

Section 1 Key areas of concern in the current standard-setting model

1. Do you agree with the key areas of concern identified with the current standard setting model?

We do not agree that there is no evidence that existing standards have not been developed in the public interest.

We believe that the current model has significantly contributed to promoting quality in audit and assurance engagements globally. Developing standards of interest requires disclosure and public consultation to obtain contributions from all stakeholders and take into account their points of view and needs.

Are there additional concerns that the Monitoring Group should consider?

The role of PIOB and its evolution in recent years, where its responsibility for supervision includes the intervention capacity is one more indication of the flaws in the current standard setting model.

Section 2 Guiding principles

2. Do you agree with the overarching and supporting principles as articulated?

We agree with all the overarching and supporting principles. We agree with these principles except for “independent” principle. We also believe that the description of “relevant” should be described in greater depth.

Are there additional principles which the Monitoring Group should consider and why?

Yes, please note our following considerations:

- *Conducted in accordance with due process.*
- *Balanced regarding its funding model and representation*
- *Sustainable with regard to its funding model*

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 suggest to modify the wording on page 4 of the Consultation Paper, which includes the objective of auditing standards. We believe that auditing standards are not and should not be designed to prevent failures. Also, auditors should not carry out with such responsibility due to the inherent of its audit or assurance work.

Section 3 Options for reform of the standard-setting boards

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 support a single independent Board that has responsibility for:

- A single set of auditing and assurance standards that apply to audits and assurance engagements of all entities; and
- A set of ethical standards that apply to professional accountants in public practice.

However, under such an arrangement, it will be important for protocols to be established that facilitate structured coordination between the single Board and the separate ethics standards board. The objective of this coordination should be that the foundational ethical principles are consistent for all professional accountants.

The explanation of our reasoning is described as follows:

- Experiences of IAASB and IESBA coordination evidence the barriers that two separate boards with remits related to auditors and accountants in public practice are likely to face. These barriers occurs as absolute coordination is not capable of being achieved due to separate memberships, strategy and work plans, and due process procedures.
- A single Board, with a common mandate, will be well-positioned to deliberate the assurance and ethical implications of an issue concurrently, which should result in the Board coming to a common (if not consensus) position that can be reflected concurrently in both the assurance and the ethical standards

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 agree that responsibility for the development and adoption of educational standards can remain a responsibility of IFAC. We agree that developing skills and competencies of auditors is fundamental to quality and that such development is a key responsibility for the profession.

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

Yes, we agree that IFAC should retain responsibility for the development and adoption of ethical standards for professional accountants in business. However, we also believe that it is critical to the fundamental integrity and credibility of the profession for all professional accountants to be subject to the same foundational ethical principles.

The reasoning for our view is:

- The restructured IESBA Code provides a solid foundation of ethical standards for all professional accountants through its fundamental principles and conceptual framework; this foundation can be retained by both boards.
- A single Board for auditing, assurance and ethical standards can be nimble in setting its project agenda to respond to the priorities set forth by its stakeholders.

- 7. Do you believe the Monitoring Group should consider any further options for reform in relation to the organization of the standards setting boards? If so, please set these out in your response along with your rationale.**

No additional further options to comment.

- 8. Do you agree that the focus of the board should be more strategic in nature? And do you agree that members of the board should be remunerated?**

Yes, we agree that the focus of the Board should be more strategic in nature; however, in order for the Board to operate in this manner, this will require a staff with much more experience in the development of technical standards.

We also agree that the members of the Board should be remunerated on a market-comparable basis. Further, providing remuneration for Board members is likely to enable the Board to attract the highly-experienced and qualified members who otherwise may not choose or be able to serve on the Board.

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

No, we disagree with the proposal of the Board adopting standards on the basis of a simple majority.

Achieving consensus is important to setting high-quality standards in the public interest. However, we agree that requiring unanimity is impractical.

Adoption of a standard should occur when the Board determines that the standard meets the objectives of all stakeholders, including that it is capable of practical implementation. Based on the proposed composition of the Board and its division into three stakeholder groups, we recommend a two-thirds majority vote as well as a requirement that those in favor of the standard must include at least one member from each of the three stakeholder groups.

- 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 support a single independent Board comprised of multi-stakeholder representation that is equally divided into the three groups as proposed in the Consultation Paper. Also, we support an equally proportionate number of full-time and part-time members.

We believe that the standard-setting process, and a more strategic Board, would significantly benefit from the creation of a technical advisory group as well as continued consultative advisory and outreach functions.

We support the proposal for members to be drawn from a diverse group of countries and backgrounds. In particular, we believe that gender diversity, as well as diversity in industry and organization backgrounds are important.

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

The Board members should be highly knowledgeable in the disciplines relevant to the mandate of the Board. Also, the Board members should have demonstrated leadership and stature in their respective

stakeholder communities. All Board members need to have sufficient subject matter competence to be able to:

- Understand the issues at hand
- Make informed strategic decisions
- Take into account the input of technical or other advisory groups, as well as the results of any outreach

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 support retaining the concept of a consultative advisory group (CAG) in order to obtain broader stakeholder input and feedback on a timely basis during the standards development process. However, we believe the remit and membership of the CAG should be changed.

The current role of the CAG has become integrated into the due process procedures of the current standard-setting boards, such that CAG sign-off is required before the Boards can vote on project proposals, exposure drafts and final standards. This inflexible process can result in unnecessary delays in the standard-setting process and also takes an amount of time that we believe is disproportionate to the due process benefits received.

We recommend the following:

- Changing the composition of the CAG to be from organizations or specific segments of stakeholder groups that are not represented in the Board, Monitoring Group or PIOB.
- Streamlining the CAG processes to be commensurate with the due process benefits to be gained from this advisory function.

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

We cannot comment on the suitability of the public interest framework or the extent to which it may apply to task forces until its development and release for public consultation. Nevertheless, we do have views on the appropriate role and responsibilities for working groups and task forces.

First, all project development should be led by highly experienced staff who work at the direction of the Board and are accountable to the Board. With an expanded technical staff as recommended in the Consultation Paper, there should also be the opportunity for projects to have a team of supporting staff, which should reduce the need for working group assistance due to project workload alone. Working groups and task forces should be assembled when necessary to support staff in project development.

For some projects, consultation with the advisory functions by the staff team assigned to a project may be sufficient to support staff understanding and analysis of the relevant issues. For other projects, the assembly of a working group or task force may be needed to assist staff throughout the project, particularly for projects of increased complexity or that are in need of specific subject matter expertise that is not resident within the staff.

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

Yes, we agree with the proposal for the nominations process to be administered solely by the PIOB, the comments of this expressed in our response to question 15.

We also agree that the current process should continue in this manner. We also believe the objective of the nominations process has to be to achieve multi-stakeholder Board representation that comprises Board members who have demonstrated leadership and stature in their respective stakeholder communities and do not narrowly represent the perspective of their respective jurisdictions.

Section 4 PIOB Role

15. Do you agree with the role and responsibilities of the PIOB as set out in this consultation?

No, we do not agree with the role and responsibilities of the PIOB as set out in this consultation.

In our view, reforming the role and responsibilities of the PIOB is key to the success of the standard-setting reforms and earning the confidence of all stakeholders in the process itself.

Should the PIOB be able to veto the adoption of a standard, or challenge the technical judgments made by the board in developing or revising standards?

No, we do not believe that the PIOB should be able to veto the adoption of a standard, or challenge the technical judgments made by the Board.

We believe it is the PIOB's role to monitor due process throughout the lifecycle of the Board's process and raise questions on a timely basis whenever there are indications that the Board may not have observed or acted in accordance with due process in the public interest.

Are there further responsibilities that should be assigned to the PIOB to ensure that standards are set in the public interest?

Importantly, we do not believe that the PIOB's role should be limited to oversight of due process. In fact, if the standard-setting boards are moved into a new independent organization, we believe that it will be critical for the PIOB (in the form of a successor body) to have broad governance responsibilities beyond that which are contemplated in the Consultation Paper.

In our view, it would be appropriate to redesign the oversight body as a trustee body (similar to the International Financial Reporting Standards' Foundation Trustees) serving as the guardian of the model and its effectiveness. It should:

- Oversee the operations of the Board, and its new supporting organization, including managing funding and approving the budget of the Board
- Make appointments to the Board

- Monitor the effectiveness of the design and operations of the Board, including whether it continues to meet needs and expectations of all key stakeholders, and recommend amendments as needed
- Act as the advocate for the Board, reassuring stakeholders it is operating appropriately, and building confidence in the standard-setting process and the standards that result from it, thereby monitoring and positively influencing adoption
- Oversee due process in order to hold the Board to account, including responsibility for evaluating the performance of the chair and members of the Board

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

We do not object to the removal of the right for IFAC to appoint a representative to the PIOB. However, we would not support prohibiting IFAC, or any organizations associated with the audit profession, from nominating candidates for PIOB membership.

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?

In addition of our response to question 15, we believe reform of the composition of the PIOB is also needed. In particular, the reformed PIOB should serve as the guardian or trustees of the standard-setting model on behalf of all stakeholders, which means that the membership of the governance body itself should consist of the same multi-stakeholder representation as the Board (i.e., the same three groups: (i) users: including investors, preparers, academics and those charged with governance, (ii) regulators: including audit, securities supervisors and enforcers and prudential regulators, and (iii) auditors).

In our view, PIOB access to IFIAR – who are regulators and not auditors - is not an adequate substitute for having current practitioner expertise resident in the PIOB (or its successor) itself.

All members of the PIOB (or its successor) need to possess recognized skills, experience and knowledge relevant to audit and ethical standard-setting in order to underpin the public confidence in the oversight process.

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?

The process to identify individuals for appointment to the PIOB should involve an open and transparent nomination process, in which any party is able to nominate individuals, who meet the appropriate criteria, to become members of a PIOB.

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 do not believe that. However, the activities of these boards should be closely coordinated with the new Board in order to avoid conflicts or unnecessary inconsistencies in requirements that are, or should be, applicable to all professional accountants.

Section 5 Role of the Monitoring Group

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 agree with the responsibilities that have been identified in the Consultation Paper for the body charged with oversight of the standard-setting model as a whole (currently the Monitoring Group).

We believe the Monitoring Group needs to give deliberate consideration as to how to involve representatives from other stakeholder groups in this oversight function.

In addition, we believe there is a need for structured coordination with IFAC in order to gain input and perspective from those in the audit profession that commit to adopt and use the international standards.

Finally, in order to increase transparency, we suggest that appointments to the Monitoring Group, the roles and responsibilities of the Monitoring Group, minutes of meetings and documentation of decisions relating to the oversight of the standard-setting process be made public.

Section 6 Management, including staff for the standard-setting boards

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?*

Yes, we agree that a single Board with a strategic focus would need to be supported by an expanded professional technical staff. We also agree that this will require a significant increase in permanent technical staff in addition to the use of secondments or a Professional Fellowship program to expand capacity when necessary based on the project volume or the need for specialized knowledge or expertise. We support the proposed secondment model or a Professional Fellowship program as appropriate means to drive cost-effectiveness, while increasing the ability for staff technical skills to remain up-to-date and market-focused.

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

We agree that the composition of the technical staff would be optimized by including a mix of permanent staff as well as shorter-term seconded staff. We recommend further consideration be given as to how, practically, a model of direct employment, evaluation and compensation of the staff by the Board would be operationalized.

Section 6 Process considerations

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

Establishment of a Technical Advisory Group (TAG)

In our view, creation of a TAG, would have the following benefits:

- *Ensuring the technical robustness of the standards, and reducing practical implementation challenges.* A technical advisory group can provide technical input and challenge during project development, which would reduce the need for time-intensive outreach for the purposes of obtaining technical expertise. It can also reduce the nature and extent of adverse feedback contained in comment letters during the exposure process.
- *Increased ability to timely respond to market-pressing issues and innovations in assurance services.* The ability to appropriately respond to these issues on a timely basis requires insights of specialists in the related topic or field throughout the standards development process.

We recommend that consideration be given to the structures used by the IASB in determining an appropriate model for the TAG(s).

Section 7 Funding

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 disagree with the Monitoring Group that appropriate checks and balances can be put in place to mitigate any risk or perceived risk to the independence of the Board as a result of it being funded predominantly by the audit firms or accountancy profession. We do not believe that the fact that the funding is collected and disbursed by the PIOB or any new foundation will eliminate this risk or perception of undue influence.

Our support for and willingness to fund a new standard-setting model depends on the core principles of:

- Distinct and separate roles for oversight and standards development – governance should oversee the model and due process, but not intervene in the technical debate
- Participation of all relevant stakeholders at both the oversight and standard-setting levels
- A pathway to broader-based funding within a foreseeable timeframe

We expect that the reformed standard-setting model will involve significantly increased costs from the current model, in particular related to the creation of an organization independent of IFAC that includes compensated Board members and a significantly expanded professional staff.

The Monitoring Group should not assume that the current significant in-kind contributions from audit firms will no longer be “costs” that the firms will need to bear in supporting the new model, and therefore are a source for cash contributions under the new model.

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?

No, we do not support it. The imposition of said levy is opposite to the importance of an independent standard-setting model. Therefore, there is no a specific period we recommended.

In evaluating funding options, the focus should be how the commitments for continued jurisdictional use of the standards will be secured and maintained in the future, including regulatory requirements for their proper use.

Section 8 Open questions

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

No additional matters to comment.

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

No additional matters to comment.