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The World Bank Group

Madrid, Thursday 9 November 2017

Call for Comments on reforms to the global audit standard-setting process

Today, the Monitoring Group issued a consultation paper setting out various options to enhance the governance, accountability and oversight of the international audit standard-setting process.

The Monitoring Group (MG) is a group of international financial institutions and regulatory bodies committed to advancing the public interest in areas related to international audit standard setting and audit quality.

Gerben Everts, Chair of the MG: *'We envisage key reforms to enhance the public interest responsiveness of audit standards in order to promote the quality of audits. Removing the audit related standard setting activities from the profession and entering into a multi-stakeholder, geographically representative and independent governance structure would address concerns vis-à-vis the independence of standard setting. I hope that with your responses to this consultation, we are able to find the right balance.'*

Background

The MG is responsible for the overall governance of the international audit-related standard-setting process¹ and the review of its effectiveness. The consultation is part of its ongoing global effort to promote high-quality international auditing and ethical standards.

In this capacity, the MG has issued today's consultation *Strengthening the Governance and Oversight of the International Audit-related Standard-setting Boards in the Public Interest*, to elicit the views of stakeholders on how best to safeguard the independence of the standard-setting process and its responsiveness to the public interest. In developing options

¹ The current standard setting is done by three separate boards: International Auditing and Assurance Standards Board (IAASB), International Ethics Standards Board for Accountants (IESBA) and International Accounting Education Standards Board (IAESB)

to reform the standard setting process, the MG has reflected on some key overarching principles that standard setting should observe: public interest, independence, credibility, cost effectiveness, relevance, transparency and accountability.

The standard setting boards currently develop international standards for audit and assurance, ethics and education. The development of these standards is subject to oversight by the Public Interest Oversight Board (PIOB)². These principles-based standards have been adopted in numerous jurisdictions, helping to promote trust in financial information. Nevertheless, concerns have been raised regarding the independence of the process from the accounting profession and its responsiveness to the public interest (since the current standard setting process is done predominantly by auditors, for auditors).

The consultation includes options which consider changes to the number of standard setting boards, their composition, their strategic focus, geographical balance and remit; the process to nominate their members; and their current oversight arrangements, among other elements. The consultation requests stakeholder views on which of those options would best achieve the MG's objectives to enhance their independence and public accountability.

The MG strongly encourages stakeholders to provide feedback on the options for reform. It is particularly interested in the views of the following stakeholders:

- Investors and users of financial statements;
- Those charged with governance;
- Academics;
- Preparers;
- Audit firms and their networks;
- Securities and other capital market regulators;
- Prudential regulators;
- Audit regulators and oversight bodies;
- National standard setters;
- Governments, NGOs and public sector organizations; and
- Professional accountancy organizations.

² The MG created the PIOB in 2005 to provide independent oversight and improve the entire process of standard setting in terms of transparency, accountability, and responsiveness to the public interest.

Comments on this consultation paper should be submitted **by 9 February 2018 to the following mail address:** MG2017consultation@iosco.org

MEDIA ENQUIRIES

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