

The Monitoring Group
Via electronic mail: MG2017consultation@iosco.org

8 February 2018

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

Dear Monitoring Group,

Summary: The IAESB welcomes the chance to comment on your consultation. We have three main points: (1) the IAESB should remain an independent Board subject to competent public interest oversight with a Consultative Advisory Group and supported by IFAC; (2) any changes should be more effective and clearer than the current arrangements, and accordingly avoid adding unnecessary layers of complexity; and (3) any changes should strengthen the standard-setting architecture and financial reporting system as a whole. We are concerned that the current Monitoring Group proposals could lead to unintended outcomes that are not in the public interest.

Detail

The IAESB is the independent global standard-setting board that sets, in the public interest, high-quality international accounting education standards. These standards enhance pre- and post-qualification education, development and assessment, and address the competence needed of professional accountants worldwide that work in public practice (e.g., auditors)¹ and in industry, the not-for-profit and government sectors, or elsewhere.

Over the last decade, the IAESB has substantively enhanced its International Education Standards (IESs). This has set the stage for stronger and more effective education systems nationally, the ability of professional accountants to be equipped with essential skills, and dialogue with and amongst stakeholders on global accounting education issues.

The IAESB's work is nonetheless far from over. Today's evolving business environment, heightening stakeholder expectations, changing demographics, and the dramatic change that will arise in the future – for example, as a result of disruptive technologies – underscore the need for professional accounting education to be more dynamic, robust and nimble than ever before.

Accordingly, our PIOB-approved Strategy will address standards development in the key areas of:

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

A body of international standards that address expectations of education and the requisite skills and competences of professional accountants is fundamental to the profession's ability to serve the public

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

interest and effectively apply the ISAs and the IESBA Code of Ethics, as well as IFRS and the International Public Sector Accounting Standards. Indeed, even more needs to be done to increase the level of IES adoption and support proper and effective application. This is particularly important in those many jurisdictions where the responsibility for education rests with regulatory, legislative or public bodies rather than with IFAC member bodies.

Against that background, I make the following comments which are endorsed by IAESB members.

1. The IAESB should remain as an independent Board subject to competent public interest oversight, with the benefit of a dedicated Consultative Advisory Group and operations supported and facilitated by IFAC.

We are disappointed that the MG consultation asserts that education standards need not be subject to the same level of public interest oversight as auditing and ethical standards for auditors. We disagree.

We are strongly of the view that the IESs should continue to be seen as relevant, credible and acceptable. In turn, this supports our public interest aim to see the IESs adopted globally by all those responsible for accountancy education in both developed and developing jurisdictions. We believe that is not in the public interest to establish a two-tiered international standard-setting system, and thereby create the perception of a lower-level public interest regime for the IESs.

Such an arrangement would send the wrong message about the relative importance of accounting education, which underpins the application of the other international standards and the ability of the profession to meet societal expectations. It would also risk diminishing the importance of the IESs and the perceived legitimacy of the process to develop them. In the longer term, it could lead (even if unintentionally) to reduced adoption and implementation of the IESs across the globe.

Our aim is to contribute to a stronger financial reporting supply chain. In our view, having a strong set of consistently applied IESs is a goal that should be shared by all of us, including the MG.

2. Any changes should be more effective than current arrangements. So we encourage the MG to avoid initiatives that potentially create unnecessary additional layers of complexity, or require new efforts for coordination.

The IAESB, like the International Ethics Standards Board for Accountants (IESBA), adopts an integrated approach to its standards: they apply to all professional accountants. As and when needed, we provide special attention to skills and competencies required of auditors or others. The MG proposal to bifurcate the IESBA and the Code between auditors and other professional accountants would create additional layers of unhelpful complexity in accounting professionals' learning requirements, at a time when the learning environment is increasingly challenging. It would also complicate coordination between the IAESB and IESBA on topics of mutual interest.

Equally, we value the ability to work efficiently with both IESBA and the International Auditing and Assurance Standards Board (IAASB) through the arrangements made possible by the IFAC infrastructure, for example common staff channels for cross-board initiatives on professional scepticism, technology and the audit quality framework. This would become more difficult and less effective under the MG proposals.

Finally, we benefit greatly from IFAC's support on compliance, adoption and implementation. These complementary activities are essential for the IAESB, and presumably the other standard-setting boards. The interconnected nature of these efforts and the work of the standard setters should not be overlooked.

3. Any reforms should strengthen, not weaken, the standard setting architecture and the financial reporting system as a whole. We are concerned that the MG proposals would lead to outcomes that are contrary to this aim and that are not in the broader public interest.

We understand the MG's particular interest in audit standards, but we do not believe that should be at the expense of strong, global accounting education standards.

If the MG proposals went ahead, we anticipate the scarce financial and intellectual resources that the global community currently allocates among the different standard-setting initiatives would be diverted in whole or in part away from the development of global accounting education standards. We believe this would be to the detriment of the public interest.

The PIOB and others, including the UK Financial Reporting Council and the World Bank, have called for strong education standards for professional accountants and auditors alike. We understand that many of the MG Organisations share our view that whilst auditing is important to financial reporting quality, this quality cannot be achieved without strong competences and continuing professional development by the professional accountants who prepare the financial and other reports, as well as by the auditors.

It would therefore be unfortunate if the MG reforms were to negatively impact the efforts of the IAESB. To the contrary, we encourage all MG Organisations to become more involved in contributing to our efforts. Indeed, it behoves the regulatory community to bolster efforts to enhance the community of professionals, academics and knowledgeable leaders that are leading change in education standards needed to fulfill the profession's public interest responsibility.

We urge the MG to adopt a holistic perspective towards balanced reform that takes account of the different sets of today's standards. In the absence of such an approach, we believe there is risk that investment in improvements would be misguided.

For example, the consultation paper alludes to the prospect of investment to implement new legal arrangements for the single audit Board; new lease agreements; new ownership and location of Boards, staff, and oversight bodies; etc. The opportunity cost, however, would be investment in:

- Enhanced candidate pipelines (including from developing nations) for future nominations to all three SSBs, and extension of the multi-stakeholder concept to the IAESB
- Remunerated, full-time chairs for all three SSBs, and remuneration of the deputy chairs (at present, the IAESB Chair is a voluntary position; and all deputy chairs serve as volunteers)
- Remuneration of the chairs of the three SSB CAGs (at present, all serve as volunteers)
- Expanding the permanent technical staff complement of the three SSBs, including investment in technology to modernise processes and enhance efficiency
- Strengthening the PIOB in terms of backgrounds, skills sets and competences, including in respect of education standards, etc.

In closing, we encourage the MG to build on the strengths and successes of today's arrangements.

Strong international accounting education standards that apply to all accountants, irrespective of function, enhance the public's confidence in the profession as a whole. That, in turn, will help attract high-calibre candidates to the profession – something that is a growing challenge and concern.

Yours sincerely,



Chris Austin, CBE
IAESB Chair