

Strengthening the Governance and Oversight of the International Audit-Related Standard-Setting Boards in the Public Interest

A public consultation issued by the Monitoring Group

Comments from ACCA to the Monitoring Group
9 February 2018
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ACCA is the global body for professional accountants. We offer business-relevant, first-choice qualifications to people around the world who seek a rewarding career in accountancy, finance and management.

ACCA has over 200,000 members and 486,000 students in 180 countries and works to help them to develop successful careers in accounting and business, with the skills required by employers. We work through a network of 101 offices and centres and 7,291 Approved Employers worldwide, who provide high standards of employee learning and development. Through our public interest remit, we promote appropriate regulation of accounting and conduct relevant research to ensure accountancy continues to grow in reputation and influence.

We welcome the Monitoring Group's (MG) initiative to further strengthen international standard setting and are pleased to provide our comments on the Consultation Paper Strengthening the Governance and Oversight of the International Audit-Related Standard-Setting Boards in the Public Interest.

The ACCA response is informed by input from senior ACCA members working across the globe, operating in a range of financial, regulatory, public sector and business areas, including audit and assurance. Our response comprises a number of key points which we consider to be fundamental to the consultation and our response to the specific questions and options presented in the consultation paper.

The second stage of this consultation process will provide an opportunity for the MG to set out its vision in more detail, including the proposals on funding, the definition of the public interest and the overarching impact assessment. We are committed to working collaboratively with the MG to ensure that the final proposals support sustainable, high quality standards. Further information about ACCA's comments on the matters discussed here can be requested from Maggie McGhee (maggie.mcghee@accaglobal.com).

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SUMMARY

The quality of international audit and assurance standards

The wellbeing of the interconnected global economy is predicated on the basis of robust, comprehensive, high quality and transparent financial reporting, auditing and ethical standards. These are supported by educational standards for professional accountants. Our fundamental concern is to avoid any changes which would adversely impact on the international adoption of accounting and auditing standards.

The Monitoring Group's consultation provides the impression that auditing standards are in crisis, with concern over the involvement of the profession in standard-setting undermining public confidence in auditing standards. We do not recognise this depiction of the status of international auditing standards (ISAs). ISAs are used in over 120 countries. In many of these countries, ISAs are adopted voluntarily rather than due to the force of law. This challenges the assertions that the involvement of the profession in the process undermines the principle of public interest and that there is a lack of public confidence in the standards. Any new proposal must ensure that all countries adopting ISAs remain confident in the process. This is particularly important for developing economies.

We do however welcome the review and recognise the importance of the continuous evolution of standard setting in a rapidly changing world. The staged approach being adopted by the MG means that significant levels of detail necessary to draw appropriate conclusions is absent at this stage (such as defining public interest, funding and impact assessment – all due to be issued later in 2018). We therefore welcomed the MG's commitment at the London outreach event to further consultation before any changes are implemented.

It is vitally important that the review and the resulting proposals are based on genuine multi-stakeholder engagement. In order to be truly multi-stakeholder this must go beyond the engagement of audit regulators and institutional investors. A deeper understanding and engagement should also be carried out across jurisdictions, in particular, to recognise the expectations from emerging countries that their views will be taken into account. If the reforms are introduced without consensus across jurisdictions and collaboration between stakeholders there is a real risk that there will be a fragmentation of standard setting and an increase in nationally set standards. Moreover, the proposals should be designed to meet the demands that will be placed on the auditor not only now but also in the future.

The public interest

The consultation refers frequently to the 'public interest' and identified this as the driver for the proposed changes but does not articulate how this is defined, with only a commitment to collaborate with the PIOB to develop a 'framework which will provide a mechanism for assessing how the public interest is captured throughout the standard-setting process'. The term is used to both justify change and to shape the proposals for reform. As such, it is a fundamentally important concept that is central to understanding the MG's vision for standard-setting.

We look forward to seeing the MG's articulation of the public interest, which we would expect to formulate how diverse stakeholder views can be collected and balanced against each other, as part of the future consultation process.

We endorse the principle of a single set of high quality auditing standards that are applicable to all entities. SMEs are globally the driving force behind the majority of private sector economic activity and, as such, are fundamental to the definition of public interest. However, this sector is not explicitly referred to in the consultation. The current standard setting approach does not adequately reflect this key stakeholder and we believe it is important that the reformed model is designed to address this to avoid fragmentation.

Funding

The MG is right to identify the resource constraints faced by IFAC's standard-setting activities, and this will be pivotal to any proposed solution. The current model for standard-setting reflects these constraints and has led to the MG perception that the auditing profession is exercising undue influence over the standard-setting process. However, this is not evidenced.

We therefore welcome and support the MG's proposal to seek out new sources of funding for standard-setting to allow investment in both additional and more senior staff. Providing IFAC's standard-setting boards with greater staff resources will permit the board to become more strategic in nature.

However, we warn that more money and more staff may not guarantee faster standard-setting. The experience of other organisations, such as the PCAOB and IFRS Foundation, is that balancing diverse stakeholder viewpoints in the public interest is time-consuming. As such, there may be natural limits to the extent to which greater resources can speed up the standard-setting process.

It should also be recognised that the proposed introduction of a 'levy' as opposed to a 'contribution' may not remove the perception issue raised by the MG regarding the influence of the auditing profession on standard setting.

Involvement of a wider range of stakeholders

We agree with the MG's view that certain stakeholder groups are currently under-represented in the standard-setting process. However, the MG's proposal in this regard – to establish quotas for board representation and to pay board members for their participation – does not address the root cause.

The analysis presented does not take account of the existing mechanisms that seek to ensure the public interest is served. There are currently several areas where stakeholders can participate in the standard-setting process. These include:

- Responding to public consultations on standards.
- Participating in public outreach on standards.
- Putting forward a nomination to serve on the board.

- Petitioning one of the organisations that sit on the CAG.
- Petitioning one of the organisations that sit on the PIOB or MG.
- Petitioning the standard-setting board or one of its members directly.

Before proposing new methods of intervention, we believe it is vital to understand why the existing mechanisms are felt to be ineffective. Otherwise, there is a risk that new interventions may also be ineffective, for the same reasons.

For example, in relation to the participation of investors in the standard-setting process, we believe the MG should first consider:

- Why are investors not participating in the public consultation process to the extent the MG believes is appropriate, and what impact is this having on the standard-setting process?
- To what extent are investor views being heard by IAASB and IESBA during outreach activities, and how could this be improved?
- Why are investors not being appointed to the standard-setting boards, and what impact is this having on the standard-setting process?
- To what extent are investor views being captured and communicated by the CAG, PIOB and MG, and how could this be improved?
- To what extent are investor views being captured and communicated by board members and staff, and how could this be improved?

The information gained from these enquiries will be invaluable in two ways. Firstly, because these interventions already exist, it will be more efficient to improve them rather than introduce new interventions. And secondly, understanding the limitations of the existing interventions will help to inform the design of any new types of intervention that the MG may wish to propose.

The vital role of ethics for the accountancy profession

ACCA is a global body of accountants, with over 200,000 members working across the full breadth of the economy. Our members work as preparers, business managers, investors, business advisors and auditors. A key unifying force is our members' commitment to our Code of Ethics, which is based upon the IESBA Code. The Code of Ethics is binding on all our members, and we regard this as a vital part of what it means to be a professional body.

We do not support the proposals to combine responsibility for setting ethical standards with auditing standards nor do we support the implicit proposal to split ethical standards between auditors and non-auditors. We strongly believe the public interest is best served by a unified profession with a unified set of ethical standards. Public expectation in relation to the profession is broader than audit, and encompasses corporate reporting, tax, business management and corporate governance. The increasing 'expectation gap' cannot be adequately addressed by a divided ethical standard-setting board.

We comment further on these key points and our response to the specific questions and options presented in the consultation paper below. This submission adds to our separately submitted joint submission with Chartered Accountants Australia and New Zealand (CA ANZ).

AREAS FOR SPECIFIC COMMENT:

QUESTION	
1	<i>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?</i>
	<p>As outlined above, we agree that the areas of concern identified by the MG are the right issues for the system of governance over international audit standard setting to be considering. However, we believe that the MG’s analysis of these issues should, but currently does not, consider the existing processes and controls that are in place to respond to these concerns. Accordingly, there is a risk that the MG’s analysis could undermine the existing confidence in auditing and assurance standards by providing a false impression that standard-setting exists without regard for the public interest.</p> <p>It is important to note that the concerns regarding the independence of the international auditing and ethical standard setters relate to perception and no evidence of the impact of this upon financial market participants is presented. It is important that in any approach standard setting is free of undue influence or dominance from any one stakeholder group.</p> <p>We have no concerns to add to those identified by the MG.</p>
2	<i>Do you agree with the overarching and supporting principles as articulated? Are there additional principles which the Monitoring Group should consider and why?</i>
	<p>We support the overarching principle. However, we would note that ‘quality’ is an extremely important principle in standard-setting and that this is not properly encapsulated by ‘credibility’. In ensuring that the public interest is served, it is most important to protect ‘quality’ in considering the other principles. It is our view that many of the proposals in the MG’s consultation need amendment to avoid an undue reduction in the quality of standard-setting.</p> <p>We believe that being ‘principles-based’ is of critical importance. It is the principles-based nature of auditing and assurance standards that permits their use in a wide range of settings. As stated above, SMEs account for the majority of private sector GDP and it is important that standards can be applied across the spectrum of audit engagements. It is imperative that there is one set of consistent international auditing standards that can be applied by auditors of all entities.</p>
3	<i>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?</i>
	<p>Auditing and assurance standards must be set in the public interest as the role of the financial statements audit is to provide an independent viewpoint on the financial statements. As noted above, we observe that the MG’s consultation invokes the public interest without yet having developed the ‘framework which will provide a mechanism for assessing how the public interest is captured</p>

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	<p>throughout the standard-setting process' and this makes it difficult to fully assess the MG's intentions at this stage. As a matter of priority a public interest framework should be developed.</p> <p>We would expect the framework to ensure that the supporting principles are respected; noting that at times the application of one principle may conflict with another. For example, the relevance of standard-setting should not be allowed to undermine the quality of standard-setting.</p> <p>It is important that this framework is made available for comment as part of a future consultation process before proceeding with changes to the standard-setting process. We therefore welcomed the MG's commitment at the London outreach event to further consultation before any changes are implemented.</p>
4	<p><i>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.</i></p>
	<p>Our 200,000 members work in all parts of the accountancy sector, of which auditing is a part, and in many other business sectors. We believe there is considerable public interest in maintaining a unitary accounting profession whose members are involved in both the preparation of financial statements and the auditing of those statements, governed by a common code of ethics.</p> <p>Therefore, we do not support the proposal to split the setting of ethical standards for auditors from the setting of ethical standards for accountants not engaged in audit. We consider the public interest is supported by the concept of a single code of ethics with a framework that is applicable to all professional accountants.</p> <p>As we cannot envisage, and the consultation paper does not explain, how a single strategic board could set both auditing and assurance standards and ethical standards for auditors and accountants in business, we do not support establishing a single independent board for auditing and assurance standards and ethical standards.</p>
5	<p><i>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?</i></p>
	<p>Yes. We agree that the development and adoption of educational standards and the IFAC compliance programme should remain a responsibility of IFAC. We would also envisage the responsibility for IPSASB remaining with IFAC.</p>
6	<p><i>Should IFAC retain responsibility for the development and adoption of ethical standards for professional accountants in business? Please explain your reasoning.</i></p>
	<p>As noted in our response to Question 4, we believe there is considerable public interest in an accounting profession whose members are involved in both the preparation of financial statements and the auditing of those statements.</p> <p>Therefore, we do not support the proposal to split the setting of ethical standards</p>

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	<p>for auditors from the setting of ethical standards for accountants not operating in audit. Professional accountants undertake a range of services both concurrently and throughout the course of their career and we recognise that there will be different expectation on accountants working in in different roles. They should all follow a common set of fundamental ethical principles and in this regard the IESBA code is well respected. Any differences in the expectations of users can be met through the application of additional requirements for professional accountants in the relevant field.</p>
<p>7</p>	<p><i>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.</i></p>
	<p>In common with many stakeholders, we believe there are aspects of the standard-setting process that can (and should) be improved. We encourage the MG to identify potential process improvements through a diverse, global multi-stakeholder discussion that draws upon all available evidence. Some proposals might require additional funding and, as such, would benefit from the MG's proposals for widening the sources of funding available for standard-setting.</p> <p>The proposals arising from any such discussion would be expected to enjoy widespread support from stakeholders. As such, it would also permit more innovative means of implementation to be adopted, such as trialling proposals ahead of making them permanent.</p> <p>The second stage on the consultation provides the opportunity for the MG to set out its vision for such a dialogue, together with more detailed proposals on funding and the public interest. We look forward to the opportunity to take part in this discussion.</p>
<p>8</p>	<p><i>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?</i></p>
	<p>We support the proposal that the board focuses on strategic direction. Greater funding for standard-setting would permit more work to be undertaken by staff and for that work to be developed to a more advanced level. This, in turn, ought to permit the board to adopt a more strategic approach. However, as we note above, greater resources and a more strategic board focus will not necessarily guarantee a faster standard-setting process.</p> <p>It is vital that the MG provide greater clarity on the role proposed. It is important that board members are highly competent and have a detailed understanding of the practicalities and process for audit and the implications of mandated procedures in order to discharge their responsibilities.</p> <p>At this stage, we do not believe that the case for remunerating members of the board has been made. The foundation for this will be development of a sustainable funding model. As noted above, there are already mechanisms in place that seek to ensure the representation of a wide range of stakeholders. Before new interventions are proposed, we believe it is important to understand why those mechanisms are not working as intended. Otherwise, new</p>

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	<p>interventions may themselves be ineffective and/or inefficient, and may lead to worse overall outcomes. In particular, it is unclear that a lack of remuneration is the key obstacle to recruiting suitable board members from under-represented groups, including the investment community.</p>
<p>9</p>	<p><i>Do you agree that the board should adopt standards on the basis of a majority?</i></p>
	<p>While we are sympathetic to the MG's desire for speedier standard-setting, we believe the analysis in the consultation paper overlooks the benefits of board unanimity in decision-making. Unanimity ensures that the views of minorities are dealt with rather than overlooked, as the board will tend to wait for unanimity, instead of proceeding with the majority view.</p> <p>This is particularly important when considering the need to avoid the risk of fragmentation, as it means the fear that the profession could act against minority points of view cannot occur in practice. If the MG is to insist upon majority voting, it is important that this is supplemented with controls to ensure that minority views are heard and respected. However, in practice, we believe this is likely to result in exactly the same outcome as the IAASB's existing approach: their formal decision-making requires a two-thirds majority but this tends to be eschewed in favour of seeking consensus, given the benefits of consensus to the public interest.</p> <p>We are particularly concerned about the impact of the MG's proposals on SME audits, public sector audits, non-audit assurance and non-assurance standards and regions such as sub-Saharan Africa. The IAASB's public interest outlook and extensive outreach ensure that these viewpoints are reflected in standard-setting, at the cost of some timeliness. Given the importance in maintaining a unitary concept of audit that encompasses listed and unlisted companies and both the private and public sectors, we do not support the MG's proposals in this area. Fragmentation of standard-setting would present significant challenges to companies seeking listing for the first time.</p>
<p>10</p>	<p><i>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?</i></p>
	<p>As noted in our response to Question 2, we believe the most important principle in ensuring the public interest is served is the quality of auditing and assurance standards produced by the standard-setting process. The MG proposes to change the composition of the board to (a) allow both full-time and part-time members; (b) pay board members for their contribution; (c) possibly reduce the number of board members; and (d) enforce rigid quotas for the representation on the board of users, regulators and auditors. Because these changes are so broad, and important matters, such as funding and the public interest framework, have not yet been articulated by the MG, the impact on the quality of standards</p>

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	<p>is simply unknowable. As a result, we cannot agree at this stage in the consultation process to changing the composition of the board in this way.</p> <p>We note that the US Public Company Accounting Oversight Board (PCAOB) has many of the characteristics of the MG's proposed structure: a small number of full-time board members; diversity to ensure no stakeholder can exercise undue influence; a strategic rather than operational focus; and a large technical staff that is supported by a large budget that is levied on company issuers and brokers and dealers, rather than on auditors. In addition, the PCAOB does not need to address some of the IAASB's minority constituencies, such as SME audit, public sector audit and non-audit assurance standards, as its remit is exclusively listed company audit, and it has a much simpler geographic focus than the IAASB. However, even with what is effectively the MG's model, the PCAOB faces challenges over the timeliness of its standard-setting, with its projects on audit reporting and accounting estimates progressing at a slower pace than the IAASB's projects.</p> <p>It is vitally important that the Board draws on a broad range of experiences and provides representation from a diversity of geographical and economic backgrounds (including SMEs and SMPs). Those countries in emerging markets or less developed markets need to have confidence in the standards. The current board of 18 is not able to achieve full representation and therefore we would not support a reduction in the size of the proposed board. Moreover, within a diverse Board, the perspective of the practitioner helps support innovation and provides other board members with relevant and current knowledge to support high quality, robust standard-setting.</p> <p>The MG is right to be concerned as to whether the public interest is being served by the standard-setting process. However, in thinking about how to make the process even more responsive to public interest issues, it is vital to consider the mechanisms already in place to defend the public interest and assess their effectiveness. In the absence of this analysis, there is a risk that suggested changes may be inefficient or even serve to be a retrograde step in safeguarding the public interest. An understanding of these mechanisms is fundamental to informing the MG's impact assessment.</p> <p>For example, the stated intention of the proposed changes to board composition is to ensure input from a wider range of stakeholders. However, the IAASB already has mechanisms that are intended to gather input from a wide range of stakeholders. As such, in relation to the participation of investors in the standard-setting process, we suggest that the MG enquire:</p> <ul style="list-style-type: none"> • Why are investors not participating in the public consultation process to the extent the MG believes is appropriate, and what impact is this having on the standard-setting process • To what extent are investor views being captured during outreach activities, and how could this be improved? • Why are investors not being nominated to the standard-setting boards, and what impact is this having on the standard-setting process? • To what extent are investor views being captured and communicated by

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	<p>the CAG, PIOB and MG, and how could this be improved?</p> <ul style="list-style-type: none"> To what extent are investor views being captured and communicated by board members and staff, and how could this be improved?
11	<p><i>What skills or attributes should the Monitoring Group require of board members?</i></p>
	<p>The IFAC Annual Call for Nominations process includes a description of the skills and attributes required of standard-setting board members. These include ‘relevance of [...] professional backgrounds, technical skills, past and present contributions to the accountancy profession at regional and international levels, and the ability to make a significant contribution to the matters and areas of emphasis reflected in the work plan of a particular board when considered in combination with the mix of current board members’ backgrounds’. In addition, board members are required to act in the public interest, act as an ambassador for the independent SSBs and prepare for and attend board meetings, task forces and working groups.</p> <p>We believe these requirements remain appropriate. However, it is important that the overall composition of the Board provides a breadth of experience and provides a wide range of skills and capabilities.</p>
12	<p><i>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?</i></p>
	<p>Advisory groups are a key mechanism to provide representation to the many stakeholders with an interest in auditing standards. We would therefore support the retention of Consultative Advisory Groups (CAGs).</p> <p>Under the current approach, contributions from the CAG are considered seriously at board meetings and the CAG observer is a valued contributor to standard-setting board meetings. The MG should consider what additional oversight over CAG members would be appropriate in supporting effective and timely consideration of public interest issues.</p>
13	<p><i>Do you agree that task forces used to undertake detailed development work should adhere to the public interest framework?</i></p>
	<p>The MG has not provided details of the public interest framework and therefore it is not possible at this stage in the consultation to provide a definitive answer..</p> <p>Under the current approach board members and technical advisors are required to confirm in writing to IFAC that they will not submit to improper influence, whether financial or otherwise, that might impair their ability to serve or act with independence, integrity and the public interest in discharging their responsibilities. As detailed development work is undertaken by staff and via task forces/working groups comprised of a majority of board members and technical advisors, who are required to serve in the public interest, we believe the public interest is properly respected.</p> <p>Any changes should ensure that there is transparency over the process for developing standards and in responding to the feedback from the range of</p>

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	stakeholders responding to the consultation processes.
14	<i>Do you agree with the changes proposed to the nomination process?</i>
	<p>We agree with the proposed changes to the nomination process.</p> <p>However, it is important to recognise that changing control of the nomination process is unlikely in itself to increase the representation of currently under-represented constituencies. An in-depth root cause analysis of the reasons for under-representation would serve to inform additional strategies to increase participation.</p>
15	<i>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?</i>
	<p>We do not agree that the PIOB should be able to veto the adoption of a standard nor be able to change requirements which have been approved by the board following a properly conducted consultation process. It is preferable that the PIOB is involved during the development of a standard in order to guide it constructively in the public interest, rather than vetoing it at the end of the process.</p> <p>The case for change would be enhanced by a review of the how the PIOB has performed against its current objectives. In our view, informed by six years of participation at and observation of IAASB meetings, PIOB is an effective guardian of the public interest. The PIOB observer speaks on every issue at every meeting and is a constant reminder of public interest viewpoints. Indeed, the limited number of interventions by the PIOB in the finalisation process could be interpreted as strong evidence that the board has reached a position that reflects the public interest.</p>
16	<i>Do you agree with the option to remove IFAC representation from the PIOB?</i>
	As noted in our response to Question 15, any proposals for changing the PIOB should be informed by a review of the PIOB's performance. We are not aware of any hindrance on the PIOB's activities as a result of IFAC's ability to nominate a member. There are some advantages to having a formal link between IFAC and the PIOB; as such, we could agree to the option to remove IFAC representation from the PIOB if IFAC is allowed to nominate an observer to it.
17	<i>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?</i>
	The composition of the PIOB should be broad and should reflect the public that it represents. As such, we do not think it is appropriate to completely exclude the accountancy profession, provided the profession – or any other stakeholder – is not in a majority. Wide ranging input is critical to international acceptance of

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	<p>auditing and assurance standards.</p> <p>The skills and attributes of members should be similar to those of standard-setting board members.</p>
18	<p><i>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?</i></p>
	<p>As noted in our response to Question 15, proposals for changing the PIOB should be informed by a review of the PIOB's performance. In respect of PIOB nominations, it is important to understand what are the advantages and disadvantages of the current process for nominating members. The introduction of an open call for nominations would support a breadth of representation and transparency.</p>
19	<p><i>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?</i></p>
	<p>Yes, the PIOB should continue to oversee the work of the other standard-setting boards.</p>
20	<p><i>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?</i></p>
	<p>We believe the MG should retain its current oversight role but suggest there is more that can be done to identify improvements to audit and ethical standard-setting (both for current auditing standards and for the future). As outlined in our response to Question 7, we would encourage the MG to identify possible process improvements through a diverse, global multi-stakeholder discussion that draws upon all available evidence. Some proposals might require additional funding and, as such, would benefit from the MG's proposals for widening the sources of funding available for standard-setting.</p>
21	<p><i>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?</i></p>
	<p>We agree with the option to support the work of the standard-setting board with an expanded professional technical staff. However, the paper does not recognise IFAC's current difficulties in hiring and retaining competent technical staff and, as such, fails to provide a proper strategy for how these will be overcome. In addition, it is unclear whether prospective staff would view the new</p>

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	<p>organisation, with a specific audit and ethics standard-setting role, as a more attractive employer than IFAC, which has a broader role that encompasses a wider range of standard-setting and advocacy for the profession.</p> <p>It should be noted that a significant number of the pool of appropriately qualified technical accountants from which the technical staff will be hired will have been employed previously by large accounting firms. As a result, and in light of our response to Question 10 in respect of the removal of technical advisors, there is a risk that the changes may fail to address public perceptions over the involvement of the profession in standard-setting.</p>
22	<i>Do you agree the permanent staff should be directly employed by the board?</i>
	<p>The board's primary responsibility is to govern the standard-setting process. Direct employment of permanent employees by the Board may create new conflicts of interest (or perception of such issues) that would be difficult to manage in practice. We are not aware that the current process (staff employed by IFAC) has compromised the objectivity and integrity of standard setting.</p>
23	<i>Are there other areas in which the board could make process improvements – if so what are they?</i>
	<p>We have no other suggestions at this time.</p>
24	<i>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 (e.g. independent approval of the budget by the PIOB, providing the funds to a separate foundation or the PIOB which would distribute the funds)?</i>
	<p>We do not have any evidence to support that the current funding models has led to any undue influence however the perception that this may be the case should be addressed.</p> <p>We support the MG's proposal to seek out new sources of funding for standard-setting so that additional funding can be invested in both more and more senior staff. This should be undertaken regardless of the wider changes.</p>
25	<i>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?</i>
	<p>As noted in our answer to Question 24, in order to address the perception issue raised it is vital that the MG identify new sources of funding for standard-setting that are not derived from audit firms or professional bodies.</p> <p>We do not consider that the change from a 'contribution' to a 'contractual levy' will necessarily address the perception issue raised.</p>
26	<i>In your view, are there any matters that the Monitoring Group should consider in implementation of the reforms? Please describe.</i>

QUESTION	
	<p>We believe it is vitally important that the MG undertake a full inventory of the current activities of the standard-setting boards and their existing arrangements for protecting the public interest. It is in the interest of high quality, global standard setting that the MG continues to work upon its proposals as the consultation process evolves in order to build a broader consensus. We therefore welcomed the MG's commitment at the London outreach event to further consultation before any changes are implemented.</p> <p>This should include details on the funding model, the public value framework, impact assessment and transitional planning. This should be underpinned by an evidential basis for the reforms.</p> <p>Also as noted above, we believe the MG should use 'quality' as its overriding principle in considering whether and how to implement any reforms.</p> <p>We look forward to responding on the next stage of the consultation process.</p>
<p>27</p>	<p><i>Do you have any further comments or suggestions to make that the Monitoring Group should consider?</i></p>
	<p>Our key points are reflected at the outset of our response.</p> <p>In addition, we would like to respond to MG comments which were presented at the London outreach event in support of the need for the change. The MG emphasised that the potential impact of technology on standard-setting would not be adequately addressed by the current IFAC model. While the timeliness of standard-setting may not meet all stakeholders' expectations, the growing global adoption of ISAs is evidence of their quality and relevance. The challenges and opportunities posed by technological advancements (including but not limited to data analytics, robotics and Artificial Intelligence) cannot yet be fully ascertained and we should not seek to standardise nascent practices while the full benefits may not yet have been realised. The IAASB has adopted an approach which seeks to recognise the possibilities of technology whilst simultaneously maintaining the quality of the existing standards. The MG proposals suggest significant changes to the standard setting process, and there is no evidence that these changes would establish a standard-setting board better equipped to deal with the challenges of technology.</p>