

Response to the Monitoring Group on the Future of International Auditing, Ethics and Education Standard Setting

I thank the Monitoring Group for their very thoughtful document that focuses on some of the questions that have laid under the surface of international audit and assurance standard setting for many years. Such issues as standard setting board member nominations, funding, staffing, and related topics have long been the subject of bar conversations and backroom chats. It is valuable to bring them to the foreground to understand the reality versus the rhetoric. Before I comment on the proposal I provide a background sketch so that readers of these comments can understand and contextualize these views.

I bring the perspective of a full professor with an endowed research chair awarded after external review (the Stephen J. R. Smith Chair in Accounting and Auditing) as a former Editor (in-chief) of a top five accounting journal (*Contemporary Accounting Research*), the Senior Editor of a top niche journal (*Behavioral Research in Accounting*), a current and former associate editor at several journals, and as a member and former member of numerous Editorial Boards such as the *Accounting Review*, *Accounting Organizations and Society*, *Auditing: A Journal of Practice & Theory*, *Behavioral Research in Accounting*, *Contemporary Accounting Research*, *Journal of Management Accounting Research* among others. I have received the Notable Contribution to the Audit Literature Award for my work on audit partner-client management negotiations, the Haim Falk Award for Distinguished Contribution to Accounting Thought among others.

Since graduating from the University of Michigan's PhD program, I taught at leading business/accounting schools in Canada (Alberta, Queen's and Waterloo) and have visited schools in Canada (Ivey at Western and my alma mater, Mount Allison University) and the USA (University of Illinois at Champaign (UIUC), University of Florida). My research is highly cited and I have published in excess of thirty articles in top tier academic accounting, auditing and ethics journals. Much of my research has focused on examining high-level audit partner judgments and influences on their decision-making, and interactions between auditors and other corporate governance actors. I have also published in practitioner journals, written book chapters and co-authored two editions of an audit textbook. I have supervised to completion nearly ten doctoral students who are all active researchers with positions that include the Ivey School of Business at Western University and UIUC. I have taught auditing for most of my career and I spent five years in public practice as an auditor before entering the PhD program. I have done consulting work with Big 4 (KPMG), international (BDO and Grant Thornton), and regional Canadian firms.

Key overview comments

1. The captive standard setter myth

The underlying theme of the Monitoring Group ("MG") document is that the IFAC's international standard setting boards have been "captured" by the large public accounting firms. The document continually suggests that this capture has occurred, referring in numerous places

to “perceptions” of undue influence on standard setting by IFAC, big public accounting firms and others. Further, MG implicitly writes as if IFAC’s standard setting committees are regulators or at least regulatory standard setters. None of IFAC’s standard setting boards is recognized in any major developed country as the body responsible for setting auditing, ethics or educational standards. These standard setters attempt to, in the area of ethics and education, suggest global minimum set of ethical standards and education requirements that IFAC member bodies commit to best efforts to ensure they are implemented in their countries. The IAASB is unique in that it is its role to provide leadership in audit standard setting so as to produce the best possible audit based on our current knowledge level. Neither the fact that none of the bodies is a regulator nor the difference in missions of the boards are explicitly recognized by the MG document.

The Monitoring Group wants “evidence based” standard setting output (p. 4) and hence one would suspect that their views on standard setting would be based on the large literature that exists on setting standards in a wide variety of domains (see Salterio 2008 for an audit focused introduction to that literature). At the very least, given MG’s regulatory focus, one would expect that the MG report would refer to theories about regulation, not vague norms of “better regulation” without ever providing any definition of “principles of better regulation” other than the statement about “benefits exceeding costs.”¹

The two dominant theories of regulation are the “public interest” and the “regulatory capture” (see Levine, & Forrence 1990 for summary of these theories and evidence about them). Recent research suggests a “lifecycle approach” (Martimort 1999) that marries the two may increase explanatory power of these theories. Most of the questions discussed in this document are addressed in this literature, confirming my view that the MG implicitly view the IAASB and other boards as a regulatory, not a standard setting, entities. Indeed, the underlying tension between the “public interest” regulator versus the “captured regulator” that motivated this line of research seems to underlie much of the MG document. However, the research literature (e.g., Dal Bó, 2006 especially p. 215 onward) makes it clear that perceptual data and ex ante arguments about what “should” be happening in regulatory body is not predictive of what actually happens at regulators. Indeed, the lifecycle synthesis of the “public interest” and “regulatory capture” theories suggests that the amount of external focus and scrutiny of the regulator is highly associated with whether the regulator focuses on the “public interest” mandate or is “captured” by a special interest (see Smyth & Söderberg 2010 for evidence). The greater the scrutiny, holding all other factors constant, the greater that “public interest” outcomes albeit it is hard to measure those outcomes (Barkow, 2010). In other words, there is no structural

¹ Perhaps the MG takes as a given the “Better Regulation” program that is highly European centric even though the program has some international endorsement OECD. These principles do not rise to the level of a theory and are strongly contested as to what their outcome leads to. However, evidence of the effectiveness of this program is hard to come by (e.g. . Baldwin, 2005). As the ideas are not clearly presented in the MG report I assume that the reference to “principles of better regulation” is more of a rhetorical flourish than a commitment to the OECD and European governments attempts to act on these so-called principles.

regulation (nomination processes, independence regulation, payment of regulators, board size) that will guarantee a “public interest” outcome – it all depends on the ability and willingness of others to monitor (Baker, 2010; Makkai, & Braithwaite, 1992). The only means to generally promote the “public interest” mandate in a regulatory settings that has been shown to be effective is to make the process of setting the regulations as transparent as possible. Virtually none of the changes that related to board composition from a structural perspective matter unless such scrutiny occurs.

2. The Independence Matters Myth

One of the most robust findings of the corporate governance literature in the private sector is that independence regulations and structural reforms do not matter to corporate performance. Separation of board chair from CEO, mandates for greater than a majority of independent directors, mandates for 100% of the directors on the audit committee being independent has absolutely no association with improved corporate performance (see Larcker and Tayan 2015 Chapter 4 and 5 for evidence). Empirical evidence in regulatory capture research also shows similar findings (e.g. Dal Bó, 2006; Smyth and Söderberg 2010).

Indeed, it is an American preoccupation with legal mandates for independence that is reflected in the MG report. As research shows, formal definitions of independence are the easiest to work around if those in charge of the process want to work around them. School (i.e. university) ties, social ties, geographic origins ties, employer past and present and potentially future ties all are ways to easily negate the most stringent independence rules based determination (Bruynseels and Cardinaels, 2014; He et al., 2017; Wilbanks, Hermanson and Sharma, 2017).

Further, there is absolutely no evidence that “stakeholder” representation leads to better regulatory process from any substantive perspective (Webber, 2012, Baker, 2010, Dal Bo 2006, Levine and Forrence, 1990). Indeed, research on group decision making suggests that the focus of group discussion is more on the knowledge that people have in common, not the unique expertise that might actually lead to substantive performance improvement (as in “evidence based” as referred to on p. 4) (e.g., Stasser, Stewart, & Wittenbaum, 1995; Gigone & Hastie, 1993). In other words, stakeholder representation will likely lead to less expertise being brought to bear on standard setting as the discussion often focuses on the lowest common denominator of understanding (Stasser et al 1995).

It should be noted that research clearly documents that in other professional domains the relevant profession sets the standards of behavior. Whether it be medicine, law, K-12, social work, public health, the committees that establish standards of care, best practice guidelines and the like are dominated by the “experts” and the “general practitioners” from the field along with closely allied service providers and some service recipients, with support from facilitators that lead the process and expert evidence synthesizers (see Lambert, 2006; Rousseau, 2012; Sackett, 2000; Scott and Guyatt, 2014; Campbell Collaboration 2015). This is known as “evidence based” standard setting (see Hoang, Salterio, and Sylph 2017, Salterio, Hoang, and Luo 2018). Very

little of what is proposed by the MG is consistent with this well-validated model of standard setting. To be fair to the MG document, there are several recommendations that are consistent with evidence based standard setting including:

- Credibility of standard setters where there is an emphasis on “standard setting, and the people involved in it, need to be recognized for their skills, experience and knowledge” p. 4. This is clear from the research discussed on the evidence based policy making movement (more in the response to the questions and in the attached articles).
- “Task forces used to undertake detailed development work should adhere” to a transparent process p. 16. To allow for public scrutiny as necessary to ensure standards are in public interest as discussed above.
- The creation of a more robust technical staff to support the standard setting process (p. 22). To allow proposed standards to be based more on evidence of effectiveness rather than opinion as per the norms of evidence based policy making (discussed more in response to the questions and in the attached articles)
- A stable funding base that is not subject to political control to influence the standard setting decisions. Allowing the expansion of professional staff.

Each of these items provide a productive evidence based basis for starting a discussion about improving the IAASB and other standards setters at IFAC using an evidence based policy making framework as a guide.

However, my analysis also suggests that many of the MG’s structural suggestions are of the type “how many angels dance on the head of a pin.” For example, the PCAOB is composed of completely full time, well paid members whereas IAASB has one full time member (the chair). Yet if one looks at the rate of standard setting over the past 15 years, it is very clear that the IAASB and the IASB have been much more prolific in standard setting. Examples of IAASB developing standards at a substantially faster rate include the enhanced audit report communication, the disclosure of audit partner names, the updating of the risk model, and organizing the standards in a logical and clear manner.

Further, difference in time to produce standards between the two models (IAASB v. PCAOB) is measured in years. The IAASB had been significantly faster than the PCAOB on every major standards enhancement in the last fifteen years without any noticeable difference in standard quality:

- IAASB clarity project (2009) finished six years before the PCAOB standards reorganization (2015),
- the risk model revision (IAASB in 2009 versus PCAOB 2015) also six years faster,
- requirement for partner disclosure (IAASB effective 2016 and PCAOB effective in 2017) is the shortest difference at six months faster and
- critical or key audit matters (IAASB effective 2016 and PCAOB in 2019 or 2020) again three years faster by IAASB.

Furthermore, the IAASB has not passed such a poorly thought out standard that it had to retract and completely rewrite in less than three years as occurred with the PCAOB (AS#2 to AS#5). Indeed the PCAOB itself (e.g. Tysiac, 2015) recognizes that it has a problem with the timely production of new and revised standards. Indeed, after several difficult attempts to develop standards exposure drafts directly, the PCAOB began to issue concept releases prior to issuing standards exposure drafts that further slows down their standard setting process.

Hence, the MG discussion about needing to make the IAASB more efficient by having a smaller board and paid members (Section 3 questions 8 to 10), single standard setter for ethics and audit (Section 3 questions 4 to 7), and broad composition from stakeholder group and nomination process (Section 3 10 and 14) have no basis in regulatory research nor in comparison to what a small full time paid board of five is accomplishing at the PCAOB. Section 7 implies that IAASB is clearly a slower standard setter than the only other standard setting model at work – the full-time PCAOB. The evidence as laid out above clearly does not support that implication.

Overall

Beyond these overall comments I have replied to selected questions in the attached appendix. In addition, I have attached three articles (Salterio 2008, Hoang, Salterio and Sylph 2017 and Salterio, Hoang and Luo 2018) to inform the MG about evidence based standard setting as well as a list of references for evidence provided by academic research in this area that I referred to above.

In conclusion, I think the MG has done an excellent job in identifying key issues that have been swept under the rug for a considerable period of time. However, the analysis of these key issues and their suggested approach to changes leaves much to be desired. Vague references to “principles of better regulation” and out of the blue pulling of numbers do not constitute valid evidence upon which to base changes to a substantive standard setting process. Especially changes to a process that is by all measures is considerably faster and as technically adept as the current instantiation of a full time standard setting board (i.e. the PCAOB) of the like advocated by the MG analysis. That does not mean that substantial reform is not needed, the standards need to be considerably more evidence based and less based on opinions of what Sackett once called “grey haired older overweight white males sitting around conference tables” when he referred to how standards of care were being set in medicine. Medicine, public health, social work, K-12 education, the prison system and many other areas of policymaking have changed considerably in light of this evidence based policy making movement (see Rousseau 2012 for summaries of many of these areas). Evidence will never decide exactly what an auditing standard will require, but evidence should certainly inform how such standards are written.

ACKNOWLEDGEMENTS: I appreciate the help and support of my research team, Kris Hoang PhD, CPA,CA; Jim Sylph FCPA, FCA, ICD.D; Yi Luo CPA, CA; and Russ Evans ABD. The opinions expressed in this document have been informed by my discussions and joint work with

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them but are solely my own and no responsibility for these opinions should be necessarily attributed to these colleagues.

APPENDIX to Response – Specific Questions (to be read in context of overall comments)

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?

No, I do not agree with many of the key areas of concern identified by the MG. There is no clear case made either empirically or conceptually that there is “undue influence of the profession” but mainly unsupported contentions about “perceptions” of undue influence.

I believe that there is a much greater risk that effective and efficient audit standards will NOT be developed under many of the MG reforms leading to likely slower, not faster, standards production that will result in more implementation problems and added costs for preparers without any increase in standard or indeed more importantly, audit quality. Indeed vis-à-vis the PCAOB that has a standard setting model closest to what is advocated by the MG, the PCAOB standard setting has been substantially slower, with more implementation issues with no evidence that their standards lead to more effective auditing.

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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There are three levels of supporting principles rather than seven principles of equal weight.

*Level 1 (top priority with my suggested changes in **bold**)*

*Credible – the standard setting, and the people involved in it, need to be recognized for their skill, experience and knowledge **of AUDITING to underpin the public confidence.***

*Transparent – transparency over key decision-making **including making the task force process more transparent to interested parties. That the IAASB has a proactive mandate that requires it to examine academic, practitioner, and other evidence relevant to the standard being set via the provision of dedicated staff resources that can synthesize and evaluate the quality of the evidence and summarize it for the board members.***

*Relevant – **that standards be established and evaluated in light of** “ensuring that auditors appropriately resource, design and carry out their work in a way that reflects the risks faced by an audited entity; they provide independent and rigorous challenge that ensures the relevance and reliability of audited information; and that they drive the auditor to consider external factors and wider implications of events in markets and financial systems with the aim of preventing failures.”*

In other words, standards are evaluated in light of evidence of their effectiveness of achieving the audit objective NOT based on perceptions of regulators, preparers, public accounting firms etc.

Level 2 (medium priority)

Objective including being evidenced-based – that the standard setting process be evaluated at the project initiation stage, the tentative conclusions stage/exposure draft stage, and before the final standard is issued to ensure that the best available evidence has been deployed throughout the standard setting process. Where expert opinion has substituted for carefully gathered evidence, that the standard’s requirements based on that “expert” opinion only be noted as such and be followed up in a post implementation review three years after the standard is implemented.

Accountable – with clear lines of responsibility and reporting for all aspects of the process to an independent oversight body established by the International Forum of Auditing Regulators, a representative set of professional accounting bodies (i.e. CPA, CA, ACCA etc.) and securities/banking regulators.

Level 3 (low but of priority)

Cost effective – that costs of standards implementation be evaluated in light of the higher level of assurance that is received from the improved evidence collection required by the standard. That secondarily, standards be evaluated for the perception of improved communication with users about the outcomes of an audit.

Independence (or conflict of interest): for standard setting staff members and leadership of the standard setter have clear cooling off periods that increase in time with the level of the appointment within the standard setter. That the chair and two vice chairs be full time employees of the standard setter with an expectation that they will not be rejoining either a public interest reporter or a public accounting firm for five years post-employment with the board. That all board members be required to clearly reveal any and all lobbying from within their firm or they are a public accounting firm’s clients outside the formal standard setting process including their degree of involvement, if any, and the response to the exposure drafts and concepts papers made by their employers/partners.

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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Evidence based: That the standard setter and staff have an affirmative and proactive responsibility to gather all relevant, available evidence from practice and academia. That they have the same responsibility to evaluate the quality of such evidence, to synthesize the evidence for the task force and the board and to identify areas where expert opinion will need to be employed as a substitute for expert opinion systematically drawn from their experience.

Effectiveness reviews: That post implementation reviews be done of all standards three years after implementation in a sufficient number of countries so that rigorous evidence can be developed as to whether the standard met its substantive goal.

These recommendations are based on the norms in the evidence based policy movement as discussed in Hoang, Salterio and Sylph 2017 and Salterio, Hoang and Luo 2018 that accompany this response.

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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Research has shown (e.g. Abbott 1988 and onward) that if society expects member of a body to act in a professional manner that the body must take primary responsibility for regulating the actions of its members through a code of professional conduct, ethics etc. There is no professional body discussed in the research literature where a third party regulator sets the ethical code for the profession albeit there may be additional ethical requirements through the state run licensing process that grants accountants permission to sign audit reports. However, those ethical requirements should serve the needs of the local jurisdiction and not be subject to international ethical codes. Hence, this requirement is a non-starter unless the goal of this project is to further de-professionalize the audit profession. In the end, continued attempts to deprofessionalize leads to a cycle that will end with an audit being conducted like a tax examination – strictly by a set of rules that leads to poor investment information for users.

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?
6	Should IFAC retain responsibility for the development and adoption of ethical standards for professional accountants in business? Please explain your reasoning.

In light of my answer to question 4, these questions are not relevant.

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 discussed in my text response, along with the evidence presented therein, the key issue is ongoing scrutiny of the transparent standard setting process not the number of board members, the process to appoint, their remuneration etc. Hence, the only concern should be about ensuring that the standard setting process is open to scrutiny. One approach that may aid in enhancing that public scrutiny is that financial support be made available to those who would carry out such scrutiny. Further, one could set up a robust post-implementation review process that is not within the control of the standard setting board.

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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The question assumes a premise that is not supported by evidence, that is, the current board structure is less than optimal in the strategic process it employs. I am aware of no such evidence, indeed my perception for what that is worth, is that the board is overly concerned with strategic planning, agenda setting at the expense of time that could be devoted to substantive projects.

Along the remuneration front, consideration should be given to making payments to organizations such as public accounting firms, at a discounted rate to their normal professional fees, in the form a retainer similar to the retainer paid to public company board members. This retainer payment will reduce the incentives of those board members who may implicitly be pressured by their firms that subsidize their board work. Such implicit pressure to justify one's value to their firm despite hundreds of hours devoted to standard setting may currently cause such members to be excessively open to considering the views of the firm and the firm's client in setting standards as a quid pro quid for their firm's support.

There is no evidence that full-time pay makes a difference in standard setting quality (see Barkow 2010; Smyth, & Söderberg 2010;) and certainly the example of the PCAOB does not make a case

for a smaller full time board.

9	Do you agree that the board should adopt standards on the basis of a majority?
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This proposal should be evaluated after a research synthesis of the literature on board decision criteria in other domains. In particular, the review should examine the FASB experience with supermajority versus majority voting (e.g. Fields and King 1996; Pasewark, 2000). There is a substantial research literature in the area of standard setting supermajority versus majority and my recall is that a simple 50% plus one is not the adequate basis for ensuring strong, effective and efficient regulation occurs. An evidence based report would have conducted that research prior to coming up with the “majority” recommendation. Did the MG consider the evidence before arriving at this recommendation? There seems to be a curious lack of evidence in a report that calls for standard setters to be evidence based (p. 4 of the MG document).

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?
11	What skills or attributes should the Monitoring Group require of board members?

Research on effective teams suggests that the current size of the board is at or slightly above the largest effective level for team size (generally thought to be in the 11 to 15 range – See Larcker and Tayan 2015 for evidence for public company boards of directors). That research shows that 11 to 15 is generally skewed towards the higher end for public companies with greater complexity and lower for public companies that are less complex. Given the complexity associated with standard setting it would seem that if the public company board evidence generalizes to this setting, that approaching the upper limit rather than the lower limit would be advisable. Indeed given the broader remit of the IAASB to include entities other than publicly listed companies or the slightly broader category of public interest entities, the complexity analysis would strongly suggest a larger rather than a smaller number within this effectiveness range.

As for the qualifications of the individual, first, the issue of standard setting credibility is important and that credibility is based on expertise of the standard setters. As discussed in Salterio 2008 and the broader evidence-based literature (see Sackett, 2000; Scott and Guyatt, 2014 Kelly, Morgan, Ellis, Younger, Huntley, and Swann. 2010; Atkins, Smith, Kelly and Michie 2013), while there is room for involvement of those who receive the services, they are not in a position to determine how and what level those services need to be provided by the professional. In evidence-based policymaking, the substantive area experts and general practitioners along with allied service providers compose the vast majority of standard setting committees with a limited role for users/patients. Hence, the key requirement for standard setting is substantive knowledge of auditing, an openness to learn how to evaluate and, where appropriate, rely on the results of empirical evidence of effectiveness, a willingness to sponsor data collection through field testing of standards and a commitment to standard setting based on a set of proactively gathered evidence. In other words, the credible principle as I reworded it should dominate nominations process with all other factors being secondary. See the references in the two papers I provided (Hoang et al 2017 and Salterio et al 2018 for references).

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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This proposal is a bit of micro-managing by the MG. If the CAG is transparent AND effectively contributing to setting high quality standards, then their continued existence and role should be evaluated based solely on their contribution to effective standard setting.

13	Do you agree that task forces used to undertake detailed development work should adhere to the public interest framework?
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As discussed in the text of my response, yes. "Task forces used to undertake detailed development work should adhere" to a transparent process." That would allow for scrutiny of the nature and type of evidence considered in reaching their recommendations to the Board.

14	Do you agree with the changes proposed to the nomination process?
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?
16	Do you agree with the option to remove IFAC representation from the PIOB?
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?
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?
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 (e.g. issuing educational standards and ethical standards for professional accountants in business) where they set standards in the public interest?

There are two subparts that appear relevant in the set of questions from 14 to 19. 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?

Based on the requirement that substantive audit expertise is required to set auditing standards, just like substantive medical and legal expertise is needed to set standards of care and of best practice (e.g., Kelly, et al 2010) the PIOB should not be able to veto a standard but should be able to return the standard for reconsideration of specific public interest concerns. If the standard, after reconsideration by the IAASB, is returned then the standard should be approved by the PIOB provided evidence that proper due process has been followed in the reconsideration.

In keeping with my analysis above that scrutiny of the process is the only factor that has been

shown by research evidence that ensures regulations are set in the public interest, the exact appointment process does not matter. Any fair and open process for nominations should make no difference in the quality of the standards. Hence, any of the options, currently in existence or proposed can work, as long as it is clear that however chosen, the board members ARE NOT stakeholder representatives of their groups. Further, they have to acknowledge annually in a written declaration that they are not and do not perceive themselves to be representatives of their organization. It might be wise to consider whether a similar declaration should be required by members of the PIOB and the MG. Some have argued in the past that such declarations are not worth the paper they are written on. However, that argument was extensively cited when CEO/CFO certifications of financial statements were required yet US based research shows conclusively they did have an effect. Indeed, my research shows that such certifications in Canada, while much less threatening for consequences than in the USA, had a similar effect on improving the quality of accounting (see Lu, Richardson and Salterio 2011).

Finally, the PIOB should commission and supervise the Post Implementation Reviews (PIR) three years after a substantial number of countries with significant number of public company audits adopt and implement the standard. Care should be taken to collect field-based evidence, not merely perceptual data. Furthermore, if possible given legal constraints, the PIR should draw on the expertise of the individual members of the International Forum of Audit Regulators about their inspection experience with the standard. Again, the emphasis should not be on perceptions of the regulators but the collection of factual data about standard effectiveness. Academic research should be mandatory part of the evidence reviewed and if need be, such research should be commissioned by the PIOB. Blouin, & Robinson (2014) provide an excellent example of how FASB carried this out in its first post-implementation review. However, later PIR's were substantially less thorough, no doubt due the suggestions in this more thorough review that the standard had some issues. Hence, in part my recommendation that these reviews be carried out at arm's length from the IAASB.

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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No response.

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?
22	Do you agree the permanent staff should be directly employed by the board?
23	Are there other areas in which the board could make process improvements – if so what are they?

Both the IAASB and the IESBA (ethics) need to be staffed with technical support staff that are well versed in both substantive audit issues as well as evidence collection, analysis and synthesis to support Board task forces. Substantial training and support will need to be provided such that the skills of both the more professionally oriented staff as well as the more research-oriented staff are tailored to the demands of standard setting. In addition, professional staff skilled at facilitation of knowledge transfer should be part of the core staff. For an understanding of what is required see the references in Hoang et al 2017 and Salterio et al 2018 as well as previously cited articles on evidence based policy making (see Sackett, 2000; Scott and Guyatt, 2014 Kelly, et al 2010; Atkins, et al 2013 plus wider writings in Rousseau 2012 and the Campbell Collaboration 2015 that summarizes many different facets of evidence based policy making).

In order for the staff to continue to have professional expertise as well as the latest technical research knowledge, formal rotation programs should be part of the staffing plan for mid-level technical and research issues. Modified versions of the SEC's Fellows program that would involve two to four professional fellows on three year rotational appointments with public accounting and supreme audit institution auditors, and two to four academic fellows (normally on one year appointments based on sabbatical cycle but with options for longer) should supplement the full time staff of professional accountants, research professionals and knowledge transfer facilitation specialists. As pointed out Salterio et al 2018 care needs to be taken both in educating such fellows and in ensuring they are assigned to the areas where they can contribute their expertise most based on issues encountered with time allocation in the SEC program (see Krische, Martin, & Wilks, 2013).

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)?
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?
26	In your view, are there any matters that the Monitoring Group should consider in implementation of the reforms? Please describe.
27	Do you have any further comments or suggestions to make that the Monitoring Group should consider?

Funding is a huge issue for any standard setter or regulatory body. Research shows that the base of the funding should be as broad as possible to encourage public interest outcomes (Barkow 2010), hence I do not agree on the focus on the funding being on only one stakeholder group – the accounting profession or the public accounting firms. A levy on the profession is unreasonable, given that the goal is to insulate the standard setting process from IFAC influence. Similarly, a levy exclusively focusing on public accounting firms would be equally strange given the goal of the MG. As most research on US regulators shows (e.g. Barkow 2010), influence follows the money. Stable and secure independent funding of regulatory bodies tends to produce the most technically adept regulations and standards that appear to be in the public interest (see Quintyn and Taylor, 2003; Epstein and O'Halloran, 1999). Hence, while I cannot provide an alternative model as that is beyond my area of competence, the criteria from research are quite clear – stable, secure and independent – none of which the MG's proposal seems to provide for.

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