

TO: Mr. Gerben Everts, Chair of the Monitoring Group (MG2017consultation@iosco.org)
FROM: Dr. Steven Glover and Dr. Douglas Prawitt (Professors at Brigham Young University)
Dr. Mark Taylor (Professor at Case Western Reserve University)
DATE: February 8, 2018
SUBJECT: Comments on Monitoring Group Consultation Paper, Strengthening the
Governance and Oversight of the International Audit-related Standard-setting
Boards in the Public Interest

We appreciate the opportunity to submit our views on the options for reform outlined in the Monitoring Group's Consultation Paper, *Strengthening the Governance and Oversight of the International Audit-related Standard-setting Boards in the Public Interest* (hereafter referred to as the Consultation Paper).

As academics we have a combined 73 years' experience teaching, performing research, and writing broadly on audit and audit-related topics and we have each served as public interest members of the AICPA Auditing Standards Board. We share the Monitoring Group's interest in continually looking to improve the quality of globally adopted auditing standards in the public interest. We agree with the seven objectives set out in the paper and appreciate the Monitoring Group's interest in hearing feedback on whether changes are necessary and if so, whether the options provided in the paper will meet the objectives in the most effective and least burdensome way. We also appreciate the Monitoring Group's interest in stakeholder feedback on possible unintended consequences flowing from any particular option. We do support a measured and careful approach to efforts to further achieve the stated objectives, with testing—on a pilot basis—of some of the options set out in the paper.

Although we are supportive of the overall intent of the Monitoring Group's Consultation Paper as represented by the expressed objectives, we believe that important potential unintended consequences will likely result from some of the Monitoring Group's proposed options. These unintended consequences could have significant negative effects on the quality of auditing standards and on the likelihood that the standards will be globally adopted. We provide input relative to most of the questions covered in the Consultation Paper below.

One of the strengths of the current IAASB standard setting process and environment is the widespread adoption or adaptation of the standards across the globe, including in the United States. Although we are supportive of the Monitoring Group's stated objectives, we believe some of the proposals being contemplated would "throw the baby out with the bath water" in that the reforms could be damaging to the quality and legitimacy of the auditing standards. We believe that a real danger exists that some of the proposals could alienate key stakeholders around the world such that the standards issued by the revamped board would not continue to be adopted or adapted by different countries and jurisdictions. We believe a reasonable chance exists that national auditing standard setters will combine to form a separate international auditing standard setting board and if they do, that the standards promulgated by that board are more likely to be adopted globally. The auditing standards environment across the world is already a fractious reality of multiple standard setters producing related but substantively different auditing standards. This fractured approach is not a recipe for efficiency or quality for auditing standards

or for auditing. In our opinion, the safest and surest way to elevate the quality of global auditing standards is to improve and strengthen the existing IAASB process through (1) increasing the number of independent remunerated experts on the board, (2) increasing the level of permanent full-time technical staff, (3) increasing the board’s accountability through public, open, observable deliberative processes, and (4) increasing the board’s adherence to a conceptual framework with overarching principles.

Clearly, a major hurdle to overcome in increasing the number permanent technical staff and the number of paid independent expert board members is the underlying funding mechanism. We strongly encourage the PIOB and Monitoring Group to work together to resolve the funding mechanism issue before attempting to implement the proposals in the paper that depend on increased or diversified funding. We see this as a potentially major challenge as some of the funding likely would need to come from the global network firms. However, without a global legal requirement to use the auditing standards overseen by the PIOB or for users to pay for such funding, it could very well be that pursuing some of the proposals could actually reduce the likelihood of achieving adequate and stable funding, and could induce users to look to alternative auditing standards promulgated by separate national standard setters or by a newly form standard setter supported by a consortium of national standard setters.

Key Concerns:

Question 1	Do you agree with the key areas of concern identified with the current standard-setting model? Are there additional concerns that the Monitoring Group should consider?
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Although we support the fundamental objectives of relevant and timely standards that meet the public interest, and though we acknowledge that the current international auditing standard setting process can be improved, we were struck by the almost complete lack of evidence that such significant problems exist that such a major restructuring effort would be warranted. Based on our observations of the standard-setting process and the standards that have been promulgated, we believe the IAASB processes and resulting standards are of high quality. The fact that the IAASB standards have been adopted globally, in the midst of so many institutional, territorial, governmental and cultural incentives for separate national standards, is a testament to the quality and efficacy of the current standards.

It is worth commenting that our own combined experience as public interest members of the AICPA Auditing Standards Board over the past nine consecutive years has left us with little doubt that the ASB is fully committed and dedicated to the objective of enhancing audit quality in serving the public interest. Remarkably, we found this to be almost invariably the case for nearly every individual board member we have interacted with over that time frame, including the many highly expert individuals we have interacted with on the board who retained current ties with large public accounting firms. The point here is that we have reason to believe that the incentives, motivations, and actions of the experts who earn their living by auditing financial statements and who share their expertise and energy as standard setters, tend to overlap to a remarkably great degree with what you would call “the public interest.” And frankly, it makes sense that this is the case—they have the most to lose if they fail in their mission. So again, we believe it is incumbent on the Monitoring Group to identify and clearly define what the issues

are, and provide specific, credible evidence that a problem exists before undertaking efforts to “solve” it.

Our concern, provided in more detail below, is that some of the options being considered by the Monitoring Group could very well result in decreased quality in audit standard setting and a reduced level of global convergence auditing standards.

We think the Monitoring Group still has significant work to do to address these questions before taking any further action:

- What are the problems the Monitoring Group is trying to resolve?
- What evidence is available to support and to contradict the existence and severity of these perceived problems?
- What are the root causes?
- What evidence is available that suggests that the proposed solutions will address the perceived problems, and what evidence is available that they will not?
- What are the existing strengths of the current approach that should be preserved?
- What evidence is available to suggest that the strengths of the current approach will not be compromised by proposed solutions to the problems the Monitoring Group is attempting to resolve?
- Is the Monitoring Group willing to accept the real possibility of lower quality auditing standards to increase the timeliness of new standards and the perceived objectivity of the board?

Opinion surveys of 29 stakeholders may provide some preliminary information about perceptions, but this preliminary information clearly would not constitute sufficient, appropriate evidence to support the assertion that the current approach is fatally flawed and is in need of significant overhaul.

Similarly, we see a lack of consideration of evidence that may support or contradict the apparently assumed notion that the proposed options will effectively address the concerns and achieve the stated objectives.

The Consultation Paper appears to be based on some fundamental underlying assumptions that we believe are problematic and highly questionable, including:

- The standard setting process and resulting standards will be better with a lower proportion of board members with deep auditing expertise and experience.
- A net positive benefit to the public interest will accrue by shifting to a majority rules voting model.
- Worldwide users of the current IAASB standards would continue to support standards overseen and produced by regulators of foreign governments.

We address why these assumptions may not be valid in our responses to the questions below.

As independent audit academics who have also served as public interest auditing standard setters, we believe we bring an informed perspective regarding audit standard setting and a view that is likely more independent and objective than practicing audit professionals, regulators or

preparers. Case in point, our published work includes articles critical of the profession, prior standard setting bodies, and of national audit regulators. For example, in 2009 we published an article that was critical of some decisions of U.S. audit regulators.¹ We have heard from high-ranking regulators that many of the issues we raised in the article are clear and accurate descriptions of issues facing the PCAOB and that the concerns we raised in that article are valid. We do not believe that the direction the U.S. has taken in setting auditing standards is a good model for the rest of the world to follow, and we believe several of the points raised in that article are germane to several of the Monitoring Group’s Consultation proposals and we recommend the Monitoring Group consider the issues and concerns in our article as they consider responses to the Consultation Paper.

Question 2	Do you agree with the overarching and supporting principles as articulated? Are there additional principles which the Monitoring Group should consider and why?
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We generally agree with the overarching and supporting principles. We do think some of the principles could be interpreted too narrowly and could lead to negative unintended consequences.

For example, if the first principle is interpreted to mean professionals with substantial expertise and experience in performing financial statement audits should be in the minority on the standard-setting board—then we do not agree with that principle or at least that narrow definition. Please see our response to Question 10 below.

Similarly, the “Accountable” principle could be interpreted to suggest that a particular regulatory entity will be effective at holding the standard-setters accountable.

Other principles we believe the Monitoring Group should consider are as follow:

- Standards should be sufficiently principles-based as to appeal to the global marketplace to facilitate and encourage continued broad adoption (recognizing differences in business practices, cultures, laws, litigation, etc.)
- Standards should facilitate sufficiently consistent interpretation/application across practice and around the world
- Standards should timely respond to the changing environment (including rapidly changing technology, etc.)
- Standards should consider the needs of different stakeholder groups and the public interest but Monitoring Group and standard setters should explicitly acknowledge and take into account that the public interest includes a healthy, viable, robust profession that can continue to effectively execute the standards, attract the best and brightest, and invest in new approaches that hold the promise of increasing audit effectiveness and efficiency.

¹ “Auditing Standards Setting and Inspection for U.S. Public Companies: A Critical Assessment and Recommendations for Fundamental Change,” by S. Glover, D. Prawitt, and M. Taylor, *Accounting Horizons*, 2009, Vol. 23, No. 2.

3	Do you have other suggestions for inclusion in a framework for assessing whether a standard has been developed to represent the public interest? If so what are they?
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We believe adequate representation of various stakeholders on the board and on the board's oversight groups, together with process transparency and effective public exposure practices serve to ensure that the public interest will be well represented.

4	Do you support establishing a single independent board, to develop and adopt auditing and assurance standards and ethical standards for auditors, or do you support the retention of separate boards for auditing and assurance and ethics? Please explain your reasoning.
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We do not support the establishment of a single board dealing with both auditing and ethics standards. We do not see a persuasive argument in the consultation paper to support such, nor can we identify evidence of problems in the current setting that would justify such a precipitous move. We do very much agree with the two key points raised in the Consultation Paper:

Separate boards may also be more attractive to potential members who may have an area of expertise in one but not all of the areas of a single board's remit which may limit the ability of some members to provide meaningful contributions to projects that are outside of their area of expertise. Separate boards could also provide more time and resources to handle the work. (pg. 11)

5	Do you agree that responsibility for the development and adoption of educational standards and the IFAC compliance programme should remain a responsibility of IFAC? If not, why not?
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We agree that responsibility should remain with IFAC. We are not aware of persuasive arguments or evidence that suggest that problems exist with the current arrangement; at the same time, we believe there is considerable evidence of good work by the IFAC in these areas.

6	Should IFAC retain responsibility for the development and adoption of ethical standards for professional accountants in business? Please explain your reasoning.
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We agree that IFAC should retain this responsibility. We do not see in the Consultation Paper justification for a change in this area and we also do not see a clear alternative articulated. If a problem exists with IFAC retaining responsibility in this area, we believe it would be incumbent on the Monitoring Group to identify what the problem is, what the evidence is for and against the idea that a problem exists, and what is the suggested improved alternative.

7	Do you believe the Monitoring Group should consider any further options for reform in relation to the organization of the standard-setting boards? If so please set these out in your response along with your rationale.
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As stated previously, we believe the safest and surest way to elevate the quality of global auditing standards is to improve and strengthen the existing IAASB process through (1) increasing the number of independent remunerated experts on the board, (2) increasing the level of permanent full-time technical staff support, (3) enhancing the board's accountability through public, open, observable decision-making processes, and (4) increasing the board's adherence to a conceptual framework with overarching principles. While unavoidable trade-offs exist and significant improvements can certainly be made, we do not believe the fundamental existing model is broken.

8	Do you agree that the focus of the board should be more strategic in nature? And do you agree that the members of the board should be remunerated?
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We see merit in allowing board members to be somewhat more strategically focused, but we do not see a viable path to high quality standards with a board that lacks sufficient expertise and experience to *engage in detail* with the standards themselves. The key will be to strike the right balance. The three of us have witnessed first-hand over a combined period of nine years what is entailed in the audit standard-setting process, and we believe that there is a very compelling case to be made that maintaining effectiveness is severely challenged in the face of any significant separation between strategy and detail. Further, our experience makes us strongly question the seemingly implicit assumption that individuals who have detailed technical expertise in auditing standards and auditing are unable to be highly effective at considering strategic issues. We believe the exact opposite to be true. That is, individuals who do not have sufficient technical expertise cannot be entirely effective at comprehending, recognizing, or formulating cogent strategic issues and solutions. The experience of the U.S. with a mostly non-expert "strategic-level" board bears ample witness to the problems inherent in such an approach.

We also see merit in considering remuneration for more board members (say a third or half of the members) to increase the independence and facilitate the participation of board members with deep expertise in auditing and financial reporting but who are free of influences that might affect objectivity.

9	Do you agree that the board should adopt standards on the basis of a majority?
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We strongly disagree that the board should adopt standards on the basis of a majority. Based on our experience as auditing standard setters, a simple majority will inevitably degrade the quality of standards promulgated. We observed that the high quality that all stakeholders desire from global auditing standards really comes from the difficult deliberations required to reach a super majority. Setting global standards is a complicated endeavor and often one does not fully understand the potential strain points or exceedingly difficult issues that arise until a very robust, in-depth discussion and debate from different perspectives occurs.

We are particularly concerned that other proposals in the Consultation Paper, combined with the idea of a simple majority, could quickly lead to the degradation of the quality of standards or place the profession in untenable positions. For example, if the board is comprised of a minority of members who have deep expertise and experience in actually conducting an audit, then the simple majority could result in standards being voted out hastily without an appropriate

appreciation for the practical implementation of the standards, or of the possibility of inconsistencies inadvertently being created within the body of standards.

We have each experienced, on many occasions, sections of a draft standard that we believed fully adequate to achieve the desired objectives, only to learn through detailed discussion and debate, with input from a wide variety of perspectives, that we had overlooked small but exceedingly important nuances. We have each learned that what initially might appear to be unnecessary tedium in digging into detailed wording and technical jargon, in fact often reveals very important issues that, if not rectified, might lead to the release of a standard in conflict with other standards, laws or regulations, or a standard that would suggest an interpretation and implementation that would not result in higher quality audits.

In our opinion, if the board moves to a simple majority and a minority of members with deep expertise and experience, the quality of the standards will fall and the likely result will be that standards will less accepted globally.

10	Do you agree with changing the composition of the board to no fewer than twelve (or a larger number of) members; allowing both full time (one quarter?) and part-time (three quarters?) members? Or do you propose an alternative model? Are there other stakeholder groups that should also be included in the board membership, and are there any other factors that the Monitoring Group should take account of to ensure that the board has appropriate diversity and is representative of stakeholders?
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Regarding the number of members, we recommend a board of at least 15 members to ensure that such a board appropriately represents the views of key stakeholders including listed and non-listed auditors and preparers, governmental audit experts, legal experts, academic experts, and other stakeholders. We further believe that it would be very much possible to have a board consisting of individuals all of whom have considerable expertise while also not being beholden to particular interests. As we argue below, any assumed necessary dichotomy between expertise and objectivity is a false and potentially very costly one.

We do support allowing both full-time (one quarter or one third) and part-time members.

Regarding diversity and representativeness of stakeholders, we can understand why the Monitoring Group would see these features as important and attractive. The hope is that non-auditor and non-auditing-expert board members will add objectivity and independence and would appropriately represent needs and views of a broad set of users and stakeholders. However, when it comes to establishing technical standards to be applied by auditing experts, trading more objectivity for less deep knowledge and expertise will not necessarily, or even likely, result in higher quality auditing standards. Further, the reality is that non-audit experts will not be truly “independent” in that they will come with perspectives and their own set of conflicts of interest.

The costs and benefits associated with establishing expert versus non-expert standard-setting bodies are well articulated in a well-argued and insightful letter from Katherine Schipper, former member of the U.S. FASB, to Stig Enevoldsen, then Chair of the Strategic Working Party

focused on “Shaping the International Accounting Standards Committee (IASC) of the Future” (Schipper 1998).² In her letter, Professor Schipper indicates that at least two ways exist for a professional standard-setting board to achieve legitimacy. The first is through the attainment of what Professor Schipper refers to as “political representative legitimacy,” in which legitimacy is derived through the representation of interested constituencies. Professor Schipper highlights the costs of political representation:

The cost of political representative legitimacy is a potential sacrifice of expertise and a nearly certain sacrifice of independence. Political representatives are chosen to represent a constituency an interest group and not because they are independent experts. (Schipper 1998)

The second approach to legitimacy is what Professor Schipper refers to as the “independent expert” approach. Such an approach provides discretion to experts who are (1) chosen because they have expertise for the task at hand; (2) held accountable through an open, publicly observable decision process; (3) required to be independent of financial and other entanglements that could affect their standard-setting judgments; and (4) expected to follow the precepts of a conceptual framework in arriving at their judgments.

In terms of major auditing standard setting bodies, the U.S. PCAOB approach, in our view, embodies a limited form of the “political representative” approach— “limited” in that the Board fails to adequately represent all interested constituencies and fails (by unfortunate and misguided legislation) to have even a majority of board members with significant or meaningful experience or expertise as public company auditors, audit standard setters, or even as preparers. Even though the board has only five members, it has struggled to issue quality standards in a timely manner. The board also has struggled to properly consider the costs of its standards. For example, its first significant standard, the disastrous AS 2, “An Audit of Internal Control Over Financial Reporting Performed in Conjunction with an Audit of Financial Statements,” was withdrawn and superseded after only three years, in part because the board failed to (or was unable to) consider the cost,³ efficacy, or practicality of its standards. This is only the most salient example—there are more recent ones.

Increasing the number of remunerated board members would allow a revamped international board to have truly independent experts who have severed financial ties and other entanglements with audit service providers, avoiding the very costly trade-offs inherent in the political-representative model.

We strongly caution the Monitoring Group against moving further down the “political representative” model as proposed in the Consultation paper with 1/3 experts, 1/3 regulators and

² Schipper, K. 1998. Recommendations on shaping IASC for the future. Letter from Dr. Schipper to the chairman of the International Accounting Standards Committee’s Strategy Working Party that developed the report. Available at: http://www.iasb.org/NR/rdonlyres/6728D446-4A1A-4FB8-B697-79FA770C2669/0/capital_research_and_management_comment.pdf

³ “Maintaining the value and viability of auditors as gatekeepers under SOX: An auditing master proposal.” by Z. Palmrose, edited by U. Fuchita and R. Litan, In *Financial Gatekeepers: Can They Protect Investors*, (2006), 103–135, Baltimore, MD: The Brookings Institute. “Twenty-five years of audit deregulation and re-regulation: What does it mean for 2005 and beyond?” in *Auditing: A Journal of Practice & Theory* (Supplement): 89–109, by W. R. Kinney, Jr. (2005).

1/3 users. We believe the unintended consequences would be an overall decline in the quality of auditing standards and an introduction of infelicitous and unproductive conflicts among the different interest groups. We believe that a majority of board members should have deep expertise and experience in financial statement auditing, many of whom can be *independent* experts. We do see a role for users and regulators, but not a 2/3rds majority for a board tasked with promulgating detailed technical standards that are of sufficiently high quality to be adopted/adapted by nations and territories world-wide.

We do not agree that requiring the full-time chair to be a non-expert is a recipe for success. We think this and some of the other proposals to reflect a lack of understanding of what is necessary to develop quality standards and achieve world-wide adoption of the standards.

We do not believe the non-expert model adopted by the PCAOB is an optimal model and urge the Monitoring Group to think of better ways to achieve the objectives.

Along these lines, we have observed an issue in the standard-setting process that we believe can inhibit improvements in audit quality: we have sometimes seen a hesitancy to move forward far enough on some quality issues because the process sometimes allows the interests of unsophisticated preparers or very small audit firms to be over-weighted. Quality standards should lift all boats and we believe sometimes smaller, less sophisticated preparers and audit firms hold the profession back from adopting minimum quality standards that are in the best public interest.

11	What skills or attributes should the Monitoring Group require of board members?
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The majority of board members should have deep expertise and experience in financial statement auditing and across the expert members they should have experience auditing entities across an array of industries and geographies as well as entities that are private, listed, small, large, non-profit, highly regulated and governmental. To achieve the appropriate balance of expertise and objectivity, some of the experts should be remunerated and be required to sever any financial or other ties to entities outside the board that could possibly threaten their objectivity.

12	Do you agree to retain the concept of a CAG with the current role and focus, or should its remit and membership be changed, and if so, how?
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We believe that the concept of a CAG could be retained. Diversity of perspectives embedded in the board's processes through the input received from the CAG regarding the board's agenda and work program, priority of projects, and technical and other matters, have the potential to foster quality in auditing standards. This is an appropriate venue through which some of the benefits of "political representativeness" can take place without burdening the board with non-experts.

13	Do you agree that task forces used to undertake detailed development work should adhere to the public interest framework?
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We believe that the task forces should adhere to the public interest framework.

14	Do you agree with the changes proposed to the nomination process?
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At this point, we would recommend strengthening the other aspects of the board as noted above, and determining whether those changes are sufficient to accomplish desired objectives while leaving the IFAC in charge of the nomination process. The PIOB appears to be in a position to revisit the PIOB vs. IFAC nomination process at any time it wishes. We suggest limiting the “number of dials” being turned all at once.

15	Do you agree with the role and responsibilities of the PIOB as set out in this consultation? Should the PIOB be able to veto the adoption of a standard, or challenge the technical judgements made by the board in developing or revising standards? Are there further responsibilities that should be assigned to the PIOB to ensure that standards are set in the public interest?
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We see a constructive role for the PIOB, but the Monitoring Group may want to be careful with what it hopes for. We are fully supportive of the objective of auditing standards serving the public interest. However, as a panel of non-experts, it is not clear that the PIOB is actually in a perfect position to represent the public interest or fully understand the trade-offs involved in what truly constitutes the public interest. If the PIOB is granted veto power, it should be required to engage with the board to workable alternatives and consider and conduct careful cost/benefit analyses for their proposed changes. Any final changes to standards should be the product of careful consultation and deliberation with experts who understand the trade-offs and the technicalities and practicalities of the issues.

16	Do you agree with the option to remove IFAC representation from the PIOB?
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We do not agree that the IFAC representation on the PIOB should be removed. IFAC is a valid stakeholder and should retain a voice.

17	Do you have suggestions regarding the composition of the PIOB to ensure that it is representative of non-practitioner stakeholders, and what skills and attributes should members of the PIOB be required to have?
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We strongly disagree with the unsubstantiated view that non-experts make for superior overseers of technical professional standards. See our arguments above about using independent (retired, compensated, etc.) experts to avoid the negative trade-offs involved in the political-representative model.

18	Do you believe that PIOB members should continue to be appointed through individual MG members or should PIOB members be identified through an open call for nominations from within MG member organizations, or do you have other suggestions regarding the nomination/appointment process?
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19	Should PIOB oversight focus only on the independent standard-setting board for auditing and assurance standards and ethical standards for auditors, or should it continue to oversee the work of other standard-setting boards (eg issuing educational standards and ethical standards for professional accountants in business) where they set standards in the public interest?
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20	Do you agree that the Monitoring Group should retain its current oversight role for the whole standard-setting and oversight process including monitoring the implementation and effectiveness of reforms, appointing PIOB members and monitoring its work, promoting high-quality standards and supporting public accountability?
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21	Do you agree with the option to support the work of the standard-setting board with an expanded professional technical staff? Are there specific skills that a new standard-setting board should look to acquire?
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Yes, pursuant to establishing a viable and stable funding source, while maintaining the interest of various national standard setting boards in remaining converged with the ISAs.

Skills—deep expertise and experience in financial statement preparation and financial statement auditing across geographies, industries and entity types. In addition, it would be advisable to include people with deep expertise and insight into the effects of emerging technologies, both from the auditee and auditor perspectives.

22	Do you agree the permanent staff should be directly employed by the board?
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Yes, by the board or by IFAC, pursuant to establishment of a viable stable funding source.

23	Are there other areas in which the board could make process improvements – if so what are they?
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We believe the combination of some full-time independent experts on the board along with independent experts on the permanent staff will result in significant improvements to the standard setting process.

The board could work more closely with other national standard setters to allocate projects and resources. For example, the AICPA’s Auditing Standards Board could be tasked with forming initial views and white papers on certain areas of consideration.

24	Do you agree with the Monitoring Group that appropriate checks and balances can be put in place to mitigate any risk to the independence of the board as a result of it being funded in part by audit firms or the accountancy profession (eg independent approval of the budget by the PIOB, providing the funds to a separate foundation or the PIOB which would distribute the funds)?
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Other models exist in terms of what is required for individuals to serve in certain roles—for example, those in government. Some positions require termination of employment relationships, divestiture of securities and other direct interests, placing investment funds in a “blind” trust, etc.

Again, we are strongly supportive of the notion that the negative impacts of the political-representative model can be avoided through the independent-expert approach.

25	Do you support the application of a "contractual" levy on the profession to fund the board and the PIOB? Over what period should that levy be set? Should the Monitoring Group consider any additional funding mechanisms, beyond those opt for in the paper, and if so what are they?
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Several considerations come into play here. In the absence of being able to levy taxes or fees, contributions could be requested, but we believe that some of the proposals, if implemented, may lead some entities to work with national standard setting boards and funding a separate expert board not under the auspices of the PIOB, which may be perceived to be unduly influenced by particular interests, such as public company banking regulators.

We believe it is unrealistic to expect a revamped board to be able to collect and allocate funds from organizations who are disallowed a meaningful voice in the process. Whoever pays will want to exert influence—it is the nature of a pay model. In the end, some of the proposals might reduce the influence of auditors, only to make more prominent the influence of other interested stakeholders. We advocate slow and measured steps in looking to better achieve the stated objectives, through incremental improvements and steps to first establish a new funding mechanism. The Monitoring Group should engage with the profession to identify and evaluate potential options for moving forward in this regard.

26	In your view, are there any matters that the Monitoring Group should consider in implementation of the reforms? Please describe.
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We believe it is remarkable that the IAASB has, in a relatively short period of time, established itself as the world's leading audit standard setter. This is a mark of credibility and a sign that the board has, to some significant measure, achieved the objectives stated in the Monitoring Group's document. That said, there is room for improvement, and we support carefully considered steps to better achieve the objectives laid out by the Monitoring Group. However, we believe that some of the proposals in the Monitoring Group document could increase the perception that the board is, in fact, an EU standard setter, rather than a truly international one, and thereby undermine the status of the board as the world's leading standard setter. We advocate that the Monitoring Group take a slow and measured approach, carefully specifying and evaluating evidence of perceived problems before taking precipitous steps that may well do more harm than good.

27	Do you have any further comments or suggestions to make that the Monitoring Group should consider?
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We recommend involving to a greater extent in deliberations of the Monitoring Group independent and objective individuals who have extensive experience and expertise in financial statement preparation and auditing, as well as in audit standard-setting.