



IOSCO CONSULTATION REPORT ON GOOD PRACTICES FOR AUDIT COMMITTEES IN SUPPORTING AUDIT QUALITY

Issued 20 July 2018

ICAEW welcomes the opportunity to comment on the IOSCO Consultation Report on Good Practices for Audit Committees in Supporting Audit Quality published by IOSCO on 24 April 2018, a copy of which is available from this [link](#).

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MAJOR POINTS

Support for the proposals

1. We welcome this IOSCO initiative given the crucial role of audit committees in supporting external audit quality. In particular we support all of the proposed good practices in Chapter 3 of the Consultation Report regarding the features an audit committee should have to be more effective in promoting and supporting audit quality.
2. In some countries audit committees are already a well established feature of the corporate governance framework and an effective regulatory environment is in place with good practice guidance available. For example, in the UK the FRC's **Guidance on Audit Committees** was first published in 2003 and is intended to assist company boards when implementing the part of the UK Corporate Governance Code dealing with audit committees, and to assist directors serving on audit committees in carrying out their role. The FRC has also issued a best practice **guide** to audit tendering. There is much overlap between the FRC guidance and the IOSCO proposals.
3. In other countries audit committees are not so well established and we agree that measures are needed to help establish and develop audit committees in those countries. ICAEW supports capacity building initiatives around the world and we consider that a global guide to good practice by audit committees will help to achieve more consistent and higher quality audit committee performance internationally.
4. ICAEW and Deloitte recently issued a **report** Making a difference, covering the practical issues and common challenges faced by audit committees in seven countries in Central and Eastern Europe. The report highlights the positive impact being made by audit committees in those countries but also the new and emerging challenges that they face. The IOSCO proposals would play a helpful part in meeting those challenges.

Wider role of audit committees

5. The IOSCO Consultation Report focuses on the important role and responsibilities of audit committees supporting the quality of external audit. It might also be helpful for IOSCO to provide good practice guidance covering other roles of audit committees, for example the oversight of the internal audit function and the role relating to wider corporate reporting including financial and non-financial information.

Other actions that are needed regarding the performance of audit committees

6. The IOSCO proposals are welcome in promoting good practice but, whilst there is anecdotal evidence and some recent research¹ regarding the challenges faced by audit committees in some countries and the difficulties in resourcing them effectively, it would be helpful for there to be more in-depth research undertaken regarding audit committee effectiveness. The results of such research could help to shape the actions needed by policy makers and regulators to address these challenges. For example, having the best guidance available would be of limited use if in practice there are barriers to ensuring sufficient expertise is available to audit committees. We understand that the European Commission intends to carry out a survey in the near future on audit committee performance and we welcome this initiative.

¹ There was a recent **KPMG global survey** of over 800 audit committee members which revealed that they are finding it increasingly difficult, both in terms of time and expertise, to oversee the major risks on their agenda in addition to their core oversight responsibilities.

7. To be effective the IOSCO proposals will need the active support and actions of stakeholders that value the audit committee role and political support from the appropriate national authorities and other bodies such as the European Commission. In many countries there are already clear requirements and expectations for audit committees but in others it is likely to need a commitment to introduce new requirements. In the absence of these the IOSCO proposals are unlikely to have that much impact, in the short-term at least.

RESPONSES TO SPECIFIC QUESTIONS ON WHICH WE HAVE COMMENTS

Q12: Should the proposed report include a section mentioning the possibility of public reporting by audit committees on how they support audit quality? If so, should such reporting be described as “voluntary” or as a “good practice” for the majority of jurisdictions where there is no mandatory requirement?

8. We support including such a section in the report and support describing this public reporting as good practice. This information will be helpful to stakeholders and will increase transparency.

Q13: Are there any other comments that you have on the proposed good practices report and the material that may be included in any final report?

9. It would be helpful for the report to include practical examples of good practice to assist audit committees to fulfil their role. However, care should be taken to ensure these are provided at a high level and to avoid any implication that they are model examples of detailed procedures that should always be followed. It is important that the examples are at principles level and encourage audit committees to use judgement to determine what they should do in their specific circumstances.