

AGENDA PAPER

Item Number: 4
Date of Meeting: 4 September 2018
Subject: Update on Monitoring Group Consultation

Action required For discussion For noting For information

Purpose

To provide the Board with an update on the Monitoring Group (MG) Roundtables which were held in Australia on 21 & 22 of June 2018.

Background

In November 2017, the Monitoring Group issued its Consultation Paper [Strengthening the Governance and Oversight of the International Audit-related Standard-setting Boards in the Public Interest](#) (Consultation Paper). The Consultation Paper set out proposals to address concerns about the perceived independence of the international audit-related standard-setting processes due to the significant involvement of the accounting profession in the development of standards.

The proposed reforms suggested changes to the structure of the international boards (creation of a single board for setting audit and ethics standards for auditors), the focus of the board, the board composition, board appointments and remuneration, and the funding model.

Due to the high number of submissions received in response to the Consultation Paper, the Monitoring Group decided to undertake further stakeholder engagements, including roundtables to be held in Australia.

Further details on key aspects of the Monitoring Group consultation that occurred prior to the roundtables, including a summary of APESB's submission are set out in Agenda Item 4(b).

Summary of Australian Roundtables held in June 2018

APESB, AUASB, CA ANZ and CPA Australia collaborated with the Monitoring Group in creating three roundtables for stakeholders in Australia. Three roundtables were held in Australia during June 2018 as follows:

- Melbourne 21 June 2018 8.45 am – 12.30 pm 21 attendees
- Melbourne 21 June 2018 1.15 pm – 5.00 pm 20 attendees
- Sydney 22 June 2018 8.45 am – 12.30 pm 31 attendees

Attendees were wide-ranging including representatives from public practice firms, professional accounting bodies, academia, national standard setters, public sector, investors and Members in Business.

The key points raised by the Australian attendees are set out below. The detailed summary of the issues discussed at the Australian roundtables are included in Agenda Item 4 (a).

Key views from Australia

- Problems with the current standard-setting model not clearly articulated by MG and stakeholders do not believe standards are not set in the public interest.
- Strong preference for existing structure to remain as two boards.
- Code of Ethics must not be separated between auditors and Members in Business.
- Monitoring/Oversight Body must not have the power to veto standards.
- Support for Boards to focus on more strategic matters, as long as, an equivalent increase in technical staff to address the technical workload.
- General support for the development of a Public Interest Framework, especially if it meant no surprises at the end of the standard-setting process.
- Support for standards to be principles-based and applicable to all entities and assurance engagements.
- Consultation and engagement is key to the success of this review, and appropriate timing needs to be allocated to ensure this happens (e.g., delay the issue of the whitepaper, if necessary).
- Transparency at the PIOB and MG level is critical for stakeholders to continue to have the confidence to support this review and to adopt the proposed changes.
- Costs should not be the driver of the new model if fundamental issues are not being addressed.

Way Forward

The Monitoring Group have recognised that further global consultation needs to be undertaken and will be providing further opportunities, such as roundtables and webinars, for stakeholders to provide input.

The Monitoring Group are proposing to issue a White Paper by the end of the year. Technical Staff will monitor the Monitoring Group consultation process and will advise the Board of any relevant developments.

Staff Recommendation

The Board note the update on the Monitoring Group consultation.

Material Presented

Agenda Item 4 (a) Summary of the discussions from the Australian Roundtables held in June 2018.

Agenda Item 4 (b) Summary of key points in respect of the Monitoring Group consultation prior to Australian roundtables

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Date: 22 August 2018