountants in business.</p>
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.	MIA has no further comments.
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?	<p>MIA does not disagree that the focus of the board should be more strategic in nature but this should not detract the board from executing its role in the drafting of standards complemented by the work of technical staff to support the work of the board.</p> <p>MIA is supportive of the recommendation to remunerate board members if remunerating members of the board will assist in attracting high quality candidates and encourage greater diversity in membership of the board, which facilitates more diversity of views and robust discussions. However, this needs to be balanced against the productivity of the board in ensuring the cost-effective principle in developing options for reform is maintained.</p>
9	Do you agree that the board should adopt standards on the basis of a majority?	We do not disagree that the board should adopt standards on the basis of a majority. However, the drive for timeliness in adopting a standard should not be made at the expense of reducing efforts to reach consensus and outreach efforts to achieve global acceptance of the resulting standards.

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		<p>In this respect, the Monitoring Group should consider to set a high percentage threshold for approval of standards to ensure no single stakeholder group or a geographical region can effect approval of the standards.</p>
10	<p>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?</p>	<p>MIA agrees with changing the composition of the board to no fewer than twelve members, allowing for both full time and part time members. The board, however, must have appropriate diversity with respect to both geographical and stakeholder representations.</p> <p>We suggest that the Monitoring Group may consider including representatives of small and medium preparers/auditors from small and medium enterprises/firms on the board. The board should also comprise firms of all sizes from across the globe with gender diversity.</p> <p>A Chair of the board should be selected based on the person most suitable for the position and should not be disqualified just for coming from an audit practitioner background.</p>
11	<p>What skills or attributes should the Monitoring Group require of board members?</p>	<p>Board members should have both technical competence and the business acumen and experience with a strong public interest mindset.</p> <p>The skills or attributes required for board membership should include:</p> <ul style="list-style-type: none"> • Technical competence, knowledge and appropriate experience in auditing, financial accounting and reporting. • Ability to analyse. • Good appreciation of technology trends as well as being technology savvy. • Effective communication and interpersonal skills. • Judicious decision-making. • Awareness of the audit and business environment and public interest needs • Ability to work in a collegial atmosphere • Integrity, objective and disciplined.

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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?	MIA agrees to retain the concept of a CAG with the current role and focus as the CAG plays an important role in providing advice and research results to board members for more informed decision making.
13	Do you agree that task forces used to undertake detailed development work should adhere to the public interest framework?	Task forces form an integral part of the process where the need for professional technical input is important. Task forces should adhere to the public interest framework to ensure public interest is taken into account adequately.
14	Do you agree with the changes proposed to the nomination process?	MIA agrees for the standard-setting board nomination process to continue to be conducted via an open call for candidates. The Nominating Committee Chair should be independent of IFAC, the Monitoring Group and the PIOB. The members of the Nominating Committee should comprise nominees as nominated by the Monitoring Group. The nominations process should not be solely administered by the PIOB. The PIOB should continue to observe the entirety of the nominations process consistent with the current practice.
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?	<p>MIA agrees with the role and responsibilities of the PIOB as set out in this consultation.</p> <p>MIA recognises the importance of an independent public interest oversight but strongly believes that the roles of oversight and direct participation should not be mixed. PIOB should therefore not engage in providing intentional direct technical input in the development of standards. It is in line with the accounting standards setting process whereby IFRS Foundation Trustees are restricted from being involved in the technical matters of the accounting standards.</p> <p>As an oversight board, PIOB should act as a monitoring role not by vetoing but by challenging the technical judgements made by the board for reconsideration and provide avenue for independent review on any issues which it considers not in the public interest.</p>

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16	Do you agree with the option to remove IFAC representation from the PIOB?	<p>MIA strongly disagrees with the option to remove IFAC representation from the PIOB. IFAC represents the global accountancy profession. IFAC's representation is important to share the collective views of IFAC members at the PIOB level.</p> <p>A sole representative from the body in which PIOB is meant to monitor should not be seen in any way as undue influence and thus we see no reason to move from this position.</p> <p>MIA is a proponent of multiple stakeholders' participation throughout the entire standard-setting process including the oversight role.</p>
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?	<p>The PIOB should be comprised of regulators, auditors, investors, bankers, preparers and CFOs of small and large companies. Members of the PIOB should have market knowledge, wider community perspective, knowledge of relevant stakeholders and be well versed in accounting, law and business management.</p>
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?	<p>As indicated above, MIA is a strong proponent of multiple stakeholders' participation throughout the entire standard-setting process including the oversight role which is necessary to build confidence of all stakeholders in the independence of the standards development and approval process.</p> <p>Accordingly, MIA is of the view that the PIOB membership must be drawn from multi-stakeholders to be conducted via an open call for candidates to prevent undue influence by any one stakeholder group.</p>
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	<p>MIA is of the view that PIOB oversight should not only focus on the independent standard setting boards for auditing and assurance standards and ethical standards for auditors but also on the work of setting educational standards and ethical standards for professional accountants in business.</p>

No.	Questions	Comments
	in business) where they set standards in the public interest?	
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?	<p>MIA agrees with the proposal barring the appointment of PIOB members as indicated in our response above.</p> <p>We urge the Monitoring Group as a priority to:</p> <ul style="list-style-type: none"> • define public interest and formulate a suitable framework for adoption by all stakeholder groups • Create a pathway for broad-based funding (see response below).
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?	<p>MIA agrees with the option to support the work of the standard-setting board with an expanded professional technical staff. We believe there is a need to increase the size of the existing small in-house technical staff to a larger pool of technical staff, as it allows for robust discussion among permanent technical staff before proposing to the board. MIA believes technical skills are the key skills in coming up with the first working draft of standards. Selection of permanent technical staff can come from various industries.</p>
22	Do you agree the permanent staff should be directly employed by the board?	<p>The relevancy of who employs the permanent staff is not of primary concern. Of greater relevancy is that there are proper controls and procedures in place to facilitate the employment of permanent staff that are of suitable calibre and professionalism to undertake the required work.</p>
23	Are there other areas in which the board could make process improvements – if so what are they?	<p>MIA has no further comments.</p>
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 (e.g. independent approval of the budget by the PIOB, providing the funds to a separate foundation or the PIOB which would distribute the funds)?	<p>MIA agrees with the proposal.</p>

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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?	<p>The application of a "contractual" levy on the profession to fund the board and the PIOB may not reduce any perceived risk that funding brings with it significant influence which is one of the main criticism of the current standard-setting model.</p> <p>Consequently, there needs to be development of a more sustainable broad-based funding model involving contributions by all key stakeholders to prevent perceived undue influence by any one stakeholder group.</p>
26	In your view, are there any matters that the Monitoring Group should consider in implementation of the reforms? Please describe.	<p>At present, the IAASB standards are applicable to a range of reporting entities. In addition, the consultation, consensus building and outreach efforts to the private and public sectors and the national standards setting bodies during the development of the standards have resulted in wide acceptance of the IAASB standards when adopted. This high level of acceptance of IAASB standards must be preserved in the reforms being contemplated.</p> <p>Based on the consultation proposals, the standards being issued would only focus on large international audits. This could potentially result in the need for other standards for audits applicable to small reporting entities and may cause audits not to be comparable regionally and globally.</p> <p>The reforms should also maintain the principle-based standards by allowing professional judgement to be made.</p> <p>The associated risks and impact assessment, costs and benefits need to be thoroughly considered in implementing any reforms.</p>
27	Do you have any further comments or suggestions to make that the Monitoring Group should consider?	MIA has no further comments.