



Office of the Auditor-General for the Federation (OAuGF), Nigeria

RESPONSES TO IFAC MONITORING GROUP (MG)'S
QUESTIONS

ON

“STRENGTHENING THE GOVERNANCE AND OVERSIGHT OF
THE INTERNATIONAL AUDIT-RELATED STANDARD-
SETTING BOARDS IN THE PUBLIC INTEREST”

9TH FEBRUARY, 2018



OFFICE OF THE AUDITOR-GENERAL FOR THE FEDERATION (OAuGF), NIGERIA

No.	Questions	OAuGF's responses
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>Isolated cases should not be misconstrued as general complaints or concerns. The MG should have held wider consultations as is been done now (response to questions by key stakeholders) before suggesting a line of action for implementation. Corporate failures cannot be ascribed mainly to inefficiencies of standards. The MG should have considered application and monitoring of same by regulatory authorities in those jurisdictions where such failures had occurred.</p> <p><i>Our caution: Engineers cannot be assembled to develop standards for Auditors under the guise of satisfying 'public interest'. There could be a caveat where the big firms don't have more than a particular number of members on the Board or where such members have to relinquish their positions in the firms. It is pertinent to state that public sector auditors develop the international Standards for Supreme Audit Institutions (ISSAIs). The reason being that only the practitioners know what obtains in practice (not theory) and issues that not realities of the moment.</i></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>None of the principles canvassed by the MG is alien but making them more pronounced and explicit could help drive the renewed efforts at ensuring public confidence and buy-in of the standards. It should be noted that auditing standard setting body cannot be completely independent of accounting profession as only members of the profession have requisite skills in auditing. Hence the popular saying that 'every auditor is an accountant'</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?	<p>A strong feedback mechanism, especially from user groups and regulators, should have been considered for introduction by the MG. Through this medium, any standard considered not in tandem with the current reality is either revised or withdrawn.</p>
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	<p>The status quo, where separate Boards are responsible for auditing and assurance standards and ethical standards for auditors should be maintained. Collapsing the two into one may even lead to loss of public confidence which the MG's suggested reform seeks to achieve in the first place. The big question is, how will the collapse of the Boards into one instill public confidence? Our</p>

	auditing and assurance and ethics? Please explain your reasoning	position is that implementation and monitoring mechanisms should be strengthened across the globe.
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 status quo should be maintained. Like the Americans would say, "If it aren't broken, don't mend it." Till this material time, we have not heard of any outcry concerning efficacies of the standards issued in this regard. So, "Why cry for help when there is no obstacle?," in a Nigerian parlance.
6	Should IFAC retain responsibility for the development and adoption of ethical standards for professional accountants in business? Please explain your reasoning.	There is no rule or regulation, as far as we, in the Office of the Auditor-General for the Federation of Nigeria can remember that restricts an accountant or auditor to remain permanently in business or otherwise. Thus unified standards for accountants in terms of ethics should be sustained. Having separate standards for those in practice and business can only breeds confusion and loss of public confidence.
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 MG should consider oversight of the standard-setting Boards for review. For instance, if a member of a standard setting Board is from a member body 'A', no member of the Supervising or Monitoring Board should come from that member body 'A' again.
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 Board should continue performing its existing roles of standard setting but always consider far reaching issues (beyond the immediate and isolated) when developing standards. The number of members may be increased to accommodate experienced hands in key areas of human endeavours. Furthermore, members of the Board should be remunerated (paid allowances) to enhance productivity.
9	Do you agree that the board should adopt standards on the basis of a majority?	Adoption of a standard on the basis of a majority is, though consistent with democratic tenets, but the views of experts in the subject matter that is the thrust of the standard should not be jettisoned even if in minority. For instance, a standard, to regulate accounting in the petroleum sector, should not be adopted when experienced hands in the Board from this sector have dissenting views, even when they are in minority. What should be done at this stage is to introduce a caveat into the standard setting process to the effect that if this situation arise, the Board shall hold further consultations with more independent experts on the subject matter.

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 composition should be increased to accommodate other stakeholder groups. This will ensure diversity as well as facilitating the attainment of a multi-skilled member Board. The proposed stakeholder groups for inclusion is in order. However, there should be a caveat that the Chairman of the Board must always be a professional accountant/auditor. Also, majority of the full time members should be professional accountants/auditors.
11	What skills or attributes should the Monitoring Group require of board members?	Board members should possess sound educational and relevant professional qualifications, proven and unblemished track record of positive contributions in their areas of specializations with good communication skills. Above all, they must be team players, above board in all matters, always place public interest first and accommodative of dissenting views.
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?	This body and its roles are crucial to the activities of the Board. However, prospective members of CAG should be predominantly experienced/retired hands in their various specialties with age caps to be eligible to serve. Their advice on matters of relevance to the Board's activities should be explicit in terms of pros and cons to allow for objective decisions by the Board and should not be imposing.
13	Do you agree that task forces used to undertake detailed development work should adhere to the public interest framework?	A task force, intended to ensure due process is followed and public interest prevails in standard setting should adhere to public interest framework in the form of a standard checklist for its use. This will forestall a situation where it turns itself into the 'Police' of the Board.
14	Do you agree with the changes proposed to the nomination process?	The status quo where board members are appointed by IFAC on the recommendation of its Nominating Committee and with the approval of the PIOB through an open call for nomination should be sustained. The proposed change can easily be abused especially by PIOB members.
15	Do you agree with the role and responsibilities of the PIOB as set out in this	The proposed role and responsibilities of the PIOB is not only unacceptable but unthinkable. The change if implemented as proposed can only lead to

	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?	concentration of too much power in the hands of the PIOB. Remember, 'Absolute power corrupts absolutely'. The outcome of the work of any task force's review should be copied to the PIOB for review and comments for further actions as additional responsibility.
16	Do you agree with the option to remove IFAC representation from the PIOB?	No. We do not think that this is the only way to secure public buy-in of the standards. There is no documentary evidence of public outcry that the status quo has led to loss of public confidence in the standards. Therefore the status quo should be maintained.
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 greatest disservice to the profession is to make the PIOB members exclusive of practitioner stakeholders. The only matter for consideration is that IFAC should ensure geographical and skills spread in the composition and not exclusion of practitioners. The skills should range from accounting/auditing, finance, economics, agriculture, commerce, information technology, oil and gas, banking, etc.
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?	The selection process of PIOB members should be through an open call for nominations from within MG member organizations.
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)	If the current role of PIOB is reviewed through independent ad-hoc committee and the report is satisfactory, then its role can be expanded as currently canvassed with IFAC still having the final say. Not until that is done, the status quo should be maintained. The main reason for this stance is that future generations of accountants would hold IFAC responsible if the profession becomes a subject of public ridicule.

	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?	The issue is not that standards are not of high quality or are ineffective or impracticable but that of implementation, a factor that can be taken care of through effective monitoring mechanism. The current role of the MG should therefore be sustained.
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?	The Board can be supported by engagement of more professionals to provide technical support for its work but should be stressed that it should not abdicate its responsibility to the support staff. This is necessary in view of strategic role for the Board as presently canvassed. There should be geographical spread in the engagement of these professionals.
22	Do you agree the permanent staff should be directly employed by the board?	While the staff are to work with the Board, their employment, condition of service, etc. should be the responsibility of IFAC. This is to ensure that the Board concentrates on its core mandates of setting standards.
23	Are there other areas in which the board could make process improvements – if so what are they?	Improvement in standard making process should be made when the need arises and must be on continuous basis. However, cautioned must be exercised to ensure that whatever improvement that is being made will further the public interest and not a few. Area of improvement to be introduced is where, during adoption, for instance, there is a dissenting view from minority but experts on the subject matter under consideration, the positions of majority and minority on areas of disagreements can be circulated to relevant stakeholders for further comments, say 30 days. The overriding criteria for introduction of improvement should be in terms of substance and not to please select few.
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	There are, presently, enough checks and balances to mitigate risk to independence of the Board. That is why our position is that the Board should not be involved in recruitment and payment of salaries of the support staff. However, the Board should be empowered to discipline any staff found to have violated the conditions set by IFAC. The sourcing of funds and remittance of same can still be handled by IFAC without bringing the Board into the picture to

	approval of the budget by the PIOB, providing the funds to a separate foundation or the PIOB which would distribute the funds)?	avoid interface with the contributors. Even if a separate foundation is introduced for this purpose, it should be under IFAC.
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?	The contractual levy should be restricted to affiliate professional bodies, regulators especially national standards-setters, etc. and not individual audit firms. Other organisations that are proposed to be represented should be made to make contributions as well.
26	In your view, are there any matters that the Monitoring Group should consider in implementation of the reforms? Please describe.	The reforms as presently canvassed, except in few areas, as we agreed above, can only erode the fabric and the entire essence of accounting profession and possible hijack by forces outside the profession. What is being canvassed is akin to IFAC embarking on a suicide mission. The resultant effect can only be catastrophic for the profession.
27	Do you have any further comments or suggestions to make that the Monitoring Group should consider?	Before proposing or embarking on any reform, the public outcry must be evidenced factually and all stakeholders across the globe are carried along right from the outcry, which should not be an isolated instance. Also, where questionnaires are administered, there should be adequate geographical spread.

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