Summary of key aspects of the Monitoring Group Consultation prior to the Australian Roundtables

Monitoring Group - Summary of Submissions

On 31 May 2018, the Monitoring Group released a summary of the feedback received in the 179 submissions it received in response to its Consultation Paper. The summary sets out an analysis of the feedback received but it does not propose or advance any policy positions.

Investors, regulators and accounting firms were listed in the summary as being the stakeholders that were supportive of the need for reform, including endorsing measures to better represent the public interest in standard-setting. It was noted that while IFAC member bodies agreed with the high-level objectives of the review, they did not support many of the substantive options proposed in the consultation paper.

Maintenance of a single Code of Ethics

The proposed reform that was strongly contested was whether the ethical standards should be set and maintained by a separate board to the auditing and assurance board and whether there should be separate ethical requirements for auditors and professional accountants.

There was widespread support from all stakeholder groups that ethical standards for auditors and professional accountants in business should be set by the same board, irrespective of whether final reforms result in a one or two board approach to standard setting.

IFAC's independent analysis of responses to the Consultation Paper

The International Federation of Accountants (IFAC) commissioned Gibson Dunn, an international law firm, to provide an independent report which analyses the submissions to the Monitoring Group Consultation Paper.

The independent report notes that the respondents' views varied across different geographic locations and stakeholder groups but the majority of respondents:

- did not agree that there were significant issues in the current standard-setting process; and
- did not support the proposal to create a single standard-setting board for auditing and ethical standards.

Comparison of Monitoring Group and IFAC reports

Technical Staff have reviewed both reports issued by the Monitoring Group and the IFAC. The analysis in both reports were consistent in reporting that majority of respondents believe that:

- the current standards are widely recognised for their quality;
- the boards need to have strategic focus;
- the PIOB should not be able to veto standards; and
- there is need for more consultation on the part of the Monitoring Group before implementing these significant reforms.

The Monitoring Group's analysis indicated that majority of respondents suggested that ethics standards for *auditors* and *professional accountants in business* should be developed by the *same* board. However, MG stated that they received diverse comments in respect of whether there should be a single or two board(s) to develop audit and ethics standards for auditors.

The Gibson Dunn analysis on the other hand reported that majority of respondents were unsupportive of the proposal to create a single board.

APESB's **submission** on the Consultation Paper included the following key recommendations:

- consider the global convergence achieved to date by the IESBA and IAASB, and adopt a holistic approach to ensure reforms cover all professional accountants, not just auditors of public interest entities;
- maintain a single Ethics Standards Board (and Code) to facilitate an efficient standard-setting process and to ensure consistent ethical standards apply to all professional accountants;
- the reforms need to address non-assurance public practitioners;
- consider how the existing due-process for standard-setting could be improved;
- supportive of an oversight function but the Public Interest Oversight Board's (PIOB's) should not be able to veto proposed standards;
- adopt a supermajority rule in respect of the voting rules for approving standards; and
- further consultation should be undertaken with jurisdictions to understand why they have not adopted the international standards.