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- please always indicate -

**Public Consultation on the Governance (with special focus on organizational aspects, funding, composition, and the roles) of the Monitoring Group, the IOB, and the Standard-setting Boards and Compliance Advisory Panel operating under the auspices of the International Federation of Accountants (IFAC)**

Dear Ladies and Gentlemen,

We would like to express our appreciation for the efforts being undertaken by the Monitoring Group and the IOB to review and improve the governance arrangements for international standard setting and would like to thank you for the opportunity to comment on the above-mentioned consultation paper.

We would like to refrain from commenting on all questions of the consultation paper, but instead provide you with our deliberations on certain questions which seem of particular and prior-ranking interest to us.

**Q 1: Do you consider it necessary to enhance representation of the public interest? If so, which additional actions, apart from the appointment of an independent IESBA Chair and redefining the nature of non-practitioner board members, would you suggest to reinforce the mechanisms to safeguard the public interest?**

After the reforms that had already been carried out in the recent years, there is in our view no necessity to enhance representation of the public interest. The public interest is already being

represented sufficiently by, inter alia, the composition of the committees and the independent IESBA chair. The public interest is also protected well by means of the oversight of the PIOB in relation to many activities of the Public Interest Activity Committees that operate effectively in the public interest.

**Q 2: In the long term, would you favour a different and fully independent standard-setting model completely outside the IFAC structure and if so how could such a structure be funded?**

We deem the current IFAC standard-setting model as appropriate and efficient. Establishing a standard-setting model completely outside the IFAC structure would neither be necessary nor in the public interest. A standard setter needs the opportunity to draw back directly on the unique skills and knowledge of the profession in order to guarantee high quality standards. Only by the direct involvement of professionals the extensive technical experience gained by the profession can be used to develop the highest quality standards possible.

If there were public concern about the direct involvement of those persons who are later the addressees of their own standards, there would be a need to take measures to address this perception by providing more useful information to the public rather than changing a very well working system.

In this context, it is also important to note that by means of the oversight of the PIOB it is, as stated under question 1, guaranteed that the public interest is already being taken into consideration and protected to a great extent, respectively. Besides, the necessary level of independence for the Public Interest Activity Committees is also safeguarded by other measures, like the involvement of the Consultative Advisory Groups and the independent chairs of the IAASB and IESBA.

To sum up, the establishment of a standard setting completely outside the IFAC structure would be counterproductive to the global efforts to establish, maintain and guarantee high quality standard setting processes.

**Q4: Would you support the IPSASB being subject to PIOB oversight? Why? What conditions, if any, would you impose on such oversight? Would you see as a factor to take into account the fact that IPSASB deals with accounting rules instead of auditing ones?**

When it comes to the necessity of public institutions' accounting, the predominant issues to be taken into consideration should be: increasing quality, consistency, comparability, transparency

and accountability. There is nothing but a consistent accounting frame for public institutions that can serve as a meaningful instrument to avoid crises. It is precisely the recognition of state assets and sovereign debt that should be uniform and comparable. In other words, the existence of high quality and globally accepted financial reporting standards for the public sector is of paramount importance to the public in order to overcome the current sovereign debt problems. Subjecting the IPSASB to the oversight of the PIOB would foster the acceptance and use of the IPSASs.

If the oversight of the PIOB were extended to cover also the PIOB, it should be ensured that also the necessary technical knowledge, personnel and fiscal resources are available on the part of the PIOB. Apart from that, the same rules should apply to the extended oversight as to the „normal“ oversight.

**Q 7: Do you agree with the proposal that the MG should have a more strategic role?**

The current structure and involvement of the MG are, in our view, well balanced. There is no need for further involvement of the MG in the Public Interest Activity Committees. Instead, the direct oversight should, as is currently the case, be carried out by the PIOB.

**Q 19: Would you consider the current composition of the PIACs appropriate? Do you see merit, in the context of a second effectiveness review, in exploring the idea of having a majority of non-practitioners and a majority of public members?**

We deem the current composition of the PIACs with a balance of practitioners and non-practitioners appropriate. In our view, there is no need for change. On the contrary, preserving the technical knowledge guaranteed by the current involvement of practitioners is essential for the development of high quality standards. As indicated under question 2, a change in terms of establishing a majority of non-practitioners would jeopardize the global efforts to restore public trust into the profession by issuing high quality standards.

**Q 25: How do you think the governance of the international auditing, ethics and education standards setting process could improve audit quality? What are the main objectives that those responsible for governance should take into account?**

It is crucial that those persons responsible for the governance remain in a constant dialogue with the relevant parties which would be of mutual benefit. In addition, the parties concerned are to develop and cultivate a certain level of awareness according to which they subject all their oper-

ations to the public interest. As a whole, we see no need to make any changes regarding the current governance of the Public Interest Activity Committees.

**Q 26: What is your opinion about the current structure? Do you think the current structure is appropriate in order to improve audit quality? If not, what changes, suggestions or remarks would you propose?**

As already explained under question 25, we deem the current governance structure as appropriate and efficient. In our view, there is no need for changes.

We hope that our remarks will be taken into consideration in the subsequent course of the proceedings, and we would be delighted to answer any questions you may have.

Kind regards,



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Executive Director



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