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**ZICA/12/21/6**

**7<sup>th</sup> February 2018**

**The Monitoring Group**

Dear Sir,

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

The Zambia Institute of Chartered Accountants (ZICA), the national regulator of the Accountancy and Audit Profession in Zambia, welcomes the opportunity to provide comments to the Monitoring Group (MG) on Strengthening the Governance and Oversight of the International Audit-Related Standard-Setting Boards in the Public Interest Consultation Paper.

ZICA appreciates that it's important that international standards that govern the profession are periodically reviewed to ensure that they are relevant and up to date with the global financial environment. It's in this vain that we welcome the MG's review of the standard setting process, but have reservations as to some of the insinuations, conclusions and recommendations in the consultation paper.

Our detailed comments and concerns on the proposals in the Consultation Paper are included in detail in the Appendix to this letter, where we have answered the specific questions asked.

The Institute will be ready to respond to any matters arising from the above comments.

Yours faithfully

Chansa A Chiteba  
**DIRECTOR STANDARDS & REGULATION  
FOR/SECRETARY AND CHIEF EXECUTIVE OFFICER**

## **APPENDIX-CONSULTATION PAPER: STRENGTHENING THE GOVERNANCE AND OVERSIGHT OF THE INTERNATIONAL AUDIT-RELATED STANDARD-SETTING BOARDS IN THE PUBLIC INTEREST**

### **SECTION 1: KEY AREAS OF CONCERN IN THE CURRENT STANDARD-SETTING MODEL**

#### **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?

#### **Comment:**

*ZICA believes the current standard-setting model has produced high quality standards evidenced by their wide adoption in over 120 countries around the world. This is because they are based on interaction and input from the private and public sectors.*

*While the concerns by the MG is noted, ZICA is of the opinion that a perception of undue influence by IFAC may exist, in reality the influence of the accountancy profession is clearly monitored through a framework of clear and balanced independent public interest oversight. We also believe that the current model pays particular attention to public interest through employing a transparent process that is open to the public. It's also important that speed is not sacrificed at the expense of quality.*

### **SECTION 2: GUIDING PRINCIPLES (KEY CONCERNS 1- 3)**

#### **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?

#### **Comment:**

*We generally agree with the principles listed in the Consultation Paper. Public interest should be at the centre of any standard setting process. We believe that the current model has enough safe guards and checks and balances to ensure that neither the accountancy profession, nor regulators, nor any one stakeholder, can "set their own standards." The current model has several aspects designed specifically to protect the public interest, including: a robust, stringent due process; transparency and openness of all meeting and meeting agenda papers; and oversight by a public interest oversight body.*

#### **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?

#### **Comment:**

*ZICA believes that it's important that the framework for standard setting should include organizations and individuals from outside the profession. But it is important that there should*

*be a focus to ensure that the stakeholders included have sufficient and appropriate technical ability.*

**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.

**Comment:**

*ZICA is not in favour of establishing a single independent board for developing auditing and ethics standards. The current system ensures that each body can focus on its core mandate. We also are of the opinion that having a separate ethical standard for auditors and professional accountants implies that accountants and auditors will be held to different levels of ethical standards. And hence are not in agreement with this proposal.*

**Question 5:**

Do you agree that responsibility for the development and adoption of educational standards should remain a responsibility of IFAC? If not, why not?

**Comment:**

*Yes, ZICA agrees.*

**Question 6:**

Should IFAC retain responsibility for the development and adoption of ethical standards for professional accountants in business? If not, why not?

**Comment:**

*As noted earlier (see question 4), ZICA believes that would be retrogressive and not in public interest to have separate ethics standards developed for auditors and professional accountants.*

**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.

**Comment:**

*ZICA believes that it would be better to look at ways of improving and refining the current model rather than the establishment of a completely new model.*

**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?

**Comment:**

*ZICA is unable to comment on whether the change to a more strategic focus will benefit the process or not. While remunerating board members may bring in potential issues of self-interest, remuneration may attract more members of the public and non-accountants to the board.*

**Question 9:**

Do you agree that the board should adopt standards on the basis of a majority?

**Comment:**

*ZICA supports the current process that requires a two thirds majority (12 out of 18) to approve new standards and pronouncements. This ensures that no single group can approve new pronouncements without support from other groups. A simple majority will lead to standards that lack consensus and may run into problems as regards adoption.*

**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?

**Comment:**

*ZICA believes the current model of the IAASB and IESBA adequately addresses the issues of composition. We do however opine that it may be necessary to reform the nomination process to better reflect the other stakeholder groups such as investors and regulators not just accountants.*

**Question 11:**

What skills or attributes should the Monitoring Group require of board members?

**Comment:**

*ZICA is of the view that a multi-stakeholder composition with emphasis on members possessing strong technical skills.*

**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?

**Comment:**

*ZICA believes that CAGs are an important and essential part of the formal process of consultation on agendas, priorities, and technical projects. We believe that these should be retained so they can provide insights into issues relevant to standards development from a broad range of perspectives.*

**Question 13:**

Do you agree that task forces used to undertake detailed development work should adhere to the Public Interest Framework?

**Comment:**

*ZICA is of the view that while it's important that there is broad representation in the setting of standards and every stakeholder should be represented, there is need to ensure that standards are not reduced to rule setting.*

**Question 14:**

Do you agree with the changes proposed to the nomination process?

**Comment:**

*ZICA believes the current nomination process is appropriate but would benefit from being more transparent. This can be achieved by ensuring that PIOB that currently oversees all aspects of the nomination process, being more transparent in its work and ensuring its processes are well understood.*

**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?

**Comment:**

*While ZICA appreciates the roles of the PIOB, we are opposed to some of the suggestions in the CP especially as regards giving it the ability to veto proposed standard and challenging technical judgements of the standard setting bodies.*

**Question 16:**

Do you agree with the option to remove IFAC representation from the PIOB?

**Comment:**

*ZICA is neutral to this option but it must be noted that members of the PIOB are nominated in their individual capacity and do not represent organizations that represent them.*

**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?

**Comment:**

*ZICA, as mentioned earlier support a multi-stakeholder approach to encompass nominees from investors, those who prepare financial statements, those charged with governance, regulators, academics, and the accountancy profession. A multi-stakeholder composition and members with appropriate skills will ensure that the PIOB has appropriate technical understanding of audit matters.*

**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 Monitoring Group member organizations, or do you have other suggestions regarding the nomination/appointment process?

**Comment:**

*ZICA support a process whereby the MG issues an open call for any organization or individual to nominate for the PIOB. Approval of appointments would be made by the MG based on a predetermined skills matrix, and bringing multi-stakeholder perspectives. We support a robust selection process.*

**Question 19:**

Should PIOB oversight just focus 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 (e.g., issuing educational standards and ethical standards for professional accountants in business) where they set standards in the public interest?

**Comment:**

*ZICA believes the current system is appropriate.*

**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 (sic) work, promoting high-quality standards, and supporting public accountability?

**Comment:**

*Given that the future roles and responsibilities of the MG and PIOB have been deferred to a future time and are not included as part of this CP, it is premature to answer this question.*

**Question 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?

**Comment:**

*ZICA believes that technical staff play a key role in the development of international standards; and it is important for these staff to be sufficient in number, be appropriately expert and skilled, and represent a broad geographical diversity. As such we welcome this suggestion.*

**Question 22:**

Do you agree that the permanent staff should be directly employed by the board?

**Comment:**

*We are of the view that this function should be left with IFAC.*

**Question 23:**

Are there other areas in which the board could make process improvements—if so what are they?

**Comment:**

*ZICA has no comment on this matter at the present*

**Question 24:**

Do you agree with the Monitoring Group that appropriate checks and balances can be put into 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 who would distribute the funds)?

**Comment:**

*ZICA is of the view that the current model already contains these checks and balances and instead of a completely new model, we should seek to reform and improve the current model.*

**Question 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 proposed in the paper, and if so what are they?

**Comment:**

*ZICA does not support the imposition of a “contractual” levy as this may have the effect of creating a situation of undue influence from the audit firms paying the levy. Also how this would be implemented globally would be a challenge.*

**Question 26:**

In your view, are there any matters that the Monitoring Group should consider in implementation of the reforms? Please describe.

**Comment:**

*We offer no further comments at this moment.*

**Question 26:**

Do you have any further comments or suggestions to make that the Monitoring Group should consider? CFC has no further comments. See our additional comments made in our cover letter.

**Comment:**

*We have no further comment.*