February 9, 2018

Mr. Gerben Everts
Chair, Monitoring Group
E-mail address: MG2017consultation@iosco.org

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

We are supportive of the need for reforms

A number of concerns have been raised regarding the independence of the current standard setting process and its responsiveness to the public interest. In addition, the pace of change in audit and the business environment is accelerating, driven largely by technological advances. We believe it is critical that standards are both relevant and developed in a timely and independent manner in order to underpin audit quality and confidence of investors and other users of audited financial statements.

We appreciate the Monitoring Group’s efforts to address these concerns and support the Monitoring Group’s efforts to position the international standard setting model for success moving forward.

IFIAR supports the MG’s commitment to the next phase in the initiative that involves further analysis of potential and specific proposals, including those addressing options for funding the proposed reforms, an impact assessment and a comprehensive transition plan. This clearly will be a complicated project and it will be imperative that the MG takes the necessary time to work through sufficient detail so it obtains reasonable assurance it has ‘got it right’, whilst balancing the need to maintain momentum given the accelerating need for change.

The comments we provide in this letter summarize the views expressed by many, but not necessarily all, of the members of IFIAR’s Board, not of the members of IFIAR. Accordingly, the comments are not intended to include, or reflect, all of the views that might separately be provided by individual Members on behalf of their respective organization. Where we did not comment on certain specific matters this should not be interpreted as either approval or disapproval by IFIAR.

We believe there is an opportunity to improve accountability of the standard setting model

We believe that accountability of the standard setting model could be strengthened in order to improve its operating effectiveness and to promote the public interest, to be further defined in the next phase of the MG project, being appropriately embedded into all parts of the model.

We support a standard setting model where:

- The standard setting board(s) is/are proactive and operate pursuant to a well-developed strategic plan, and have clearly defined responsibilities and a strong focus on outcomes;
- The Public Interest Oversight Board (PIOB), operating within a well-developed public interest framework, works within a clear and defined mandate which emphasizes the provision of effective oversight of the board(s). The PIOB should hold the board(s) accountable for performance. This includes administering the board member nomination process, holding the board(s) accountable for achievement of their work plan and evaluating the board chair and board members; and

- The Monitoring Group is an effective and transparent body, ensuring objectives of the PIOB and board(s) are fulfilled and functioning as intended through reviewing the performance of the PIOB, including against an agreed upon strategy.

**We support participation in the standard setting model by individuals with a variety of experiences and perspectives**

We believe the best way to improve the focus on the public interest is to have a variety of different perspectives and experiences represented in the standard setting model. We support the proposals to have members on the standard setting board(s) and PIOB with a variety of different backgrounds, ensuring sufficient independence from the auditing profession. We also support the bodies continuing to have strong outreach to stakeholders through appropriate mechanisms.

**We support increased strategic focus by the standard setting board(s)**

We feel that the focus of the new board(s) should be more strategic in nature as we believe it will lead to more relevant and timely standards development and will improve the ability to attract a wider range of candidates with more diverse backgrounds and experiences. To achieve this, the board(s) must be supported by a high calibre and expanded professional technical staff who supplement and support the work of the board(s). Given the technical nature of the standards and the role of board members in approving standards however, the new board(s) should have the ability to direct the staff, to determine whether drafting meets their requirements and to challenge the drafting proposed by staff.

**We support enhancing the role of the PIOB and encourage the Monitoring Group to implement PIOB reforms simultaneously with the reforms to the board(s)**

We are supportive of an expanded role and responsibilities of the PIOB. We believe that expanded and clarified functions will strengthen the PIOB and provide for added accountability in the standard setting model. Improved collaboration and communication between the PIOB and the board(s) is needed to ensure that the public interest is embedded throughout the entire standard setting process. Further consideration should be given as to whether the PIOB should have a right of veto over standards, as opposed to the ability to require further due process.
We support the development of an enhanced funding system

We believe developing an effective, stable and independent funding model is a key aspect to be addressed by the reform; and will encourage the Monitoring Group to deepen the practical aspects of its proposals in this regard, taking into consideration all the aspects of the reform which should contribute to the quality of standard setting.

IFIAR Members may have differing views on specific elements of the detailed reform options provided in the consultation paper. We remain receptive to views expressed by other organizations in the consultation process in forming our final views on the reform options and the development of a proposed new governance model.

Yours sincerely,

Brian Hunt, FCPA, FCA, ICD.D
Chair

About IFIAR
Audit quality is a cornerstone of international financial stability and economic growth. Investors and the capital markets rely on auditors to assure the integrity of financial statements.

Established in 2006, the International Forum of Independent Audit Regulators (IFIAR) comprises independent audit regulators from 52 jurisdictions representing Africa, North America, South America, Asia, Oceania, and Europe. Our mission is to serve the public interest by improving audit quality globally.

IFIAR provides a platform for independent audit regulators to exchange information about the audit environment and practical experiences and insights from their inspections of audit firms, enforcement practices, and the overall audit market. This collective wisdom regarding the forces impacting audit quality and oversight is essential to influence audit matters worldwide and advancing sustainable, high quality audits. Just as importantly, IFIAR is also the only global forum for coordinated, sustained dialogue with global network firms, international standard setters and other international organizations that have an interest in audit quality.