



February 9, 2018
ASBA/SG/034/18

Mr. Ashley Ian Alder
Chair
International Organization of Securities Commission
Spain

Dear Mr. Alder:

Ref.: Strengthening the Governance and Oversight of the
International Audit-related Standard-setting Boards in
the Public Interest, Consultative Document

On behalf of the Association of Supervisors of Banks of the Americas, I am pleased to submit for the Board's consideration the comments made by several of our Associate Members and the Secretariat General to the document of reference.

Sincerely yours,

Rudy V. Araujo Medinacelli
Secretary General

Att.: ASBAs Response on Consultative Document - Strengthening the Governance

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I. Introduction

The Monitoring Group (MG) issued the consultative document “Strengthening the Governance and Oversight of the International Audit-related Standard-setting Boards in the Public Interest” to propose several options for the reform of the standard-setting model. These options cover possible reforms of the standard-setting boards, including their compositions, roles, and nominations processes. These tentative reforms also propose adding a set of functions to the Public Interest Oversight Board (PIOB), modifying the role of the MG, and increasing the Board staff and its functions. Also, the document outlines some processes and characteristics that the PIOB should implement or adopt, accompanying specific questions per reform proposal.

The members of the Association of Supervisors of Banks of the Americas (ASBA), have reviewed the Consultative Document and what follows summarizes their views and recommendations.

II. General Comment

1. The Association finds that the proposed reform options are sound. However, it would appreciate the Group’s attention to the following particular responses.

III. Responses to 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?**

The Association agrees with the key areas of concern identified. Albeit, some of its members expressed the concerns contained in the following questions, and for which the organization would appreciate the MG’s consideration.

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 agree with the overarching and supporting principles as articulated and do not propose additional principles that the MG should consider.

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?**

The Association proposes the following issues: (i) The consultation process of a proposed standard should explicitly identify key stakeholders, to request, and consider their opinion; (ii) Standards’ proposals should be written to facilitate their comparison with current standards as well as their proper interpretation. Attention to these two issues would increase the public’s perception that the standards are developed to represent the public’s interest.

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.**

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The Association supports the retention of separate boards. Under this arrangement, single stakeholders have fewer chances of exerting undue influence on the standard-setting process. Moreover, potential members of the boards may have expertise in some but not all relevant areas. The retention of separate Boards would require work on enhancing the coordination mechanisms between them.

- 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?**

The Association agrees with IFAC's current role's retention.

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

Yes, IFAC should retain its responsibilities over development and adoption of ethical standards for auditors and accountants to avoid creating uneven requirements for either one.

- 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.**

No, the Association does not propose further options for reform.

- 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?**

The Association agrees with both proposals. A board's role shall be more strategic in nature, allowing for a clear division of responsibilities with the executive and operative functions. Also, even though an institution like IFAC shall secure expert and committed support for its Board, whatever remuneration for its members should be commensurate to the level of effort and the activities requested from them.

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

The Association agrees with the concept of a majority for the adoption of regular administrative and operative resolutions; however, it would favor a higher requirement (e.g., two thirds) for the adoption of standards.

- 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's 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?**

The Association agrees with that minimum number as well as with allowing for both full time and part time members. An element to consider in the diversity requirement shall be geographical representation. This way, not only would corporate stakeholders could be represented but also important regional bodies.

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

The skills and attributes that board members should have are practical technical knowledge of international standards and standard setting methods; a high level of expertise on the scope of work of IFAC; extensive experience in the promotion of the public interest; and a record of transparency and integrity. At a more general level, board members should be forward-looking.

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?

The Association agrees to retain the concept of a CAG with the current role and focus.

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

The Association agrees with the concept and requirement of adherence to the public interest of any workstream or task force used to carry out detailed work.

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

The Association agrees that the PIOB should manage the nominations process. However, the power of IFAC to suggest candidates should remain in place.

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 judgments 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?

The Association agrees with the proposed role and responsibilities of the PIOB.

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

The Association does not agree with the proposal. Being a technical unit, the IFAC should have presence in the PIOB.

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 Association does not have additional suggestions about the composition of the PIOB. Members of the PIOB should have basic theoretical knowledge about auditing, whether they are practitioners or not.

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 Association believes that PIOB members should be identified through an open call for nominations from within MG member organizations

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 (eg issuing educational standards and ethical standards for professional accountants in business) where they set standards in the public interest?

The PIOB should continue overseeing the work of other standard-setting boards to enhance the coherence of auditing rules and regulations; thus, protecting the public interest.

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?

The Association agrees that the MG should retain its current oversight role.

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?

The Association agrees and recommends supporting the work of the standard-setting board with a small, highly qualified, technical staff. A team with capacity to analyze matters from various perspectives, capacity to coordinate and reach consensus, ability to communicate could be initial skills that the board should acquire.

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

The Association agrees with Board employing staff directly.

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

The Association has no comments on this matter.

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 (eg independent approval of the budget by the PIOB, providing the funds to a separate foundation or the PIOB which would distribute the funds)?

The Association agrees that appropriate checks and balances and a strong internal control environment will be necessary to mitigate any risk the board may confront. Providing the funds to a separate foundation would enhance risk mitigation.

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?



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Possible mechanisms to fund the board and PIOB should be further discussed and analyzed. While that discussion takes place, contributions to fund those entities should continue to be voluntary.

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

The Association does not propose additional matters for consideration during the implementation of the reforms.

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

No further comments.