



**Australian Government**

**Auditing and Assurance Standards Board**

Level 7, 600 Bourke Street  
Melbourne VIC 3000 Australia  
PO Box 204, Collins Street West  
Melbourne VIC 8007

12 July 2012

Mr Fernando Roy  
Chairman  
The Monitoring Group  
c/- IOSCO

(By email)

Dear Mr Roy,

**Public Consultation on the Governance of the Monitoring Group and the Public Interest Oversight Board (PIOB)**

The Australian Auditing and Assurance Standards Board (AUASB) appreciates the opportunity to comment to the Monitoring Group (MG) on its Consultation Paper. The AUASB's comments are limited to matters concerning oversight of the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) by the Public Interest Oversight Board (PIOB).

We also note that the Financial Reporting Council of Australia has also made a detailed submission to the MG and we support the content of that submission.

The AUASB and its predecessor board have harmonised Australian Auditing Standards (ASAs) with International Standards on Auditing (ISAs) since the mid-1990s. More recently, since the Clarity revision of ISAs by the IAASB in 2009, ASAs have been fully converged with ISAs. We have been involved in participating in the IAASB (and formerly IAPC) process for many years and we are supportive of initiatives aimed at improving oversight of its activities by the PIOB and the MG.

In terms of governance matters, we suggest that the general perception of public interest would be enhanced if the governance arrangements of the PIOB and IAASB were able to be separated from any operational arrangements with IFAC, being the representative body of the global accounting profession.

We perceive that the main challenge that the PIOB will face in increasing the public membership of the IAASB will be the difficulty in achieving the necessary level of technical proficiency and expertise in auditing and assurance amongst its members and those of the IAASB. As noted in the Australian FRC submission, the public interest can generally be seen to be served if having a majority of "public members" is achieved by having equal representation of the profession and public membership with an independent chairperson. It may also transpire that the PIOB and the IAASB may need to be better resourced with additional specialist staff and other resources to meet the expectations relating to objectives and goals expected of them.

The AUASB does not see it as a precondition to good governance to have a majority of what are described as “public members” to achieve robust work outputs from the IAASB that are in the public interest. Putting in place the appropriate institutional arrangements for the PIOB that are sufficiently “arm’s-length” from IFAC, and then selecting the best individuals with the necessary skills, professional backgrounds and ability to devote the requisite time for PIOB and IAASB membership are vital, to further enhance public perceptions of the IAASB’s work and the robustness of its standards in the public interest.

Several of the questions in the consultation documents raise the prospect of expanding the role of the MG in order to better represent the public interest. We do not necessarily agree that this would serve a useful purpose for a group which effectively monitors and appoints the members of the PIOB, which itself oversees the work of IAASB and other boards. It would not appear necessary or indeed appropriate to expand the MG role into areas already addressed by those individuals who form the PIOB and IAASB Consultative Advisory Group (CAG). This would ultimately lead to duplication, inefficiency and additional unnecessary cost, without commensurate benefit.

It is suggested that an appropriate model for the PIOB and its oversight of the IAASB might be to adopt governance and operational arrangements similar to those of the International Accounting Standards Board (IASB). Moreover, in the AUASB’s view, funding for the PIOB and the IAASB should ideally be provided independently of the global accounting profession to enhance perceptions of the integrity and independence of the institutional model in place for the oversight and setting of international auditing and assurance standards.

We trust that you will find the above comments useful. If you have queries regarding any matters in this submission, please do not hesitate contact me at [mkelsall@auasb.gov.au](mailto:mkelsall@auasb.gov.au)

Yours sincerely,



Merran H Kelsall  
*Chairman*