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Monitoring Group Consultation: Strengthening the Governance and Oversight of the International Audit-Related Standard Setting Boards

We are pleased to respond to the Monitoring Group's consultation paper "*Strengthening the Governance and Oversight of the International Audit-Related Standard-Setting Boards in the Public Interest*" (the "Consultation"). The Canadian Auditing and Assurance Standards Board (AASB) is an independent body with the authority to establish auditing and assurance standards in the public interest for use by all Canadian entities in both the public and private sectors.

Oversight and setting of independent auditing and assurance standards in Canada

The current formulation of the oversight and setting of independent auditing and assurance standards in Canada has been in place since 2002. Since 2010, the AASB has adopted International Standards on Auditing (ISAs) and International Standards on Quality Control (ISQCs) as Canadian standards with minimal amendment. Our response to the Consultation is founded on our perspectives and experience as a standard setter that is respected among its global peers for the high quality and breadth of its standards that address the needs of a variety of stakeholders. The following summarizes key features of the Canadian system:

- The AASB's primary goal is to set high-quality auditing and assurance standards in the public interest that enable the profession to serve all types and sizes of entities (large or small, listed or unlisted, private sector, public sector or not-for-profit entities, and across industries). Public interest considerations permeate all AASB discussions. The AASB and its oversight body, the Auditing and Assurance Standards Oversight Council (AASOC), operate with a common understanding of what it means to act in the public interest, including how AASOC assesses whether the AASB conducts its activities with an appropriate focus on the public interest. This common understanding is reflected in AASOC's publication "What the Public Interest Means to AASOC".

- The AASB does not set ethical standards. Ethical standards are administered through a committee that oversees the ethical standards and processes of the Canadian Chartered Professional Accountant profession. A task force of that committee establishes independence standards for incorporation into the CPA Canada Code of Conduct of Professional Conduct for all professional accountants. Unless indicated, our response deals solely with the auditing and assurance standards setting board.
- The AASB comprises 14 members who are primarily practitioners representing the breadth of audit firm stakeholders (large firms; small firms, legislative auditors general). Members (except for the chair who is compensated) are volunteers and do not have technical advisors. Their competencies and experience allow them to operate both at a strategic and a technical level. The AASB is supported by experienced staff, and multi-stakeholder task forces and advisory groups.
- The AASB maintains a close working relationship with audit inspectors, prudential regulators and securities administrators and actively seeks and considers their input.
- The AASB's decisions to approve or withdraw a standard require approval of two thirds of all voting members, although the AASB does strive for consensus believing it is difficult to achieve standards set in the public interest that considers all stakeholders without near consensus.
- AASOC serves the public interest by overseeing the activities of the AASB. It also oversees the task force establishing independence standards.
- AASOC appoints its own members as well as AASB members. AASOC's members represent a diversity of views and include representatives of investors, audit inspection bodies, prudential regulators, securities administrators, auditors, academe, financial analysts, the legal profession, business and others. The current composition is approximately one third auditors, one third practitioners, and one third other stakeholders. A stakeholder matrix is maintained to achieve appropriate representation with the primary criteria being the individual qualities and abilities of the nominee and the nominee's ability to represent the public interest. Nominations are obtained through a public call process.
- AASOC's responsibilities include ensuring that due process has been followed in setting standards with reference to our public interest framework, overseeing the AASB's strategic planning process and providing input to the AASB in setting its priorities and work programs. AASOC is not involved in technical debates about specific standards. A member of AASOC observes all meetings of the AASB and reports on relevant observations via a written report to AASOC.
- The AASB Chair discusses all public interest matters at AASOC meetings during the development of standards. This discussion may include aspects of the AASB's due process which are considered and addressed during the course of the development of standards.

CPA Canada provides funding for the activities of the AASB and AASOC, including staff support. AASOC monitors the use and adequacy of volunteer and staff resources of the AASB. The terms of reference under which AASB and AASOC operate are structured to avoid any CPA Canada

influence over standards setting or oversight activities. In particular, CPA Canada does not participate in discussions at AASOC or AASB meetings nor the member nomination process.

This letter was developed and approved by the AASB independent of the views of AASOC, which has submitted a separate response to the Consultation.

The AASB's observations on the proposed reform process

The AASB strongly supports reforms to the standard setting structures but believes that such reforms should only be taken in a measured, fact-based, fully transparent and consultative manner that concurrently addresses all of the critical elements to the standards setting process. This is necessary to build confidence among all stakeholders in the reform process and lead to continued strong support for the adoption of international standards. To accomplish this, we believe the reform process needs to:

- include concurrent development of a public interest framework that considers all stakeholders affected by international auditing and assurance standards. We do not believe that an appropriate reform process can be completed without agreement with relevant stakeholders on the public interest framework;
- include concurrent development of a reformed oversight model that includes the relevant stakeholders affected by international auditing and assurance standards and avoids the risk of disproportionate influence by any particular stakeholder group. A model where the representation by stakeholder type at the oversight and standards setting boards is the same should be explored;
- understand and incorporate the elements of current standard-setting that work well. These include adherence to a robust, transparent due process; active involvement of practitioners and national standard setters in the process; broad solicitation and transparent consideration of input to proposals; and recognition that the standards need to be relevant for a broad range of stakeholders, large and small, listed and unlisted, private and public sector;
- take the time to carefully evaluate responses to this, and further more detailed consultations, before developing a plan for its reforms. Further plans should include a clear articulation of concerns raised during consultations and how these are addressed; and
- allow sufficient time for all stakeholders to adapt to the new structure and maintain the pace and quality of the current standard setting process during the transition.

AASB's overall comments on key recommendations

If undertaken in the context of the above comments, we are supportive of some changes proposed by the Monitoring Group to strengthen standard-setting and its oversight.

Boards: their number, remits, composition and roles

There should continue to be separate boards for setting ethics and auditing standards. We believe that a single board would have significant disadvantages: it may be challenging to find members with the appropriate skillsets covering both activities; and it may result in an imbalance of attention to the priorities of one board. We believe these challenges could result in less timely standards or lower quality and less relevant standards. We support closer interaction between the ethics and auditing boards.

The ethics board should set standards for all professional accountants. There is a risk the setting of ethical standards by two boards (one setting standards only for auditors and one setting standards for professional accountants in business) will create inconsistencies and duplication. We believe that IFAC should oversee the ethics board and that a common framework and source of ethical standards should be retained, which promotes transparency among all professional accountants.

All board members should be remunerated. Board members should be part time, other than the Chair. We believe that the current volunteer time commitment required of board members is a significant deterrent for non-practitioners or small firm practitioners to participate on an equal footing with large firm practitioners.

The boards should reflect a balance of strategic and technical expertise. We believe all board members should actively participate in all discussions irrespective of whether those discussions are strategic or technical in nature. To avoid the potential that important technical debates take place wholly outside board discussions, we believe it is important that the boards have an appropriate level of technical expertise. However, we also recognize that the boards should not engage in extensive technical drafting of standards.

The boards need to be sufficiently large to represent a broad range of stakeholders and geographies. The Consultation proposes that the multi-stakeholder boards should be drawn from three groups – users, regulators and auditors. We believe that focusing on only three groups unnecessarily narrows the full range of stakeholders as it ignores, for example, national standard setters such as the AASB which have an important perspective to bring to board discussions given their extensive experience with standard-setting, inspection and application issues and the adoption process. We believe that board composition should also include stakeholders involved with unlisted, non-complex, public sector and small entity users and auditors. Not doing so risks that the public interests related to these sectors are not appropriately considered and balanced in the standard-setting process.

We believe that a 2/3 majority is necessary for approval or withdrawal of standards. It will be important when consensus is not reached to consider whether stakeholders should be further consulted, particularly when changes from the version of the standard initially exposed have been significant. We believe that a simple majority approach may result in significant concerns

being raised during exposure that will remain unaddressed or that will need to be addressed through re-exposure. There also may be less global acceptance of standards when there are significant pockets of disagreement with standards. Lastly, a simple majority approach may lead to certain stakeholder representative groups on the boards being more easily voted down which may not be in the public interest.

Board staff

We agree that there should be an expanded permanent technical staff to support the boards but do not agree with the view expressed in the Consultation that resources in the current model are not sufficiently independent of the audit profession to set standards in the public interest. We believe the permanent staffing model should be supported by technical secondments where necessary.

Process considerations

The boards need to explore different approaches to projects to improve timeliness of standards but should not do so at the expense of a transparent and robust due process which allows input from all stakeholders and an appropriate balancing of stakeholder needs in the public interest. The boards need stronger processes to better assess potential implementation risks and responses to ensure that these are addressed in much closer proximity to the effective dates of standards. The boards need a more robust post implementation review process to ensure that standards come under review promptly when needed. We believe that building stronger relationships with national standard setters and collaborating with them more closely could help support the early identification of implementation issues and the need for changes to standards. The boards also need resources to conduct research activities outside of day-to-day board agendas to support the strategic direction of the boards.

Oversight

The activities of the boards should be overseen using an appropriate public interest framework by a strengthened, more transparent, oversight body which should not be involved in technical debate of standards. Such a framework needs to balance the potentially different public interest perspectives that may exist across the broad range of stakeholders of the standard-setting process and not be unduly influenced by any one perspective.

We believe that stakeholder representation in the governance and oversight process should mirror the more diverse standard-setting board composition.

Funding

We support the Monitoring Group exploring alternatives that will provide an efficient and stable funding model supported by relevant stakeholders. We believe that many of the options being considered will result in increased funding demands. It therefore seems important that funding needs be quantified and sources be identified as key initial steps before reforms are finalized.

Concluding comments

The AASB is committed to adopting international standards when they meet the needs of Canadian stakeholders. To date, the AASB, AASOC and our stakeholders have found this to be the case. We agree that improvements are required to the existing system and believe that the following key features should be retained going forward:

- Standards should remain principles based and scalable to promote global adoption.
- Standards need to be capable of application across a wide range of entities, whether they are large or small, listed or unlisted, private sector, public sector or not-for-profit entities, and across industries.
- The profession needs to be heavily involved in standards development to ensure the participation of individuals who are knowledgeable and experienced in performing services to which such standards apply. Insufficient involvement of practitioners may result in standards that are not operational.
- National standard setters such as the AASB need to have appropriate access to participate in the standard-setting process. Their involvement is critical to the development, acceptance and application of standards at the jurisdictional level.

The Appendix includes our responses to specific questions.

We hope that you will give due consideration to our comments. If you have any questions or require additional information, please contact me or the Director of the AASB, Eric Turner at (416) 204-3240 or eturner@asbcanada.ca.

Yours very truly,



Darrell Jensen FCPA, FCA
Chair, Auditing and Assurance Standards Board (Canada)

c.c. Canadian Auditing and Assurance Standards Board members

APPENDIX: RESPONSES TO CONSULTATION QUESTIONS

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 believe the key concern is the relevance and timeliness of the standard-setting process. While we acknowledge that there may be a perception that there is undue influence by the profession in standard setting today, we believe that concerns about the implications on the quality of the standards themselves are overstated. We believe that the current standards have had broad adoption to date due to the robust due process employed by the IAASB and the significant contributions from varied stakeholders, including talented individuals in the profession directly involved on the boards who work to bring their personal perspectives to the standard setting process irrespective of the source of funding or the views of their supporting organizations.

The existing standard-setting process also recognizes the fact that the majority of audits that are conducted globally today are not just audits of listed entities but include private sector, public sector and not-for-profit entities.

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 are generally supportive of the guiding principles.

We believe that the following key elements of the current standard-setting process need to be reflected in the principles:

- Standards should remain principles based and scalable to promote global adoption.
- Standards need to be capable of application across a wide range of entities, whether they are large or small, listed or unlisted, private sector, public sector or not-for-profit entities, and across industries.
- The profession needs to be heavily involved in standards development because of the need for individuals who are knowledgeable and experienced in performing services to which such standards apply. Insufficient involvement of practitioners may result in standards that are not operational.
- National standard setters such as the AASB need to have appropriate access to participate in the standard-setting process. Their involvement is critical to the development, acceptance and application of standards at the jurisdictional level.

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?

Any public interest framework that is developed needs to reflect the perspectives of all stakeholders. The framework should incorporate the need to analyze and balance negative and positive potential outcomes for stakeholders. There is both a quantitative and qualitative aspect of this assessment.

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 support a single board for ethical and auditing standards. We support separate boards.

- It is not clear from the description of the concerns the Monitoring Group is attempting to address how a single board addresses the issues raised.
- A single board could result in a slowing down of the process and, the quality and relevance of the standards.
- It may be challenging to find members with the appropriate skillsets covering both activities.
- It has not been demonstrated how a single board would bring the right expertise to the pertinent issues.
- We believe that auditing and ethics standards are sufficiently complex and separable that the challenges in a single board overseeing such standards would be significant.
- There is the potential that the agenda for a single board could lack balance with more attention being placed on standard setting for one set of standards over the other.
- We recognize that there needs to be closer interaction between the ethics and auditing boards. We support recent actions undertaken by IESBA and the IAASB to enhance strategic and technical coordination to identify and resolve issues that affect both their respective standards. We believe that this coordination needs to be continually strengthened.

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?

Yes. We believe that responsibility for the development and adoption of educational standards and the IFAC compliance program should remain a responsibility of IFAC. This is an appropriate function to be undertaken by the profession.

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

We believe that ethical standards for professional accountants in business and auditors should be the remit of one board.

- There is a risk that if the setting of ethical standards is split into two different boards, one setting standards only for auditors and one setting standards for professional accountants in business, that there will be inconsistencies and duplication.
- We believe that IFAC should oversee this board as we believe that a common framework and source of such ethical standards and requirements should be retained. Doing so would promote transparency of ethical requirements among all professional accountants. Preparers would be more likely to understand any differences in ethical

requirements applicable to auditors which would help to support and reinforce the overall ethics model among professional accountants.

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.

As we have noted in our covering letter, we believe that proposals for reform of the standard-setting boards should only be undertaken concurrent with development of a public interest framework that considers all stakeholders affected by international auditing and assurance standards and development of a reformed oversight model that includes the relevant stakeholders affected by international auditing and assurance standards and avoids disproportionate influence by any particular stakeholder group.

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 believe the focus of the board should be an appropriate balance between strategic and technical activities.

- To avoid the potential that important technical debates take place wholly outside board discussions, we believe it is important that the boards have a deep level of technical expertise. However, we also recognize that boards should not engage in extensive technical drafting of standards.
- Practitioners from large network firms bring technical expertise together with their experience working with preparers, those charged with governance and regulators. We believe that the board should include members of the auditing profession for this purpose.
- We expect that all board members will actively participate in all discussions irrespective of whether those discussions are strategic or technical in nature.

We support remunerating board members.

- We believe that the current volunteer time commitment required of board members is a significant deterrent for non-practitioners or small firm practitioners to participate on an equal footing with large firm practitioners.
- We believe that remuneration should be sufficient to attract the same level of high quality talent as is nominated to the IAASB today. Compensation levels should be consistent with similarly qualified personnel among preparers, the profession and regulators.

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

We believe that the approval or withdrawal of standards should require a 2/3 majority.

- We believe that a simple majority would result in a significant risk that standards would not be set in the public interest recognizing the varied and sometimes competing public interests that the standards serve.

- It will be important when consensus is not reached to consider whether stakeholders should be further consulted, particularly when changes from the version of the standard initially exposed have been significant.
- We believe that a simple majority approach may result in significant concerns being raised during exposure that will remain unaddressed or that will need to be addressed through re-exposure.
- There also may be less global acceptance of standards when there are significant pockets of disagreement with standards.
- Lastly, a simple majority approach may also lead to certain stakeholder representative groups on boards being more easily voted down which may not be in the public interest.

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 believe the boards should be sufficiently large to represent a broad range of stakeholders and geographies.

- The Consultation proposes that the multi-stakeholder boards should be drawn from three groups – users, regulators and auditors. We believe that focusing on only three groups unnecessarily narrows the full range of stakeholders as it ignores, for example, national standard setters such as the AASB who have an important perspective to bring to board discussions given their extensive experience with standard-setting, inspection and application issues and the adoption process.
- We believe that board composition should also include stakeholders involved with unlisted, non-complex, public sector and small entity users and auditors. Not doing so risks that the public interests related to these sectors are not appropriately considered and balanced in the standard-setting process.
- Board members should be recognized by their peers as having a reputation for working collaboratively to find solutions that work well in an environment where there are competing interests and should be recognized as consensus builders.
- Board members should have deep technical knowledge given their important role in ensuring that standards are developed in the public interest.

Apart from the role of Chair and Vice Chair, if there is one, we believe that all other members should contribute an equal amount of time.

- We believe that members other than the Chair should be part time members in order to allow them to have other commitments that can inform their views and help them stay current.

We believe that a board of 12 members will be too small to enable proper stakeholder and geographic representation from a variety of stakeholders and to cover the skills required.

The current board size likely needs to be retained.

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

See response to question 10.

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?

We believe that the entire oversight structure should be redesigned to achieve representation from the broad range of stakeholders, similar to that proposed for the standard setting board and that this redesign should take place at the same time as the reforms to the standard setting board. If a multi-entity oversight structure is retained, each body should have multi-stakeholder representation without the ability of any one stakeholder group to dominate its decision making process.

We believe that the role of the CAG may need to be revisited if the PIOB and standard setting boards move to multi-stakeholder representation and operate in accordance with an appropriate public interest framework.

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

Task force members should be subject to the public interest framework.

- Members of task forces should be selected from experts with subject-matter expertise, not necessarily from the board.
- The quality of task force work will be at risk unless it includes practitioner members who can guide development of materials that recognize operational challenges and identify workable and effective solutions.

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

We believe that if the composition of the PIOB is reformed to have a broad stakeholder focus then it may be appropriate for the PIOB to administer the nominations process.

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?

We support the strengthening of the governance and oversight process to serve the public interest. However, we have concerns about several elements of the proposals in the Consultation.

The governance and oversight process of the PIOB needs to be adjusted at the same time as changes are made to the standard-setting process.

- To not undertake a reorganization of the governance and oversight process results in a similar risk of standards setting being subject to undue influence by one stakeholder.

- We believe a key risk of the current proposal is an imbalanced emphasis on the desire for standards changes from listed entity regulators, to the detriment of stakeholders of unlisted entities. This could have significant adverse consequences for developing economies and the majority of audits that are conducted globally today which are audits of unlisted entities.

We agree that the PIOB should provide regular and transparent feedback to the standard-setting boards on its views about the public interest.

We do not agree that the PIOB should be able to veto a standard or challenge the technical judgements made by the board in developing or revising standards.

- With a more strategic board focus and board composition that will be more representative of stakeholders of auditing and assurance standards, the PIOB's oversight role should be focused solely on the boards' strategic and operating plans and adherence to due process, all from a public interest perspective.
- The PIOB should have the ability to challenge the board when it observes that the due process established by the standard setter has not been followed or that there has not been proper regard for the public interest in the standard setting process. Determination of what is in the public interest necessarily requires a weighing of the sometimes conflicting public interests which is first and foremost a responsibility of the standards setting board.
- We expect that in a well-functioning structure working within an appropriately developed public interest framework following a robust and transparent due process, any issues the PIOB identifies during the course of overseeing the standard-setting process should be dealt with and resolved by timely interaction and discussion with the boards. Examples of actions the PIOB could require that the board undertake when matters of disagreement are encountered could include:
 - requesting more information on how a position was reached to understand how the board's actions are in the public interest within the remit of the board's responsibility, or
 - requesting further stakeholder consultation be undertaken and assessed.

We agree that there should be a public interest framework and believe it needs to be developed and refined following an appropriate consultative and transparent process at the same time the overall reforms at the board level are being considered.

- Such a framework needs to balance the potentially different public interest perspectives that may exist across the broad range of stakeholders of the standard-setting process and not be unduly influenced by any one perspective.

We believe that the activities of the PIOB need to be more transparent than they are today given the importance of their role.

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

We are unable to reach a conclusion on whether IFAC should have the power to nominate a member of the PIOB until there is a clearer picture of the meaning of the Public Interest and

the proposed composition of the PIOB and the nomination process itself.

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 composition of the PIOB should be similar to the multi-stakeholder make-up of the board structure.

- Such composition should not be limited to regulatory involvement, to provide confidence to all stakeholder groups that the standards are set in a manner that balances the various public interests of the broad users of auditing and assurance standards and to support voluntary adoption of standards.
- There needs to be adequate involvement of practitioners in the oversight role to be able to provide insights into whether standards will be workable.

The PIOB members should have experience that includes similar exposure to the accounting and auditing profession as the boards but with oversight experience.

- These individuals have the ability to understand aspects of the technical challenge that is attempting to be resolved in standards projects and be able to stand back and objectively assess the often competing public interests that the boards will need to address in their standard setting activities.

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 PIOB members should be identified through an open call for candidates similar to the approach for appointment of board members. We also believe that the PIOB should become a multi-stakeholder board in which case it would have broader representation than it does today.

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?

The PIOB should continue to play its governance and oversight role for both auditing and ethics standards (both ethical standards for auditors and ethical standards for professional accountants in business). We do not believe that the PIOB needs to oversee education standards.

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 believe that the entire oversight structure should be redesigned to achieve representation from the broad range of stakeholders, similar to that proposed for the

standard setting board and that this redesign should take place at the same time as the reforms to the standard setting board. If a multi-entity oversight structure is retained, each body should have multi-stakeholder representation without the ability of any one stakeholder group to dominate its decision making process.

It is unclear what oversight role the Monitoring Group would play in an environment where the PIOB and standard setting boards have appropriate multi-stakeholder composition and operate in accordance with an appropriate public interest framework.

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 strongly support the strengthening of the staff resources for the boards while at the same time believing that the existing structure has also resulted in standards being set in the public interest.

- We observe that the current model appears to be significantly under-resourced.
- The skillsets of the staff who would support the boards need to initially be professionals who are recognized as having strong technical skills in recently conducting assurance engagements.
- Recruited staff need to be of a high caliber if they are to replace the current volunteer resourcing model.
- Staff competencies may need to be enhanced if staff are to take leadership roles in projects, including chairing task forces of subject-matter experts.

We support consideration of the use of technical secondments.

- We believe that a model that involves both full-time staff and technical secondments may be conducive to enabling the boards to maintain a consistent level of technical support through periods of staff turnover. We understand that bodies such as the SEC use secondments successfully.
- Project-specific or short-term technical secondments may also be appropriate for projects requiring specialized subject-matter expertise.
- There will be a need for strong onboarding processes to allow outside resources to slot into staffing roles efficiently and effectively.

The Consultation does not address the nature and extent of use of task forces and how they would operate.

- Staff need to be supported by strong task forces of volunteers with subject matter and auditing and assurance expertise.
- Having task force chairs who are not members of the boards may enhance the independence of the standard-setting process.

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

We believe that this suggestion would work. We also observe that the model we employ in

Canada whereby CPA Canada facilitates the recruitment, many aspects of professionals' development and human resources 'back office' functions works very well. Leveraging this infrastructure is an efficient approach to attracting and maintaining high quality resources and allows the Board to focus on standard setting. Under this alternate model the Board could maintain responsibility for input into the hiring process and all aspects of performance evaluation activities.

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

We support a review of board processes. There is an opportunity to improve process through careful study of existing processes, combined with board members who have more capacity to take a strategic approach to standard setting to make improvements to due process.

- We believe that the IAASB has struggled to move forward a number of important initiatives to improve audit quality while at the same time having sufficient focus on important environmental developments that are critical to the relevance of standards today and going forward.
- We believe that a significant contributor to this has been the absence of a sufficient full time complement of staff resources to undertake appropriate research and advise the board on these important matters.
- While the setting of quality standards does take time, a stronger focus of staff on timely response to practice and inspection issues as well as emerging developments would help to produce standards that more timely address the needs of stakeholders.

Following are selected observations that may be helpful:

- Project agendas may need to reflect a more balanced public interest view. We believe that the emphasis given to important observations from global audit inspectors is appropriate but note that the resulting standard setting response does not sufficiently consider the impact on the other unlisted entity stakeholders who use and rely on auditing standards.
- There are opportunities to explore different approaches to addressing identified standards issues, for example through annual improvements or by short duration, interim fix projects.
- The boards need stronger processes to better assess potential implementation risks and responses to ensure that these are addressed in much closer proximity to effective dates of standards.
- The boards need a more robust and timely post implementation review process to ensure that standards come under review promptly when needed.
- We believe that building stronger relationships with national standard setters and collaborating with them more closely could help support the early identification of implementation risks and the need for changes to standards.

- The boards also need resources to conduct research activities outside of day-to-day board agendas to support the strategic direction of the boards.

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 Monitoring Group exploring alternatives to the current funding model.

We believe that many of the options being considered will result in increased funding demands. It therefore seems important that funding needs be quantified and sources be identified as key initial steps before reforms are finalized.

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?

We support the Monitoring Group exploring alternatives to the current funding model and believe this should explore models that are outside of the profession.

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

See covering letter section “The AASB’s observations on the proposed reform process”

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

See covering letter section “The AASB’s observations on the proposed reform process”.