

To the Monitoring Group via electronic mail: MG2017consultation@iosco.org

February 2, 2018

Dear Chairman and members of the Monitoring Group,

Thank you for the opportunity to comment on your consultation on *Strengthening the Governance and Oversight of the International Audit-related Standard-setting Boards in the Public Interest*. I respond to your questions by giving my perspective as a former public member of the International Auditing and Assurance Standards Board (2012-2017) and a former member of the Monitoring Group representing the Basel Committee on Banking Supervision.

Question 1: I agree with the key areas of concern identified by the Monitoring Group (MG). I have two observations dealing with the relevance and timeliness of standards. In my experience some international standards are used in a limited number of jurisdictions and are not truly international. Examples are ISA 810 (mainly used in four jurisdictions¹) and ISAE 3410 (developed in response to requests from the profession in some jurisdictions). Their international relevance may be limited. Some developments are not in time: the long awaited revision of ISA 540 is a typical example. The late revision of ISA 315 (started) and ISA 330 (not yet started) seriously complicates the revision of ISA 540. These facts should be considered when establishing future strategic plans. In my opinion, setting the right priorities has not always been successful. Maybe the PIOB and the Monitoring Group should inform the Board of the priorities they see and they should carefully monitor the process and the outcome.

Question 2: I agree with the overarching and supporting principles.

Question 3: Further to my answer to Question 1, I suggest including timeliness as a supporting principle.

Question 4: I support establishing a single independent Board to develop and adopt auditing and assurance standards and ethical standards for auditors. Experience shows that the cooperation between the IAASB and the IESBA over the last months has not been a success. Also, having a single Board may advance standard setting. The example that came up in the audit quality work of the

¹ South Africa, Canada, Malaysia and Hong Kong. See Agenda Item 5-A of the June 2015 meeting of the Board, page 3 of 9.

IAASB about determining the length of the cooling off period of the engagement quality control reviewer is a good example where two Boards are not necessary. A caveat though. Care should be taken that important jurisdictions as the European Union that have not adopted the Code of Ethics, will not be forced to adopt the Code of Ethics through endorsing the ISA's.

Question 5: I have no experience with the educational standards and the IFAC compliance program. I prefer not answering this question.

Question 6: I have no experience with the development and adoption of ethical standards for professional accountants in business. I prefer not answering this question.

Question 7: The Monitoring Group may want to consider the relationship IAASB – IASB. The IAASB has responded to IASB exposure drafts from an audit perspective. Several times the comment has been made that the IASB is not (sufficiently) considering the audit consequences of its IFRSs. An exchange of views between the oversight bodies of both Boards would be helpful in this regard. IFRSs are increasingly judgemental and therefore increasingly difficult to audit as the on-going revision of ISA 540 shows. How can auditors judge the judgements made by management ?

Question 8: I certainly support a Board that is more strategic in nature. Too much Board members' time is spent on detailed drafting during Board meetings. This struck me from the beginning I attended the Board meetings. I appreciate that standards have to be carefully drafted but the suggestion to support the Board by an expanded professional technical staff as made by the Monitoring Group has my full support. Detailed drafting can be supervised by the Task Forces.

I also support that Board members should be remunerated. The present business model of the Boards whereby all members and technical advisors are volunteers is conceptually not sound and is not sustainable.

Question 9: I believe that it is beneficial that the standards are adopted by a large majority of Board members. Care should be taken that not one group of stakeholders can prevent a standard to be approved. However, the PIOB could evaluate the reasons why a standard was not approved and could be given the right to overrule the negative vote when this is in the public interest.

Question 10: I support a smaller Board that is more strategic in nature. I also support the three group approach (users, regulators and auditors). Members should preferably come from jurisdictions where the ISAs are used as the main standards for audits.

Question 11: The consultation document refers to the required skills and attributes: a balance of strategic and technical skills, acting in the public interest and also experience in international meetings, good working knowledge of English and willingness to listen. Acting in the public interest is not easy for the auditors as this group has a natural and understandable tendency to defend its business model and its present practice. The practitioners in the Board often refer during the Board's meetings to the extensive consultation within their networks about the Board's projects. They often object to more audit work as this is not in their financial interest.

Question 12: In my experience, the CAG is a useful sounding-board and offers interesting perspectives for the Board's consideration. Also, most of the CAG members are non-practitioners.

Question 13: In principle, yes the task forces should work in the public interest.

Question 14: Yes, I agree.

Question 15: I agree with the list of PIOB's functions as shown on page 19 of the consultation document. However, I don't think it is a good idea to allow the PIOB to dismiss a Board member during its three year term, unless there are grave circumstances justifying such an action.

I don't believe that the PIOB should be able to judge the technical judgements made by the Board in developing or revising standards. The PIOB should not assume standard setting powers. The PIOB should evaluate whether the Standards are in the public interest and any concerns it may have should be raised early in the standard setting process. I would highly recommend the PIOB to also oversee the work of the Task Forces as these groups discuss public interest issues when developing or revising standards.

I agree that the PIOB should be able to veto a Standard or the revision of a Standard when it comes to the conclusion that Standard, or parts of the Standard, are not in the public interest. This implies that the PIOB should have the ability

to instruct the standard-setting board(s) to take measure to remedy any identified breach of the public interest. This process should be transparent.

Question 16: I support this option.

Question 17: I think that it would be beneficial for the PIOB's work to include other stakeholder groups than regulators. As of now, the PIOB mirrors the composition of the Monitoring Group. However, the Monitoring Group could consider an option that the PIOB reflects more the Board's new composition.

Question 18: I have no preference for either option. However, care should be taken that the PIOB members are not the superiors of the Monitoring Group members in their respective organisations as this may complicate the work of the Monitoring Group.

Question 19: I would recommend the PIOB overseeing the work of the independent standard-setting board for auditing and assurance standards and ethical standards for external auditors and the independent standard-setting board for professional accountants in business.

Question 20: I agree. See also my response to Question 7.

Question 21: Yes, I support the option. Multi-lingual staff would be beneficial for the Board's work.

Question 22: In principle yes. The Monitoring Group may want to consider whether the staff should be located at the IFAC offices in New York or at another location. Care should be taken that some of the supporting functions provided by IFAC are not lost: like help with the immigration process, training facilities, etc.

Question 23: The list looks complete.

Question 24: I agree.

Question 25: I support the application of a 'contractual' levy on both the profession and the beneficiaries of the standards.

Care should be taken that the changes that will be decided do not destabilise the IAASB. A well thought through transition plan is needed. It could be envisaged to try out some changes before implementing them officially.

Sincerely yours,

Marc Pickeur