

SCA's RESPONSES to MONITORING GROUP CONSULTATION STRENGTHENING THE GOVERNANCE AND OVERSIGHT OF THE INTERNATIONAL AUDIT-RELATED STANDARD-SETTING BOARDS IN THE PUBLIC INTEREST

***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?*

SCA's comments:

The standard setting model does not provide a step by step road map for adaptation of standards once developed. Further such road map should be customized as per local needs to ensure better adaptation.

***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?*

SCA's comments:

Yes we do however, emphasis should also be given to possibility of accomplishment of compliance with the proposed standard. Any proposed standard should be checked for feasibility of the standards and should be backed by feasibility study.

***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?*

SCA's comments:

The IFAC can consider having independent third party review of the standard its finalization. A third part should be the one not involved in standard setting and should not be in a position to be influenced by the standard setter.

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*

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

SCA's comments:

Due to the nature of the accounting role, the audit and assurance are in conflict with ethics. Hence, IFAC can consider having a separate board for audit and assurance and another one for ethics. The same would apply for retaining responsibility for development of ethics standards.

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?*

SCA's comments:

Yes they should remain with 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.*

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?*

SCA's comments:

Yes, given the nature of standards, they are adopted by each jurisdiction based on their local requirements. Hence the board should only provide strategic direction.

Given the time commitment of the board members, they should be compensated on honorarium basis and for the cost incurred by them. There should be no element of profit or monetary gain to main subjectivity of the standard setting process.

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

SCA's comments:

The standards should be adopted based on the principle of public interest irrespective of the majority

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?*

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?*

Question 13: *Do you agree that task forces used to undertake detailed development work should adhere to the public interest framework?*

SCA's comments:

The board should be well represented irrespective of the number. Further, support of technical staff can be provided based on the nature of standards being developed. Instead of CAG, there should be expert working groups under the guidance of a board member who can further support the board. Public interest should always be the theme underlying any work relating to development of standard.

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?

SCA's Comments:

The primary responsibility of PIOC is protecting public interest. Hence, PIOC should be involved in the entire standard development process from end to end. However PIOC may not have the technical skill to challenge the technical judgment of the board.

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?*

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?*

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?*

SCA's Comments:

Given the mandate of PIOB to protect public interest and compliance with nomination and compliance, it should comprise of regulators and policy makers and people who can provide independent judgment and an impartial view of the entire process. Such people should be appointed based on nomination. Its focus should be all inclusive consisting of audit, assurance and ethics standards.

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?

SCA's Comments:

Monitoring Group oversight should retain its current oversight role except appointing PIOB. PIOB should be nominated by everyone including the board.