

## Joint submission by

# Chartered Accountants Australia and New Zealand and The Association of Chartered Certified Accountants

14 February 2018

TO: The Monitoring Group  
C/O International Organization of Securities Commissions  
Calle Oquendo 12  
28006 Madrid  
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Submission via email: [MG2017consultation@iosco.org](mailto:MG2017consultation@iosco.org)

This submission is made jointly by Chartered Accountants Australia and New Zealand and the Association of Chartered Certified Accountants under their strategic alliance. The alliance creates one of the world's largest accounting networks with 788,000 current and next generation professional accountants, comprising 308,000 members and 480,000 students across 181 countries.

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## About Chartered Accountants Australia and New Zealand

Chartered Accountants Australia and New Zealand is a professional body comprised of over 117,000 diverse, talented and financially astute members who utilise their skills every day to make a difference for businesses the world over. Members are known for their professional integrity, principled judgment, financial discipline and a forward-looking approach to business which contributes to the prosperity of our nations. We focus on the education and lifelong learning of our members, and engage in advocacy and thought leadership in areas of public interest that impact the economy and domestic and international markets.

## About ACCA

Founded in 1904, ACCA (the Association of Chartered Certified Accountants) has consistently held unique core values: opportunity, diversity, innovation, integrity and accountability. These values are aligned to the needs of employers in all sectors and we work to open up the profession to people of all backgrounds and remove artificial barriers to entry. We believe accountants bring value to economies in all stages of development, so we work to develop capacity in the profession and encourage the adoption of consistent global standards. We support our 200,000 members and 455,000 students in 181 countries, helping them to develop successful careers in accounting and business, with the skills needed by employers. We work through a network of over 90 offices and centres and more than 7,110 Approved Employers worldwide, who provide high standards of employee learning and development.



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## Joint Submission Comments

CA ANZ and ACCA appreciate the opportunity to comment on Monitoring Group consultation paper. In responding to the proposals and undertaking outreach with our members and stakeholders, we have considered whether the proposals in the consultation paper achieve the aim of strengthening the governance and oversight of the International audit related standards-setting boards in the public interest.

In this letter we highlight specific matters which have been key points of common interest which arose from the consultation carried out by both organisations. Both CA ANZ and ACCA have also submitted individual responses which provide feedback from their constituents on the detail in the consultation paper and process.

The drivers for the proposals are stated to be a crisis in the confidence of auditing standards due to the perception that the accounting profession wields undue influence over the processes. Neither organisation has seen evidence to support this view, nor has it been a concern that has resonated with our members and stakeholders during consultation.

We support a review of the processes for setting standards and note that there are some areas where change would be valuable. However, whilst some change is needed to due process, it is important to note that the current standards are of a high quality and audit failures are not attributed to the quality of the current standards.

The changes required are to ensure that robust, comprehensive and thorough auditing and ethical standards continue to meet changing business, technological and reporting circumstances. While change is encouraged, the proposed options in the consultation paper are not. We outline below our recommendations.

A key concern commonly held around our jurisdictions is to avoid any change which will jeopardise the international acceptance and adoption of auditing and ethical standards. The fact that over 120 countries adopt these standards speaks to the quality of the standards and the regard in which the current processes are held. Changing these processes without addressing the need of these countries to accept the change, risks this adoption.

Another concern is the clear risk that the proposals could lead to fragmentation of auditing standards, such that internationally developed standards address capital markets only. It is important that standard setting works for all audits including small and medium sized entities (SME) and public sector. We recognise that the current approach does not adequately address the SME audit in particular. However the proposed solution does not address this issue at all.

There is considerable public interest in maintaining a unitary accounting profession whose members are involved in auditing and financial management, including the preparation of financial statements and whose members are subject to common ethical standards. We do not support the proposals to divide responsibility for setting ethical standards between IFAC and a new standard-setting board. Public expectation in relation to the profession is broader than audit and encompasses corporate reporting, tax, business management and corporate governance. The increasing 'expectation gap' cannot be adequately addressed by a divided ethical standard setting board.



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Changes which might address some of the concerns around the international standard setting processes include:

- Changing the mix of stakeholders represented in the standard setting process to ensure genuine multi-stakeholder involvement and input which will allow changing business and reporting circumstances to be addressed. This would be expected to address concerns over the influence of the profession in standard-setting, but might lead to a slower standard-setting process.
- Articulating the “public interest” to allow evaluation against a commonly accepted framework and ensure SME interests are reflected. Again, this would be expected to address concerns over the influence of the profession, but might lead to a slower standard-setting process.
- Seeking funding resources from a wider range of stakeholders to decrease any perceived concern over concentration of funding
- Reviewing the role of the oversight bodies in conjunction with the role of the standard setting bodies to ensure a holistic governance structure which continues to provide confidence in the process.

However, while these changes may improve the standard-setting process in relation to some of the concerns, they may worsen it in relation to others. As a result, in order to make appropriate, meaningful and sustainable change, we believe that more investigation and evidence needs to be obtained in relation to the current process. Before changing the composition of the board and increasing funding, for example, there needs to be an understanding of why stakeholders are not involved in the current process to the extent desired.

We look forward to being involved in the consultation as it progresses and encourage an open and transparent approach in relation to the feedback and how it is addressed by the Monitoring Group in subsequent proposals.



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