

8 February 2018

The Monitoring Group
General Secretariat
International Organization of Securities Commissions (IOSCO)
C/Oquendo 12
28006 Madrid, Spain

Via electronic mail: MG2017consultation@iosco.org

RE: Monitoring Group Consultation – *Strengthening the Governance and Oversight of the International Audit-Related Standards-Setting Boards in the Public Interest*

Dear Members of the Monitoring Group,

The Consultative Advisory Group (CAG) of the International Accounting Education Standards Board (IAESB) appreciates the opportunity to offer comments on the Monitoring Group consultation paper referenced above. The objective of the IAESB CAG is to provide input to and assist the IAESB through consultation with the CAG member organizations and their representatives at the CAG meetings, in order to obtain (a) advice on the IAESB's agenda and project timetable (work program) including project priorities, (b) technical advice on projects, and (c) advice on other matters of relevance to the activities of the IAESB.

The IAESB is the independent global standard-setting board that sets, in the public interest, high quality international accounting education standards. In our opinion, a body of international standards that addresses expectations of education and the requisite skills and competencies of professional accountants is paramount to the profession's ability to serve the public interest. These standards enhance pre- and post-qualification education, and they address the competence needed of professional accountants worldwide that work in public practice (e.g., auditors)¹ and in industry, the public sector, or elsewhere.

The current IAESB Strategy approved by the PIOB focuses on standards development in key areas of:

- Continuous Professional Development, thereby promoting relevant and robust life-long learning
- Information & Communications Technology
- Professional Skepticism, including applicability to education of auditors and non-auditors alike
- Public Sector Reporting and Assurance
- Education needs specific to Financial Institutions

The IAESB CAG members believe that it is important to continue to make significant and timely progress in these key areas.

Many of the CAG member organizations are providing their own separate comment letters on the Monitoring Group Consultation. The PCAOB holds observer status on the IAESB CAG. The PCAOB representative did not participate in discussions regarding this letter or in formulating its conclusions.

The following comments on the Monitoring Group Consultation are offered by the IAESB CAG.

¹ For example, International Education Standard 8, "Professional Competence for Engagement Partners Responsible for Audits of Financial Statements (2016)"

- 1. We believe the IAESB should remain as an independent Board, with the benefit of a dedicated CAG, and competent public oversight from the PIOB. The IAESB's operations should continue to be supported and facilitated by IFAC, with the benefit of additional resources.**

Over the last decade the IAESB has substantively enhanced its International Education Standards (IESs). This set the stage for stronger and more effective education systems around the globe, the ability of professional accountants to be equipped with essential skills, and a continuing dialogue amongst stakeholders on global accounting education issues. An educated profession, with a continuing commitment to life-long learning is the foundation of a strong financial reporting supply chain that continues to serve the public interest.

The IAESB's work is far from over. In today's connected world, it is critical that the accounting profession have a strong set of education standards that are consistently applied on a global basis. Today's evolving business environment, including the impact of disruptive technologies that are changing the financial reporting and auditing environments, along with changing stakeholder expectations, underscore the need for professional accounting education to be more dynamic, robust and nimble than ever before.

In the opinion of the CAG, the accelerated pace of change is placing increasing demands on the level of education attained by professional accountants. The breadth and depth of requisite skills and competencies demanded of professional accountants is on the rise, and this is putting pressure on the IAESB to react on a more timely basis, both in terms of updating education standards and in issuing implementation guidance. The public interest would be best served when the new education guidance matches the pace of change we are seeing in the professional environment. Additional staff resources need to be dedicated to the IAESB to accomplish these tasks quickly and more effectively.

- 2. We believe that the concept of a CAG with its current role and focus should be retained.**

We believe that the IAESB CAG is meeting its objectives and serving the public interest. The IAESB has constructively received comments from the CAG, which has improved the Board's effectiveness and the effectiveness of the IESs and guidance materials. Further, we are supportive of the concept of a CAG for all of the IFAC boards. These CAGs play an important role in representing diverse viewpoints and they give real time feedback to the board in the standard setting process.

- 3. Given the current pace of change there is an increased need for coordination between the IFAC Standard Setting Boards.**

As the accounting profession is experiencing the effect of disruptive technologies, it is increasingly important for the IAESB to work closely with International Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants. The work of all three boards need to be appropriately coordinated to appropriately address the pace of change and serve the public interest. It is critical that the IAESB be able to efficiently coordinate with both IESBA and IAASB through the staffing and operating arrangements made possible by the IFAC infrastructure. The IAESB benefits from IFAC's supporting initiatives concerning compliance and adoption of standards, and implementation efforts. Coordinating these activities with the other standard-setting boards is essential for the IAESB.

4. The CAG believes that the Monitoring Group needs to provide sufficient evidence that there is a pervasive weakness in the current IFAC standard setting process.

In the IAESB CAG's discussions and deliberations, we were of the general consensus that the consultation paper does not provide a clear picture of deficiencies in the current IFAC standard-setting process. The consultation paper lacks supporting evidence that IFAC standard-setting process has a pervasive weakness from too much influence by the accounting profession, and that the public interest is not sufficiently protected by the documented PIOB oversight of the current standard setting process.

In our discussions about the need to reform the current standard-setting process some members of the IAESB CAG believed that the current standard setting process is working well for all boards and that this process serves the public interest. Many members of the CAG believe that the Monitoring Group's consultation paper did not provide sufficient evidence to argue for a change in the current standard setting process. Finally, some members of the CAG held strong views that the public interest is best served if no individual stakeholder is able to exert undue influence over the standard setting process.

Respectfully, there needs to be a clear case made for change in the existing standard setting model.

Thank you for the opportunity to comment on the Monitoring Group Consultation, *Strengthening the Governance and Oversight of the International Audit-Related Standard-Setting Boards in the Public Interest*.

Very truly yours,



Dr. Raymond N. Johnson, CPA
Chair, International Accounting Education Standards Board Consultative Advisory Group