



AUREN POSITION ON MONITORING GROUP INITIATIVE

1. AUREN INTRODUCTION

AUREN is a small network member of the Forum of Firms, we are present in 9 countries, Spain (the country of origin of the network), Germany, the Netherlands, Portugal, Argentina, Chile, Uruguay, Colombia and Mexico. In total we have around 1.800 people, having significant positions and recognitions in several of the countries where we are present. You can have more information on our website: www.auren.com.

Our target clients are SME, and we are a multidisciplinary professional firm, covering audit and assurance services, tax and legal, consultancy and corporate finance.

2. VIEWS ABOUT EXISTING STANDARD SETTING MODEL

Audit and assurance is a very complex matter that need to adapt continuously to changes happening in the economical world. International finances are very dynamic and sophistication of business operations requires to react and to consider implications of that operation on the accounts, to ensure the right information to all people potentially interested as users of such information.

Complexity also requires to anticipate in order to deal with realities such as the fact that intangibles are the significant value of most of companies and that sometimes the value of most companies is created by factors that are not easily reflected on traditional accounts.

We are sure that our profession can play a significant role to serve public interest in giving confidence and trust to the information that operators provide to stakeholders, both related to financial and non-financial information. In fact, if auditors don't give an answer to society demands, other operators will do, and they would not necessarily be subject to rules and practices that are a substantial component of auditors practice, such as independency, ethical behavior, permanent training, etc. Rating agencies can be an example of that.

It is true that sometimes the process to adopt a new standard last quite a lot, as the consultation process with different stakeholders and the voluntary basis of people involved on the Boards make the time to have effective some standards very long, and a more executive process will lead to a more rapid adoption. So there is room to improve this point if more resources were devoted. But rapid adoption of standards doesn't mean necessarily better information quality and better understanding of that information.

Different interested parties on the Standard Setting Boards, including academics, help to ensure to be taken into consideration views of different bodies and entities dealing with such complex matters. The membership of Professional Accounting Organizations in IFAC, makes relevant the views of different kind of professionals that belong to those organizations, and also the perspective from different jurisdictions worldwide.

IFAC Standards Setting Boards are, in our view, independent and composed by different people highly qualified and with different background. The consultation process is very intensive and give opportunities to professionals, academics, professional organizations, business organizations, and so on to express opinion on the drafts. Also, different committees on IFAC, for instance Small and Medium Practices Committee, give opinions, always considered, but at the end Boards take their own independent positions.

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As a profession we have lots of standards. It is important to consider time for the application of standards since in most jurisdictions translations are required in order to ensure appropriate understanding and application of standards. In some cases, adoption of a new standard requires even changes in legislation. And always a training and adaptation process done by professional bodies and firms are very important to ensure right application of new standards. Therefore, when considering that Standards Setting Process is too long, it should be taken into account that a long time is also needed and convenient from initial announcement of changes and final application.

We also consider that often criticism to the credibility of audit is not due to imperfect Standards but on the application. For instance, independency rules are very clear, and quite often financial scandals from audit reports come for not having applied rules properly, not because the rules were not clear or correct. So, in our view, the point to increase credibility on audit is to improve the supervision system, and not specifically changing significantly Standards Setting Process.

3. OUR VIEW ON THE MONITORING GROUP PROPOSALS

In our opinion there are several dangers on a radical change of the present Standards Setting Process.

- a) We think it is very important to take in consideration the views of the profession. Of course, users of the information and stakeholders in general, should also give their views on the right standard to reflex financial (and non-financial) relevant information, but professionals use to deal with difficulties or considerations in relation to some solutions. For that reason, it is important to consider that they were able to state their points on the best ways to express business realities, and the difficulties and consideration to represent new developments.
- b) Consideration about stakeholders and users of the information shall not be identified as just financial investors, even being important such group. Employees, citizens clients and suppliers are also interested parties on the information provided by organizations, and often, especially in the case of Small and Medium Entities, more affected and interested on the performance of companies than investors. Often investors on such companies, as family business, are just managers and people very close to the managers, and they are mostly interested on quality of information to take the right decisions. A change on the Standard Setting Process focused on the interest of IOSCO, can damage quality of the information of the big community of SME that have a great impact on wealth creation worldwide.
- c) Additionally, IFAC standards focus on different kinds of entities, such as Public Interest Entities, Small and Medium Enterprises, Non For Profit organizations, Public Sector, and Public Sector Entities. We consider it is very important that standards were as homogeneous as possible for all types of entities, as this facilitates understanding of accounts and capability to compare, both nationally and internationally. We are very concerned that Monitoring Group proposals were focused just on quoted companies, and so, if these proposals progressed could lead to different sets of standards, as considered not fully appropriate for other entities.
- d) Currently IFAC has representatives on the different committees and Boards from different parts of the world. It is seen as not representing particular economic area but also developing countries, and regions as Africa or Asia which have specific needs. A new standard setting model with strong presence of stock exchanges from developed financial



centers can lead to the fact that using their sovereignty, regulators from other countries develop or adapt their own standards in order to avoid to be seen just as followers of some financially strong countries.

- e) Present Standard Setting Boards have a large tradition and recognition as independent from governmental agencies and political supervisors which makes their standards be very widely accepted. One of the risks of changing the model is that not everybody feels equally represented and the international adoption of standards could suffer. In our view it is better a non-perfect standard setting system, if this is widely accepted worldwide, by supervisors, professionals and users in general, than another that was seen as serving just the interest of a particular financially developed region, or the financial investors.

4. CONCLUSION.

We consider very positive thoughts about how to improve Standards Setting Process. It is very important to ensure that Boards issuing rules were seen as responding to the interest of different parties:

- a) Different linked collectives: Professionals, academics, stakeholders, firms, governments, etc.
- b) Geographical regions: high developed economies, developing countries, industrial or agricultural based economies, etc.
- c) Different kind of entities: quoted companies, PIEs, SMEs, family business, NGO, Public sector, etc.

More resources devoted and support from additional professional staff could be very positive to accelerate the process of setting standards, but it should be also taken into consideration resources to disseminate new standards, in terms of translation and training, by professional bodies, governments and firms.

We share the need to improve audit credibility, but in our view, problems don't rise from Standards but from the inadequate application of standards, sometimes because are too complex and inappropriate for their application to all kinds of entities, and others because supervision, both internal and external, has been inadequate.

Quality in the information is very important to take right decisions, but all collectives must be taken into account not just investors; citizens, employees, suppliers, clients, etc, are also very significant stakeholders of all kind of entities.

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A handwritten signature in black ink, appearing to read "Antoni Gómez Valverde".

Antoni Gómez Valverde
Chairman

Barcelona February 9th, 2018