

February 8, 2018

The Monitoring Group
INTERNATIONAL ORGANIZATION OF SECURITIES COMMISSIONS

Re: Monitoring Group proposals to strengthen the governance and oversight of international audit-related standard setting

Dear Mr Everts,

The IFAC Professional Accountants in Business (PAIB) Committee response reflects the views of all [eighteen members](#) of the PAIB Committee who are finance and business leaders representing the global constituency of professional accountants in business and public sector who enable and support effective decision making and reporting for internal and external purposes. This constituency represents a majority of the accountancy profession. We considered the Monitoring Group consultation and felt it important to address the specific question of whether there should be a single independent board to develop auditing and assurance and audit-related ethics standards. This approach does not indicate we are in agreement with the rest of the proposals.

We believe it is essential to retain a united profession under one globally-accepted Code of Ethics for Professional Accountants. The current integrated model of a single standard setting body responsible for the Code of Ethics of Professional Accountants which applies to all professional accountants regardless of their employer or role conveys a clear message to the public that all professional accountants are held to the same high ethics standards regardless of their role in the financial reporting supply chain.

The public interest is ultimately served by well-run organizations responsibly creating value for their stakeholders and society. Professional accountants in business, including those in the public sector, play an important role in helping to achieve this public interest outcome by enabling robust decisions with relevant and reliable information and analysis for internal and external stakeholders. The 2008 report [Financial Reporting Supply Chain: Current Perspectives and Directions](#), highlighted the importance of all the links in the supply chain (including professional accountants who play diverse roles within those links) being of high quality and closely connected in order to ensure effective corporate governance and the supply of high-quality financial reporting. It also emphasized that while each separate link in the supply chain plays an important role in supporting high-quality financial reporting, the nature of the connections, or interactions, between the links can have a particular impact on audit quality.

Your proposal assumes public interest expectations for professional accountants working outside of audit are not the same as for auditors. We believe this to be conceptually short-sighted given that professional accountants working in business are critical to the effectiveness of the first line of defense in corporate governance – the executive and operational management and the board. Without them, there is a heightened risk of business failure/value destruction, and ultimately a threat to the public interest.



Members of the PAIB Committee have worked in various roles during their careers including as board directors, audit committee chairs, company secretaries, controllers and report preparers, internal auditors, and external auditors. Based on this experience, we believe that the fundamental ethical principles, and demonstration of professional ethical behavior, must apply uniformly across the entire accountancy profession regardless of role.

The proposal to separate the setting of ethics standards for auditors will lead to different ethics standards for professional accountants working in business from those working as external auditors. We do not believe this will lead to improved public interest outcomes.

Ultimately, the Code of Ethics' fundamental principles and safeguards, applied by professional accountants in roles other than in an assurance engagement, makes auditing more effective. Creating different ethics standards for auditors would detract from the clear public interest benefits of the present unified model.

In recent stakeholder engagement by the International Ethics Standards Board for Accountants (IESBA), a number of key stakeholders have recommended to it to further develop the Code of Ethics and its implementation among professional accountants in business. We agree that the IESBA's work to further develop ethics standards should be set in a strategic context to ensure optimal focus in terms of addressing threats to the public interest in relation to the work of professional accountants. Their multi-stakeholder model ensures representation from most stakeholder groups including professional accountants in business. By the same token, we would support a model in which the Public Interest Oversight Board would include representation from all key stakeholders, including IFAC as a representative of the global profession.

If you require additional clarification, or would like to discuss any of the issues raised above, please do not hesitate to contact me.

Yours sincerely,

A handwritten signature in black ink that reads "Charles Tilley". The signature is written in a cursive style with a large initial "C" and a long, sweeping tail.

Charles Tilley
Chair
IFAC Professional Accountants in Business Committee