Monitoring Group Consultation - Strengthening the Governance and Oversight of the International Audit-related Standard-setting Boards in the Public Interest

Response by Dr Hilary Lindsay MBA FCA

Dear Sirs

Thank you for the opportunity to comment on these proposals. I was the 2016/17 President of ICAEW and am an active researcher into continuing professional development and lifelong learning in professional bodies and the roles of those bodies themselves. The views expressed are my own. I confirm I am happy for my response to be made public.

I wish in particular to respond to questions 4 and 5.

**Question 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.

**Question 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?

I had the opportunity to share my comments at the Monitoring Group consultation meeting in London on 15th February. I understand from others there were many nods from the audience after I spoke to share the views I express below. My answer to question 5 is yes but I have fundamental concerns with the presumption underpinning question 4 which is that the ethical standards board should move outside the remit of IFAC.

This proposal raises significant alarm bells with me. At present all professional accountants are required to sign up to the five fundamental principles within IFAC’s ethical code: integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. These are principles, not standards or rules. These principles apply to all professional accountants wherever they work - in audit, in practice, in business, in the public sector, in the not for profit sector. For me these fundamental principles and the standards that help enact them need to stay within the IFAC framework. The Ethical Standards Board needs to sit alongside the Education Standards Board so that the ethical and CPD requirements, which set us apart as members of a profession, are universal. Any additional ethical considerations specific to the audits of larger companies could be considered by a sub-group of the Audit and Assurance Board in liaison with the Ethical Standards Board.

But the fundamental ethical principles and the standards which enact them must remain at the heart of IFAC. There cannot be two sources of ethical guidance, one for accountants working as auditors and one for members in business. Across my career I have worked in practice, in business and in the not for profit sector. I have been an auditor and an auditee. Being asked to sign up to different fundamental ethical principles in different roles would have been a complete anomaly. In particular there cannot be different fundamental principles and standards for those professional accountants who are auditors and those professional accountants who are being audited. There may be detailed additional considerations required relating to particular roles and sectors. The audit of public interest companies is an obvious example. But the fundamental oversight of ethics and CPD, the two key hallmarks of all professionals, needs to stay under the remit of IFAC.

Thank you for the opportunity to contribute.

Hilary Lindsay

28th January 2018