

February 8, 2018

The Monitoring Group
c/o International Organization of Securities Commissions (IOSCO)
C/ Oquendo 12
28006 Madrid
SPAIN
Delivery by email to: MG2017consultation@iosco.org

Dear Members of The Monitoring Group,

**Re: November 9, 2017 Call for Comments on reforms to the
global audit standard-setting process**

We are writing on behalf of the Chartered Professional Accountants of Canada (CPA Canada) in regards to your request for comments on the Monitoring Group Consultation paper entitled *Strengthening the Governance and Oversight of the International Audit-Related Standard-Setting Boards in the Public Interest* (“the Consultation Paper”).

Introduction

CPA Canada is the national body of Canada’s accounting profession, with more than 210,000 members both at home and abroad. The Canadian CPA designation was created with the unification of three legacy accounting designations (CA, CGA and CMA).

CPA Canada conducts research into current business issues and supports Canada’s independent standard-setting boards setting accounting and auditing and assurance standards for business, not-for-profit organizations and government. It issues guidance on control and governance, publishes professional literature, develops continuing education programs and represents the Canadian CPA profession nationally and internationally.

Canada’s CPA profession is regulated by the Provincial and Territorial CPA Bodies whose authority and responsibilities are statutorily provided by ten provincial and two territorial governments. All members of our highly diversified profession are regulated with approximately eighty percent of our more than 210,000 members working outside of audit and assurance services in areas such as industry, non-profits, government and academia. **The Consultation Paper contains issues and proposals that are of fundamental importance to the CPA profession in respect of its responsibility to act in the public interest and for the Provincial and Territorial CPA Bodies in their statutory authority to regulate the profession in protecting the public.**

Consultation Process

In response to The Monitoring Group's November 9, 2017 Call for Comments, we have considered the Consultation Paper's proposals and the Questions for Respondents. We have held consultations with stakeholders including senior regulatory staff of the Provincial and Territorial CPA Bodies, members of the public who serve as public representatives on the CPA profession's Public Trust Committee, Professional Accountants in Public Practice, Professional Accountants in Business and individuals who have participated in various roles and responsibilities in the international standard-setting process, including oversight.

In our communication of December 19, 2017 we noted our concern that the consultation period was too short relative to the significance of the issues raised and also that the proximity of the international roundtables to the response deadline was too close. Our request for an extension to the response deadline was denied in January 2018. We were unable, within the timeframe provided together with the incomplete information supplied in the Consultation Paper, to complete as thorough and detailed a consultation as would have been preferred and the norm in a Canadian multi-jurisdictional regulatory context. Notwithstanding this limitation, our response has been developed taking into account the input of stakeholders consulted as described above.

Current System

It is our view that the current international standard-setting processes for Audit and Assurance and Ethics operate well and appropriately recognize and consider the public interest. Our consultation effort has involved stakeholders with direct knowledge of or involvement in the international standards-setting process. Consistent feedback from this group indicates that standard development occurs taking into account the public interest, input from the regulatory community is rigorously considered, decision making is carried out in the public interest and that IFAC is not involved in the standard-setting development or decisions made by the Standard-Setting Boards (SSBs).

We note that the SSBs enjoy broad stakeholder engagement and have attained significant global adoption of the standards. Since 2010, International Standards on Auditing have been fully adopted in Canada as Canadian Auditing Standards and we maintain provincial rules of professional conduct based on the IESBA Code of Ethics for Professional Accountants. These rules of professional conduct must be as stringent as the IESBA Code unless there is a legal, regulatory or public interest reason in Canada to differ.

As active participants in the standard-setting process, we experience the transparency of the process and are aware of the operation of a variety of existing checks and balances within the system from nominating to due process approvals to ensure oversight and the prioritization of the public interest. We also recognize the value of the resultant international principles-based standards that are robust and relevant for varying contexts and changing circumstances.

General Comments

We are supportive of the good governance principle of a periodic review of the standard-setting process and the need to seek out continuous improvements. Given the breadth of stakeholders to the accounting profession and its importance to a range of public interests, which extend beyond public issuer audits, we strongly urge that the most productive process to envision and evolve future changes should involve the perspectives of others in addition to the international regulatory community represented by the MG.

General Comments (continued)

For example, National Standard Setters with legislative responsibility for the compliance and enforcement of such standards in the public interest are well equipped to contribute to a periodic review of the standard-setting process.

Overall, we are in support of some of the suggestions made in the Consultation Paper and have concerns with respect to others. Our view is that many of the reforms suggested are disproportionate to the information or criticisms presented and are without evidence as to the issues to be remedied and details as to cost, funding and transition of the proposed changes.

We found the Consultation Paper to lack many important pieces of information necessary to respond conclusively to the observations cited within the document, the proposals put forward and the posed Questions for Respondents. For example, the premise of the Consultation Paper is that the public interest in the standard-setting process needs to be strengthened and the responsiveness to user needs improved without presenting the information and insights upon which this premise is based. This lack of information led to discussions about the Monitoring Group's concerns and as to whether the issues lie in the application of the standards as opposed to the standard-setting process and its governance.

We were also concerned with the degree and significance of incomplete information presented. References, without details, have been made to a public interest framework to be developed, possible future changes to the nature and role of the Public Interest Oversight Board (PIOB), Consultative Advisory Groups (CAGs) and the Monitoring Group (MG) itself. Proposing that changes are needed without setting out what those inter-related changes might be makes it difficult to comment on the whole and the unknown.

In considering the proposals, we draw attention to the inherent risks to current international standard setting and believe there are many potential consequences including:

- Reduced confidence in the stability of the “international system” which relies on broad based engagement and support for its agenda and recommendations through:
 - the release of these proposals by an important stakeholder for such a wide and far-reaching overhaul, and
 - solutions and timelines for implementation advanced by an important stakeholder without providing all requisite information to enable the understanding and collaboration of other stakeholders including National Standard Setters.
- Reluctance to adopt international standards where:
 - criticisms have been levied and issues cited by an important stakeholder without evidence or support leading to a potential return to setting standards on a national basis, and
 - significant and lengthy disruptions and uncertainties could result.
- Interruptions of important work in progress could occur and momentum could be lost as the value of current efforts on existing projects is questioned.
- Distraction of the “international system” by wholesale change for issues that could be considered differently with less upheaval.

General Comments (continued)

Notwithstanding the above, we believe that a reasonable and further evolution of the standard-setting process is warranted, one that acknowledges the risks to arrive at a more balanced approach that is in the public interest.

Specific Comments

Standard-Setting Boards

We do not support a single board responsible for the development and adoption of international auditing and assurance standards and ethical standards for all types of audit engagements. It is essential that ethical standards are given the full attention and careful consideration that their significance require. We also believe it is unlikely that the technical competence to provide a detailed review of proposed standards for both audit and ethics as proposed by the MG would exist in a single group of board members.

We do not support board bifurcation for ethical standard setting separated between those relevant to audits and auditors of public companies and those relevant to other professional accountants and all other roles.

We are supportive of a review of the size of SSBs to ensure efficiency, however size must take into consideration a multi-stakeholder composition, adequate technical expertise and experience, relevant sector knowledge (e.g. public issuers, public sector, not for profits, SME, etc.) and diversity for standard setting in a global capacity. We do not support a simple majority for decision making. On the basis that any board is composed of three distinct stakeholder groups as proposed in the consultation paper, we believe that a strong majority will provide international acceptance that all sectors and geographic cultural differences have been considered.

Along with our stakeholders consulted, we support the continuance of the IFAC administrative structure and support for a robust nominations process directed by a new nominating committee. We believe a reasonable approach for nominations could be similar to the interim nominating committee tasked with recruiting the next IAASB Chair. That is an independent chair with three members appointed through IFAC and three members appointed by the MG to conduct an open call nomination process with a clear emphasis on the necessity for appropriate and relevant technical expertise and experience to be achieved through a skills matrix.

We agree that the SSBs should become more strategically focused in relative terms and that this could be accomplished with increased staffing resources attracted to a stable standard-setting environment. Indeed, we have seen first-hand the need since 2015 for additional resources for the SSBs to tackle demanding agendas and the difficulty of attracting those resources when uncertainty of stakeholder intent is in the background. We certainly recognize those committed staff and Board Members of the SSBs who have carried extra resultant loads in the interim to advance progress on the mission in the public interest.

Oversight of the Public Interest in Standard Setting

We support the continued public interest oversight of the SSBs and are of the view that a multi-stakeholder approach is required for the standard-setting process as a whole. It follows that we do not support that PIOB members should be appointed through the MG but rather that we consider a multi-stakeholder formation for oversight through an open call nomination process to be in the public interest.

Oversight of the Public Interest in Standard Setting (continued)

As noted above, we support the establishment of a new nominating committee to conduct open call nominations process for the SSBs and believe this should apply throughout the standard-setting process including in respect of the oversight function. We also received stakeholder feedback questioning the need for two layers of oversight, being the MG and PIOB. The Canadian example referenced by stakeholders of a single oversight body for consideration in this regard would be that of the Auditing and Assurance Standards Oversight Council (AASOC), which is an independent, volunteer body that serves the public interest by overseeing and providing input into the activities of the Auditing and Assurance Standards Board (AASB).

The Public Interest and Supporting Principles

We are supportive of the principles noted and received input from our stakeholders that the standard-setting process must also be **stable** for requisite support, international engagement and potential adoption of resultant standards. We also believe that the standard-setting process must result in **workable** standards that can be implemented by standard-setting bodies, complied with by those being regulated and enforced by those with the responsibilities to do so. The accounting profession is aligned with the identification of the public interest as the overarching principle as it is at the ethical core of what defines a profession and the basis of our value to society depends upon its recognition and protection.

We believe that the development of the public interest framework should include the involvement of stakeholders such as the National Standard Setters. While we support the development of a framework that gives guidance on how the public interest on each issue will be identified and measured, we would not support a framework that attempts to define the public interest as it will be unique for each issue identified.

Notwithstanding the above, as we learned through the Roundtables, the proposed framework is under development by the PIOB and expected to be published in June 2018. We will therefore look forward to reviewing the proposed framework to contribute our further thoughts on this topic.

Relevance and Timeliness of Standards

We are supportive of enhancements that will potentially enable greater relevance and timeliness of standards. We recognize that due process and consensus building in an international setting takes time and is an investment towards quality results and widely adopted standards. Our stakeholders consulted believe that projects to provide insights in respect of trending or more immediate issues could be enabled through increased staffing resources supporting a more strategically focused board.

Funding

We support the efficient and effective use of funds for the development and adoption of international standards in the public interest. We are aware that funding has been a perennial issue of discussion between the MG and IFAC and that attempts have been made in the past, without success, to secure independent funding for the PIOB as an example.

Funding (continued)

Going forward we believe that new and additional sources should be sought, enhanced, appropriate checks and balances can be put in place with respect to funding received from the profession and that greater diversification of financial support can be achieved in time. We strongly believe that any new suggested funding mechanism or source must be evaluated with detailed information and in the context of how it addresses and satisfies the risk of perception issues.

Developing Support for Change

In looking to the future of this initiative, we have been candid with our feedback and thoughtful in providing suggestions that we believe can be helpful to seek out continuous improvements in the standard-setting process. We received much feedback from stakeholders, including public representatives, that the proposed changes were in their views more extensive than considered necessary and that the process needs to be carefully considered to enjoy necessary support moving forward. In particular, we noted the following:

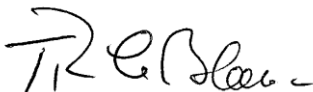
- multi-stakeholders should be involved in the development of significant changes and that involvement should be openly shared,
- adequate time should be provided for consultation on significant changes with a variety of stakeholders to the profession including where there are multiple jurisdictions and provincial or state regulators of the profession to be consulted in countries such as Canada and the US,
- clarity should be provided as to the process by which evaluations of alternatives will be considered and recommendations determined,
- transparency should be observed throughout the process as it is in the standard-setting process itself, including the full disclosure of all responses to the consultation that might impact the final proposals,
- respect for each party's role and contribution to be made in the standard-setting process will be an enabler to efficiently and effectively identifying and agreeing upon the enhancements to be made in the public interest.

Attached as Appendix 1, we have presented our comments in regards to the Questions for Respondents as an integral part of our overall response to be considered in its entirety including the comments presented above.

Thank you for your consideration of our contribution to this Consultation Paper process. We wish to confirm that our response should be made publicly available.

If you have any questions or require additional information, please contact Michele Wood-Tweel, Vice-President Regulatory Affairs, CPA Canada at 902-401-0693 or mwoodtweel@cpacanada.ca.

Yours truly,



Terry LeBlanc, BBA, FCPA, FCGA
Chair, CPA Canada Board of Directors

Appendix 1 - Questions for Respondents

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?

We do not agree with all of the key areas of concern identified. Specifically, we did not find evidence or support within the Consultation Paper or through our stakeholder consultation for the issues cited such as undue influence or the referred to adverse effects upon stakeholder confidence in the standards. We believe the current international standard-setting processes for Audit and Assurance and Ethics operate effectively and appropriately consider the public interest. We note that the SSBs enjoy broad stakeholder engagement and have attained significant global adoption of the standards.

We do not agree that the administrative structure and support provided by IFAC is unreasonable or that it risks the responsibilities of the SSBs to independently develop and establish standards in the public interest subject to a robust due process. Instead, we believe it enables a platform from which to continue independent standard setting by the SSBs together with potential improvements to enhance governance such as the formation of a new nominating committee as noted below.

We disagree with the notion that the involvement of the profession either by way of funding or participation as staff or board members renders the standard-setting process at risk for producing standards that are not in the public interest. Instead, we believe that a robust due process and enhanced, appropriate checks and balances can be effective.

We do agree that the nominations process for the SSBs can be enhanced through the formation of a new nominating committee. We believe a reasonable approach could be similar to the interim nominating committee tasked with recruiting the next IAASB Chair. That is, an independent chair with three members appointed through IFAC and three members appointed by the MG to conduct an open call nomination process with a clear emphasis on the necessity for appropriate and relevant technical expertise and experience to be achieved through a skills matrix.

We agree also with the ongoing need to review the standard-setting process and to seek out continuous improvements in a complex and changing environment. In particular, we are supportive of enhancements to the standards-setting process that will potentially enable greater relevance and timeliness of standards.

Given the breadth of stakeholders to the accounting profession and its importance to a range of public interests, which extend beyond public issuer audits, we suggest that the most productive process to envision and evolve future changes should involve the perspectives of others, such as National Standard Setters, in addition to the international regulator community. For example, all members of our highly diversified Canadian CPA profession are regulated with approximately eighty percent of our more than 210,000 members working outside of audit and assurance services in areas such as industry, non-profits, government and academia. Consequently, we seek to support principles-based standards that are developed in respect of all Professional Accountants in regards to the entirety of services provided to all sectors including government, non-profits and SMEs, which we believe strongly is in the public interest.

2. Do you agree with the overarching and supporting principles as articulated? Are there additional principles which the Monitoring Group should consider and why?

We generally agree with the principles noted and are aligned with the identification of the public interest as the overarching principle for standard setting.

These must be supported, however, by two additional principles:

- **Stability** - the standard-setting process must be stable for requisite support, international engagement and potential adoption of resultant standards, and
- **Workability**- the standard-setting process must result in workable standards that can be implemented by those required to apply the standards, complied with by those being regulated and enforced by those with the responsibilities to do so.

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?

We understand that the public interest framework referenced in the Consultation Paper is considered by the Monitoring Group to be a critical and core element in making its proposals. We are also aware that there are differing perspectives about the unique and dynamic public interest in a standard-setting context such that we believe many stakeholders should be participating in the consideration of a public interest framework. As bodies and boards in various countries have considered the public interest, this groundwork should be useful in considering such a framework.

Given the Monitoring Group expects the public interest framework to be central to any reformed standard-setting process that it envisions, we were surprised that it had not been published with the current proposals throughout which it is referred. Further, we believe that the development of the public interest framework should include the involvement of stakeholders such as the National Standard Setters. As we learned through the Roundtables, however, the proposed framework is now under development by the PIOB and expected to be published in June 2018. We will therefore look forward to reviewing the proposed framework to contribute our thoughts on this topic.

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.

We do not believe that a single board would be in the public interest for the development and adoption of international auditing and assurance standards and ethical standards for all types of audit and assurance engagements. We have many strong concerns about this suggestion including the belief that the workload of all topic matters could overwhelm a single board, the nature of skillsets required for each topic area are somewhat unique, the focus of attention will potentially center on audits and auditors to the detriment of all else, ethical standards for the entire profession in defense of the financial information chain will suffer and the profession will be fractured, at least in appearance, by regulation.

We believe that separate standard-setting boards for audit and assurance and ethics applicable to all Professional Accountants should be maintained. We do not support board bifurcation for ethical standard setting separated between those relevant to audits and auditors of public issuers and those relevant to other professional accountants and all other roles. We believe that the public interest is served with principles-based ethical standards applicable to all Professional Accountants in all roles served. Bifurcation would be inefficient, create unnecessary confusion and risk different standards that should be otherwise consistent in an integrated Code applicable to all members of the profession.

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?

IFAC does not develop educational standards. That is the responsibility and purview of the International Accounting Education Standards Board (IAESB), which is an independent SSB.

We believe that the administrative structure and support provided by IFAC in respect of the IAESB should be continued at this time. We agree that the compliance programme should remain a responsibility of IFAC.

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

IFAC does not develop ethical standards for professional accountants in business. That is the responsibility and purview of the International Ethics Standards Board for Accountants (IESBA), which is an independent SSB.

We believe that the administrative structure and support provided by IFAC in respect of IESBA should be continued.

We strongly support that ethical requirements for all Professional Accountants continue as the remit of IESBA. Ethical standards for PAIBs are the cornerstone of sound financial reporting. As such, the ethical standards for PAIBs should continue as part of the mandate of the IESBA and be subject to full due process and oversight.

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.

We firmly believe that enhancements can be made to improve the overall standard-setting process for the benefit of the public interest without the need to abandon all processes and resources that are in existence through years of investment, development and concerted effort. An evolutionary approach of using IFAC's administrative structure and support platform with other enhancements should be fully explored with an analysis that includes comprehensively comparing this option to those proposed in terms of benefits, costs and risk.

A further option for reform that we support would be multi-stakeholder compositions of the SSBs through an open call nomination process overseen by a new nominating committee. We believe a reasonable approach would be a new nominating committee comprised of an independent chair with three members appointed by IFAC and three members appointed by the MG to conduct an open call nomination process with a clear emphasis on the necessity for appropriate and relevant technical expertise and experience to be achieved through a skills matrix. We support the continuance of the IFAC administrative structure and support for a robust nominations process directed by the new nominating committee.

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?

We agree that the SSBs should become more strategically focused in relative terms and that this could be accomplished with increased staffing resources attracted to a stable standard-setting environment.

We are generally pleased that the concept of board remuneration has been raised but believe it is premature to focus on compensation for board members at this time. We believe other pieces of information should be developed that will provide tangible insights into the expectations of board members including the public interest framework, board size, board composition and staffing resources. This will allow for more informed consideration and we will respond more fully at that time.

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

We do not support a simple majority for decision making in an international standard-setting arena that requires broad based support and engagement to thrive. We believe the investment in consensus building is worthwhile and that a super majority should be required for voting on standards adoption. The current two-thirds majority should be the minimum required for approving an international standard.

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?

We do not believe that the size of the SSBs can be significantly reduced while ensuring a multi-stakeholder composition, adequate technical expertise and experience, relevant sector knowledge (e.g. public issuers, public sector, not for profits, SME, etc.) and diversity for standard setting in a global capacity.

We believe it is premature to focus on part-time versus full-time board members. There are other pieces of information referred to in the Consultation Paper to be developed that may provide tangible insights such as the public interest framework, board size, board composition and staffing resources. We also have general concerns with the option noted of a Board comprised of one-quarter full-time members and the remainder as part-time members. This may create two classes of board members with the potential for reliance placed by part-time board members upon full-time members.

We understand from the London Roundtable that a combination of part-time and full-time members used to comprise the IFRS Foundation Trustees and that they are all now full-time members. We are interested in learning about the Monitoring Group's research in this area when developing the Consultation Paper and presenting options for a "mixed" board stating that not all board members will need to commit the same amount of time and also the noted concerns expressed that permanent full-time board positions would only initially be of interest to auditors and professional accountants. Additional details are required in order for us to respond fully.

We support multi-stakeholder compositions of the SSBs through an open call nomination process with a clear emphasis on the necessity for appropriate and relevant technical expertise and experience to be achieved through a skills matrix. Further, in our view, appropriately sized boards, however defined in terms of number of board members, will only be effective if they are comprised with the critical talents and experience needed to consider technical auditing and assurance standards for all enterprises in all sectors and ethical requirements for all Professional Accountants.

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

We believe appropriate and relevant technical expertise and experience, achieved through a skills matrix, is fundamental. Ability of all board members to represent the public interest is a requisite. Diversity of backgrounds is important as is diversity in keeping with principles of good board governance. Ability to work with complex matters and multi-stakeholder processes in an international environment is required.

Other more specific skills and attributes should be more fully explored and consulted upon when other pieces of information are developed that will provide insights into the expectations of board members.

A strong working knowledge of oral and written English is a prerequisite. However, we agree that the Board should spend less time on debating the wording of a standard and more on strategy. This might require a change in due process acceptable to both members and oversight authority whereby the intent of a standard is approved at a meeting while subsequent wording is developed by staff without further debate or oversight. This will require a degree of trust in the quality of the process by all parties.

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?

Generally, we agree with the retention of the CAGs but believe that full consideration should be made when other pieces of information have been developed such as the public interest framework.

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

Task forces like the SSBs must continue to act in the public interest. We will respond more fully to this question when the public interest framework has been developed and is available for review.

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

We support a robust nominations process directed by a new nominating committee and multi-stakeholder compositions of the SSBs. We believe this can be best achieved through an open call nomination process with a clear emphasis on the necessity for appropriate and relevant technical expertise and experience to be achieved through a skills matrix. One approach to forming the new nominating committee would be to have an independent chair with three members appointed by the accountancy profession through IFAC and three members appointed by the MG.

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?

No, we do not agree. The PIOB should not have the authority to challenge the technical judgments made by the boards in developing or revising standards. With properly drawn mandates and processes, well-populated boards for standard setting and oversight supported by adequate staffing resources should be able to effectively maintain the line between what is due process and oversight versus standard setting. In our opinion, a fatal flaw veto or the challenging of technical judgments by the oversight body is inappropriate and should not occur in a functioning system with the need for same, indicative of greater concerns for process, roles and performance.

As stated previously, the public interest framework to be developed is also an important piece yet to be considered. We will respond to this question further when the public interest framework has been developed and is available for review.

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

Yes, we agree because we support an open call nominations process for a multi-stakeholder board directed by a new nominating committee where no specific organization has representation.

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?

We believe that the oversight should be provided by a multi-stakeholder board populated through an open call nominations process directed by a new nominating committee using a skills matrix. To be clear, we support a future oversight board that is not comprised only of Monitoring Group appointees and that is independent of a single stakeholder's control.

We believe that experience in oversight is fundamental. Knowledge of due process and dedication to the public interest is a requisite. Diversity of backgrounds is important as is diversity in keeping with principles of good board governance. Ability to work with complex matters and multi-stakeholder processes in an international environment is required.

Other more specific skills and attributes should be more fully explored and consulted upon when other pieces of information are developed that will provide insights into the expectations of oversight board members.

- 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?**

We believe that the oversight should be provided by a multi-stakeholder board populated through an open call nominations process, using a skills matrix, directed by a new nominating committee. To be clear, we support a future oversight board that is not comprised only of Monitoring Group appointees and that is independent of a single stakeholder's control.

- 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 (e.g. issuing educational standards and ethical standards for professional accountants in business) where they set standards in the public interest?**

We support public interest oversight of Audit and Assurance and Ethics for all professional accountants.

- 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?**

We are strongly of the view that a multi-stakeholder approach is required for the standard-setting process as a whole. It follows that we do not support that PIOB members should be appointed through the MG and we consider a multi-stakeholder formation through an open call nomination process to be in the public interest.

As noted previously, we support the establishment of a new nominating committee to conduct open call nominations processes for the SSBs and believe this should apply throughout the standard-setting process including in respect of the oversight function. We also received stakeholder feedback questioning the need for two layers of oversight being the MG and PIOB. The Canadian example referenced by stakeholders of a single oversight body for consideration in this regard would be that of the Auditing and Assurance Standards Oversight Council (AASOC) which is an independent, volunteer body that serves the public interest by overseeing and providing input into the activities of the Auditing and Assurance Standards Board (AASB).

- 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?**

We are extremely concerned that the implications of the concerns expressed in the Consultation Paper around Board staffing will make it very difficult to attract and retain staff while the uncertainties engendered by these questions exist. The inability to fill vacancies while uncertainty about job descriptions and Boards exists has the potential to limit the amount of work the current Boards are able to accomplish.

We agree that increased staff resources are required even under the current operating model. We expect that additional staff will also be needed for future efforts of more strategic boards seeking timely and relevant standards in an increasingly complex environment. The challenge of finding suitable candidates and the funding for extra positions should not be underestimated.

We believe that adequate and appropriate technical strength as it relates to technology and rapidly advancing innovations relating to business and commerce affecting the accounting profession including auditing is critical.

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

We believe that the administrative structure and support provided by IFAC, including employer of record to SSB staff, is reasonable and does not risk the responsibilities of the independent SSB to develop and establish standards, subject to robust due process, in the public interest. Practically speaking, providing staff benefits and insurance coverage will likely prove much more expensive if the pool of employees is restricted to only staff directly employed by the SSBs. The critical criteria are commitment to the standard-setting process in the public interest and evaluations and expectations developed by the independent SSBs.

We also believe that seconding staff with specific expertise can be very productive and useful in a challenging and dynamic environment. Similarly, we believe the critical criteria for seconded staff are commitment to the standard-setting process in the public interest and evaluations and expectations developed by the independent SSBs.

We support a talent management perspective that ensures independent SSB staff are executing upon their responsibilities and duties in the public interest notwithstanding an employer of administrative record on behalf of independent SSBs.

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

Assessing standards for implementation is critically important for encouraging support, timely adoption and also in identifying the challenges that may exist for implementation before a standard is finalized and pronounced. In some cases, support for implementation of new and significant international standards may be needed. We believe this may be an area for further consideration.

We are aware that efforts have been made to enhance the coordination of efforts by IESBA and the IAASB. We are fully supportive of this and believe that a formalization of the approach may be beneficial.

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)?

We support the efficient and effective use of funds for the development and adoption of international standards in the public interest. We believe the administrative infrastructure and support currently provided by IFAC would enable a platform from which to build diversified stakeholder funding over time, which we would support.

We are aware that the MG has spoken for many years about a concern that too much funding for the standard-setting process came from the accounting profession and that there was, therefore, a risk of perceived influence. We are also aware that IFAC has echoed this concern. At the same time, a viable alternative financial source other than the accounting profession has not been identified. We are concerned that the Consultation Paper suggests that such a source may now be possible without providing greater explanation and may lead those respondents and others who are not intimately familiar with the current challenges with the incorrect perception that there is a simple funding solution.

We recognize the risk of perception issues that can be a result of the accounting profession funding the SSBs and suggest that evolving the financial sustainability of the standard-setting process over time while continuing with the IFAC administrative infrastructure and support mitigates other obvious risks. It also would harness the proven track record established over many years of international support and engagement by stakeholders for the standard-setting process from which to prioritize the attraction and commitment of more diversified funding.

Going forward we believe that new and additional sources should be sought, enhanced, appropriate checks and balances can be put in place and that greater diversification of financial support can be achieved. Having said this, we strongly believe that any new suggested funding mechanism or source must be evaluated in the context of how it addresses and satisfies the risk of perception issues.

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?

As noted above, we support the efficient and effective use of funds for the development and adoption of international standards in the public interest.

We did not, however, find sufficient information within the Consultation Paper to understand or evaluate the proposal and could not establish how a contractual levy on the profession would be, in substance, seen as any different from the current process whereby IFAC provides money from the dues it levies on the accounting profession members. We therefore require further information about the mechanics of an international levy and how it would address and satisfy the risk of perception issues cited.

As previously stated, it is our view that the current administrative infrastructure and support currently provided by IFAC enables a platform from which to build diversified stakeholder funding over time, which we would support. Without the obvious risks of destabilizing the international standard-setting process for an unknown and unproven funding formula, we believe that additional funding mechanisms would be better developed through multi-stakeholder involvement with agreed to evaluation criteria and piloted from a stable platform.

We note that the funding mechanism for international accounting standards discussed at the London Roundtable has recently been changed and would encourage a detailed review of the experiences that could be gleaned from that reform. Ultimately, we believe that all standard-setting processes contain funding challenges.

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

The reforms set out in the Consultation Paper are incomplete and not expressed in sufficient detail to assess whether any matters have been omitted or ignored. Further, there are so many fundamental differences that might result from full and careful consideration of responses to this Consultation Paper that it is premature to comment on implementation. We would welcome future opportunities to do so when more is known.

27. Do you have any further comments or suggestions to make that the Monitoring Group should consider?

The Consultation Paper focuses upon audits for public issuers and concerns for capital markets. As noted in several of the Roundtables, Audit and Assurance standards also impact SMEs and the public sector which are critical sectors in Canada. We believe this initiative must be broadened to consider all sectors.

We also note that changes to the model and funding could have an impact on the International Public Sector Accounting Standards Board (IPSASB) and it is not evident within the Consultation Paper that this has been considered. Given the significance of governments and the public sector globally, it is our view that this initiative must address the IPSASB.

We believe that any transition work plan to implement changes arrived at through appropriate process and consideration must be supported by and include a multi-stakeholder team with necessary resources to effect the critical responsibilities inherent with change. We view this as necessary to achieve stakeholder buy-in and confidence that a credible result will be achieved.