



**ICGN**

International Corporate Governance Network

International Auditing and Assurance Standards Board  
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To whom this may concern

**ICGN Response to the IAASB Exposure Draft for Quality Management at the Firm and Engagement Level, Including Engagement Quality Reviews.**

The International Corporate Governance Network (ICGN) is pleased to respond to the International Auditing and Assurance Standards Board (IAASB) consultation on the IAASB Exposure Draft for Quality Management at the Firm and Engagement Level, Including Engagement Quality Reviews.

Led by investors responsible for assets under management in excess of US\$34 trillion, ICGN is a leading authority on global standards of corporate governance and investor stewardship. Our membership is based in more than 45 countries and includes companies, advisors and other stakeholders.

ICGN's mission is to promote high standards of professionalism in governance for investors and companies alike in their mutual pursuit of long-term value creation contributing to sustainable economies world-wide. Our policy positions are guided by the ICGN Global Governance Principles<sup>1</sup> and the ICGN Global Stewardship Principles<sup>2</sup>, both of which have been developed in consultation with ICGN Members and as part of a wider peer review. For more information on ICGN please visit [www.icgn.org](http://www.icgn.org).

One of ICGN's core policy priorities is to seek transparency through better reporting, audit and metrics.<sup>3</sup> This relates to financial statements, strategic and operational performance, corporate governance and material environmental and social factors. Section 7 of ICGN's Global Governance Principles focuses specifically on fundamental governance practices relating to audit and reporting and recommendation 7.7 states that *"the board should publish the report from the external auditor which should provide an independent and objective opinion whether the accounts give a true and fair view of the financial position and performance of the company."*

The reliability, accuracy and overall quality of audit is therefore vital for investor decision-making and a critical component in holding corporate boards to account for their public disclosures and high standards of corporate governance more generally. In this regard we welcome the reviews undertaken in the UK to address the 'audit expectation gap' as referred to in the Independent Review of the Financial Reporting Council conducted by Sir John Kingman (December 2018) and the subsequent independent review by Sir Donald Brydon into the quality and effectiveness of audit (June 2019).

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<sup>1</sup> See: ICGN Global Governance Principles:  
[http://icgn.flpbks.com/icgn\\_global\\_governance\\_principles\\_jpn/](http://icgn.flpbks.com/icgn_global_governance_principles_jpn/)

<sup>2</sup> See: ICGN Global Stewardship Principles:  
[https://www.icgn.org/sites/default/files/ICGN\\_Global\\_Stewardship\\_Principles\\_JPN\\_1.pdf](https://www.icgn.org/sites/default/files/ICGN_Global_Stewardship_Principles_JPN_1.pdf)

<sup>3</sup> See ICGN Policy Priorities:  
<https://www.icgn.org/sites/default/files/ICGN%20Policy%20Priorities%202018-9.pdf>

ICGN applauds the work of the IAASB in focusing on improvements in the way professional accountancy firms address key public interest issues related to management of audit quality and the performance of audit quality reviews. We note the crisper coordinated language contained in the revised Exposure Draft and understand that the purpose of the new quality assessment approach is to lead to higher quality audit outcomes than under the current approach which, by comparison, is a more rigid compliance checklist.

ICGN is hopeful that this approach will prove effective in practice. There was some commentary within ICGN that the new drafting is industry-friendly to the audit profession, and we do observe that the drafting of the new language leaves much to the discretion of the audit firms in terms of how this is applied and in making these improvements a reality. ICGN will monitor the impacts of this new language with interest, and we urge a continued focus on quality which is obtained through high ethical standards, objectivity and independence.

ICGN will not address the further aspects of the Exposure Draft, as our existing policy work has not dealt in detail with the specifics of auditor/company engagement. However, we would like to raise one fundamental example as to where the guidance could go further from an investor perspective. Specifically, the Exposure Draft makes no reference to the extent to which quality management can be linked to engagement not just between audit firms and companies but also engagement between investors and companies and perhaps in some cases between investors and audit firms directly.

We believe it is important to “join the dots” between audit quality and investor stewardship and their guiding policy documents. With enhanced audit reporting, we believe that investor engagement with boards and audit committees can also reinforce the importance of audit quality. We would encourage IAASB to make explicit reference to the importance of investor engagement in its review of audit quality management and to consider adding it as one of IAASB’s key public sector issues.

We hope these comments are useful in your deliberations. If you would like to follow up with us with questions or comments, please contact me or our Policy Director George Dallas: [george.dallas@icgn.org](mailto:george.dallas@icgn.org).

Yours sincerely,



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