Dear Mr. Everts:

I appreciate this opportunity to provide comments in response to the above-referenced consultation paper ("CP") published by the Monitoring Group ("MG"). I submit these comments to encourage the MG to consider additional critical issues that bear upon international audit-related standard-setting and to do so with further public consultation and dialogue before ultimately moving forward. I wish to emphasize:

- Currently, the MG has not addressed the meaning of public interest for its purposes other than by describing the concept as the aim for international audit-related standard-setting. The objectives of the organizations represented on the MG may result in different, and at times competing, public interest emphases, such as safety and soundness, solvency, economic development and investor protection. The MG has established an expectation that a public interest framework will be developed later. As such, with respect to the questions in the CP, commenters may make their own assumptions about what is embodied in the "public interest" that is the CP's central idea. In my view, establishing the MG's view of the public interest will facilitate a better assessment of the three key concerns identified in the CP, and the necessity, sufficiency, and appropriateness of the options identified to address those key concerns.

- There is value in continuing to build consensus towards resolving the substantial matters that were mentioned but not fully analyzed in the CP, including the item of funding. Consensus among capital markets regulators and others is an important element that underpins broad acceptance of the international audit-related standards and fosters opportunities to advance them.

---

1 This letter expresses solely the views of the author. It does not necessarily reflect the views of the Commission, the Commissioners, or staff of the Commission, and the Commission disclaims responsibility for this letter and all analyses, findings, and conclusions contained herein.

2 By “audit-related” standard-setting I refer to auditing and assurance, ethical, and educational standard-setting, which are currently undertaken by the International Auditing and Assurance Standards Board ("IAASB"), International Ethics Standards Board for Accountants ("IESBA"), and International Accounting Education Standards Board ("IAESB"), respectively.

3 See CP, page 8.
• As part of building consensus, the MG has already committed to undertake a second consultation prior to moving forward on any changes so that international audit-related standard-setting is indeed strengthened and not unintentionally weakened. I support this position. I believe a second consultation should address, among other things: the case for change; the public interest framework; development of strategic plans; how the standard-setting process is measured in relation to those plans; organizational structure, including board structure; personnel selection procedures; each tier of the governance structure, including composition, roles, and nominations procedures; funding; and transition planning and timing.

• For these items, identifying the known assumptions and anticipated consequences should, in my view, better inform the public as to the potential benefits and costs of any further changes, which should in turn elicit better public input to inform consideration of any further changes.

I am pleased that as part of this particular consultation the MG will also be gathering input through a series of roundtable discussions with stakeholders. These discussions will serve as an opportunity for the MG to provide a broader understanding of the options discussed in the CP and hear feedback from stakeholders. I look forward to participating in the upcoming roundtable in Washington, DC, on January 24, 2018.

Context for these perspectives

In today’s interconnected world economy, investors, companies, audit firms, regulators, and others all depend on high-quality standard-setting for accounting, audit, education, and ethics used by professional accountants around the world. It is an essential part of the global financial markets architecture.

In my experience, effective and efficient financial markets are predicated upon a combination of transparency and trust. An essential basis for this transparency and trust is the credibility of the financial statements that companies make available to capital providers and other users. To promote the credibility of financial statements, regulators, users, and others often require that the statements be subject to an independent audit. The independent, objective check provided by quality audits increases investors’ confidence in the financial statements which, in turn, encourages the efficient allocation of capital.

The degree of credibility afforded by an audit depends on, among other factors, the quality of the standards that serve as the basis of the audit. The quality of the standards is impacted by the quality of the standard-setter, including its oversight, structure, and governance. Quality in the standards – and confidence in the standard-setter – builds public trust and confidence in financial statements and financial reporting more broadly.

Both U.S. and international standards are relevant to the U.S. and its capital markets participants. The quality of international audit-related standards, for example, is relevant to U.S. investors and asset managers that hold or manage foreign equity and long-term debt securities. U.S. investors have invested more than $9 trillion (out of which over $4 trillion is held by U.S. mutual funds and over $1 trillion is held by U.S. pension funds) in foreign equity and long-term debt securities, a portion of which relates to companies based outside the U.S. and whose securities are listed in non-U.S. jurisdictions. In addition, in

---

2016, among the largest 20 asset managers in the world, 13 are U.S. managers, and they account for 72.8% of the assets managed by this group of 20.5

The quality of international audit-related standards is also relevant to U.S.-based multinational companies that, in many cases, have local country statutory and other reporting obligations in jurisdictions outside of the U.S. that are met by hiring audit firms that then apply international audit-related standards as a starting point; moreover, the U.S.-based audit team often uses the results of those statutory audits as part of their audit risk assessment for the audit of the consolidated financial statements.

The quality of these standards is also relevant to U.S. accounting firms that are members of various global networks that incorporate international audit-related standards as part of a common global audit methodology, training and governance, which aims to increase the consistency of execution and reduce the risk of audit failure.

In addition, the quality of international audit-related standards is also relevant to the U.S. accounting profession through the American Institute of Certified Public Accountants Auditing Standards Board ("ASB"), which has a strategic objective to converge its standards with those of the IAASB. In turn, the standards of the ASB may be used in conducting governmental and pension plan audits, as well as audits of certain companies with SEC filing obligations, such as in the following instances:

- Examination engagements under the Custody Rule,6
- Review and audit engagements under Regulation Crowdfunding;7 and
- Audit engagements under Regulation A.8

The U.S. audit regulator, the Public Company Accounting Oversight Board ("PCAOB"), also is impacted by the quality of the international audit-related standards. For example, the PCAOB's standard-setting activities are informed by the work of the IAASB.

In summary, capital markets stakeholders in the U.S. have an interest in the quality of international audit-related standards, as well as the accountability and inclusiveness of the international audit-related standard-setters. High-quality audit standards make audits — and the work of audit committees and others that oversee the audits of companies on behalf of investors — considerably more effective.

It is with this context in mind that I share several observations on the CP.

**Observations on the case for change**

*The importance of the central idea: the “public interest”*

---


The MG has identified the "public interest" as a central idea for the structure and governance of international audit-related standard-setting, noting that "[t]he main purpose of the options for reform is to ensure that standard-setting serves the public interest." The MG indicates that "[t]he public interest is not a defined term. It evolves as public expectations change." 

The MG also notes that it has asked the Public Interest Oversight Board ("PIOB") "to support it" in developing a framework for assessing how the public interest is captured throughout the standard-setting process. The nature of any particular evolution or its effect is not further defined in the CP. The CP indicates that the framework will take into account factors such as "balancing the varying requirements of stakeholder groups relevant to each of the standards." 

The development of a framework on public interest that includes a discussion of what forms public interest, or alternatively, acknowledging an existing public interest framework, is a meaningful initiative about which to gain consensus. This is because, at least in part, it is a central idea for stakeholders to use when seeking to understand the mission and objectives of the standard-setter, whom it serves, how it should be supported, and how it will be funded if it is to achieve its broader purpose. A public interest framework can serve as a frame of reference to gauge the necessity, sufficiency, and appropriateness of decisions. And, for these reasons, the public needs to have confidence that the central idea is clear and compelling and that every individual involved in accountability, governance, and standard-setting understands it.

**Role for investor protection**

Investor protection is notably missing from the mention of public interest in the CP. This may result in stakeholders making assumptions about the consideration of protection of investors and other public interests. Many stakeholder groups — such as management, shareholders, board members, bankers, suppliers, customers, employees, regulators, and auditors themselves — have an interest in the auditor's report, though the nature of their interest may vary. Investors are the main users of audited financial statements, and as the residual claimant of the company, shareholders ultimately also bear the cost of the audit. It would seem appropriate for the MG to identify how investor protection and other public interests are considered and discuss how the options for reform help it serve those interests. In doing so, it is important to note that investor protection is not at odds with including a broader set of stakeholders in international audit-related standard-setting.

There are important considerations for the board design, as well. The MG's options for reform suggest designing the board for "multi-stakeholder representation" by allocating board seats to stakeholder groups. The multi-stakeholder groups would comprise varied stakeholders with different interests. For example, both preparers (management) and investors are grouped together within the single "user" stakeholder group, even though preparers and investors typically have different interests. The implications of this design choice are pervasive. For example, the design of the MG's option for board composition is for the three full-time board members to be selected one each from the user, regulator, and auditor groups. Given the breadth of the user group that includes preparers and others, a preparer — not necessarily an investor — could serve as the full-time board member for users.

---

9 See CP, page 4.
10 See CP, page 9.
11 See CP, page 4.
12 See id.
13 See CP, page 14.
Similarly, the CP emphasizes that a set of board members should reflect geographic diversity.\textsuperscript{14} And, it notes, "\textit{still-wider global adoption}" of the international audit-related standards is a goal.\textsuperscript{15} Is there a possibility that different geographical areas have different interests? Without more specifics on what public interest is, it is possible only to make assumptions about whether still-wider global adoption is the same as (or at least consistent with) the MG's view of the public interest.

\textbf{In addition to public interest, standard-setting strategy and measures of performance are among the relevant considerations for making standard-setting structure and governance decisions.}

An inclusive, methodical approach to standard-setting, guided by a publicly-consulted strategic plan and accountability measures, will foster the ability of the international audit-related standard-setters to serve investors' rightful demand for high-quality audits in the next decade and beyond. The focus should also include meeting future demands.

International audit-related standards have enjoyed acceptance in more than 120 jurisdictions that are using the IAASB's standards or have committed to using them in the near future,\textsuperscript{16} and have committed to apply standards at least as stringent as those in the IESBA's Code of Ethics.\textsuperscript{17} This is good progress. Yet, the relevance of the international audit-related standards and their acceptance is never static. The needs of users of audited financial statements and public expectations of auditors evolve over time.

Therefore, strategic questions related to commercial and technological changes must be considered in standard-setting, for example:

- Learning from prior work. The IAASB has issued a number of major standards for auditors to use in the marketplace. This has been a significant and rightly-applauded accomplishment. Still, it will be appropriate to use these major standards as case studies to assess what lessons are to be learned about the standard-setting process. Would the process have changed in beneficial ways if technology and analytics that are only becoming available now had been used?

- Changes in expectations of users and beneficiaries of the standards. There is a shift in the labor force toward those who are considered the "millennial" generation, who tend to bring a different set of expectations to their work. If millennials are the new stakeholders, how are the international audit-related standard-setters and the oversight bodies now considering their expectations?

- Technology is quickly advancing computing and analytical capabilities. There is more to learn about how the international audit-related standard-setters interact with stakeholders in gathering viewpoints, the transparency of those viewpoints, and development and publication of the standards. Is the platform designed to sufficiently meet the demands of users over the next 5 and 10 years?

These examples are offered in making the observation that the expectations for the standards and the international audit-related standard-setters may be changing, as needs and expectations evolve. In my view, these issues should be addressed by gathering inclusive input. In this regard, I am concerned that the MG's focus is not a more comprehensive consideration of the inputs to international audit-related

\textsuperscript{14} See CP, pages 9, 14, and 17.
\textsuperscript{15} See CP, page 3.
\textsuperscript{16} See International Federation of Accountants ("IFAC"), \textit{Support and Guidance} (September 2017), available at \url{http://www.iaasb.org/clarity-center/support-and-guidance}.
standard-setting. Structure and governance are only one consideration – with the accountability of the strategic-planning process, measures of performance and effectiveness, and inclusive, diverse skill sets at the board level being at least as or even more critical to organizational success.

I am concerned that the case for change (labeled ‘Key Concerns’ in the CP) does not sufficiently consider the effects that changes in commerce and technology have on the standard-setting process needed to serve the public interest for a robust and relevant audit profession. Similarly, since the case for change is narrowly construed in the CP, so too are the options for reform which are limited to the structure and governance of the international audit-related standard-setters. These characteristics of the CP will limit the feedback the MG receives and the corresponding review of the input. I believe this supports the case for a second and ongoing deliberation to address the above points, among others, before any changes are set and transition occurs.

"Independence" and its varied references in the CP

The CP describes “[independent” as “no individual stakeholder should be able to exert undue influence over the standard-setting process. The Board, its working groups and the PIOB should, at each stage, reflect the diversity (including geographic diversity) of their key stakeholders.”

This definition pertains to all stakeholders, not just the audit profession or groups, such as IFAC. Again, without making assumptions about the meaning of public interest, it is difficult to determine when influence is “undue.” For example, if more investors are represented on the standard-setting boards than preparers, would investors have undue influence and the standard-setting process not be “independent?”

The CP cites funding from and nomination by IFAC as areas to be reformed to increase the independence of standard-setting from the profession. What remains vague is what the underlying conflict of interest is, resulting in assumptions about the consideration. For example, is the current concern about harming public interest mainly about under-regulating (e.g., auditing standards are less rigorous than they should be) or over-regulating (e.g., IFAC’s influence has made audit standards more costly for investors than investors need, in order to perhaps preserve jobs in the audit profession)? A related question is which auditing standards represent either of the above scenarios?

Further, Key Concern #1 is the “adverse effect on stakeholder confidence in the standards as a result of a perception of undue influence by the profession” (emphasis added). It would be helpful to clarify the concern, since solutions to the concern could differ substantially. For example, a concern about perception could be addressed through clarification and education, rather than by changes to the structure of the standard-setting process.

In addition, the CP takes the position that, after the financial crisis, “the demand that audit standard-setting become fully independent of the profession has strengthened.” Readers must make assumptions about what full independence means, since the CP does not describe it further. For example, it does not describe whether full independence refers to a standard-setter not financially or organizationally associated with the audit profession, to prohibiting input from the audit profession, or something else. Clarity in this area is important, however, since audit-related standards in many cases involve technical performance requirements and judgments that have over time needed (and benefitted from) technical expertise from the audit profession. The MG’s thought process on how to balance the independence and technical expertise of standard-setters needs to be clarified such that adequate levels of accounting, auditing, and technical competence resides on the Board.

---

18 See CP, page 9.
19 See CP, page 8.
A clear strategy, measures, and additional perspectives should be the subject of further consultation

In my view, the international audit-related standard-setters should pursue a strategy of advancing high-quality standards that continue to earn broad, acceptance among capital markets participants, including investors and regulators. Such strategic planning should be performed first at the oversight body level and then subsequently, based upon the objectives in that strategic plan, at the standard-setting board level. Consequently, I encourage the MG to gather important input needed from the public on questions not specifically asked in the CP, including:

- How should the public interest be further explained, including how existing frameworks could be used as a starting point or basis for comparison?
- How should the strategic plan(s) be updated for public consultation?
- What combination of leading and lagging measures of audit-related standard-setting quality and effectiveness should be identified, used, and reported to the public?
- What different perspectives and skill sets at the governing body, the standard-setting board(s), and the standard-setting staff are necessary to accomplish the strategic plan(s)?
- What is the organizational structure and governance relevant to promoting the objectives of the international audit-related standard-setters?

I am concerned that the CP addresses the last question as it relates to the standard-setting boards only, and overall the first four questions are not addressed at all. Addressing these questions fully are necessary predicates to resolving the questions about organizational structure and governance. I believe the MG’s continued work toward broad consensus on the appropriate options for reform should include engaging the public, investors, companies, auditors, and regulators on broader objectives for the international audit-related standard-setters.

I also believe the MG would be well served by gathering further input about the sufficiency of the international audit-related standard-setters’ and oversight body’s strategic plan(s) and related long-term and short-term measures to evaluate effectiveness of the international audit-related standards. In so doing, the public should be given an opportunity to provide input, just as the public does with the IFRS Foundation and many national accounting standard-setters, including the Financial Accounting Standards Board (“FASB”).

Strategic plans, effectiveness measures, and personnel choices are important, but their real purpose is engaging with people in an inclusive manner in pursuit of high-quality international audit-related standards. The core purpose of plans and measures is to engage people in the innovation required for improving the plans, measures, and ultimately the standards, while saying “no” to the things that are less important.

For these reasons, the public interest framework, strategic plan(s), and effectiveness measures are relevant first steps because they communicate to the public what the MG believes is important and what is not. This communication, in turn, enables the public to more effectively provide input on the CP. The public has a clear interest in the quality and integrity of international audit-related standards, which are heavily influenced by the process by which the standards are established.

MG’s options to change the existing standard-setting structure and governance

Having identified the necessity of consulting on the public interest framework, strategic plan(s), and effectiveness measures before moving forward with structure and governance changes, it is nonetheless useful to respond to the request for input regarding structure and governance in the public interest.

An effective standard-setting structure and governance should incorporate valuable collaboration between private and public sectors. The design of collaboration should incorporate checks and balances to bring transparency and voice to all stakeholders – whether accountants, auditors, regulators, preparers, investors, or others. This is important to broader acceptance among capital markets
participants. An effective approach must reflect broad, multi-stakeholder representation and participation, recognizing that national authorities have legal authority to impose incremental rules, as needed.

These points also have implications for the design and operation of the nominations process, including the skill sets needed – rather than just pre-defining and allocating slots to particular stakeholder groups, such as users, regulators, and auditors. The nominations process for members of the governing body should be led by the governing body, with oversight by the monitoring body. The personnel selection process by the standard-setting boards should be made by the standard-setting boards, again with oversight of the governing body, enabling the governing body to fulfill its role, as also occurs with international accounting standard-setting organizations.

**Suggestions for enhancing the standard-setting structure**

I support a three-tiered structure, as is the basic framing of the current structure and governance. The current three-tiered model is designed to mitigate the potential conflicts of interest in this arrangement, with particular focus on measures that provide for accountability of the international audit-related standard-setting boards’ processes.

Still, the current structure should be evaluated for areas for improvement. As an example, international audit-related standard-setting would benefit from further developing, broadening, and making more stable its three-tier structure, based on multi-stakeholder standard-setting boards of experienced individuals, governed and overseen by a multi-stakeholder, experienced set of trustees drawn from around the world who, in turn, are accountable to a monitoring body comprised of, for example, capital markets public authorities that have enforcement responsibilities for audit quality. The following illustrates areas for possible emphasis:

<table>
<thead>
<tr>
<th>Structure</th>
<th>Areas for possible emphasis</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tier 3: Accountability</strong></td>
<td>Consider establishing membership criteria for the MG that is regularly evaluated and includes greater representation of capital markets authorities that have enforcement responsibilities for audit quality.</td>
</tr>
<tr>
<td>Currently: Monitoring Group</td>
<td></td>
</tr>
<tr>
<td><strong>Tier 2: Governance</strong></td>
<td>Consider multi-stakeholder trustees, nominated through an open and transparent process. The body would have responsibilities for items such as strategic direction of the international audit-related standard-setting function, nomination of standard-setting board members, and funding, among other things.</td>
</tr>
<tr>
<td>Currently: Public Interest Oversight Board</td>
<td></td>
</tr>
<tr>
<td><strong>Tier 1: Development and approval of standards</strong></td>
<td>Consider multi-stakeholder board members, nominated by the governance body. The standard-setting bodies (and their individuals) would have qualifications for development and approval of the standards, following precepts of:</td>
</tr>
<tr>
<td>Currently: IAASB; IESBA; IAESB</td>
<td>• independence from external pressures, for example, through fixed terms of service, severance of past employment relationships, and disclosure of investments and outside activities;</td>
</tr>
<tr>
<td>Compliance: Compliance Advisory Panel  21</td>
<td>• transparency of the process followed to conduct activities so that, for example, anyone with an interest in the matters can observe the deliberations and members can be in a position to get deeper input from stakeholders; and</td>
</tr>
<tr>
<td>Support: IFAC</td>
<td>• public interest aimed at fostering standards that promote the</td>
</tr>
</tbody>
</table>

21 The IFAC Compliance Advisory Panel oversees and provides advice to IFAC staff on the implementation and operation of the IFAC Member Compliance Program and issues recommendations to the IFAC Board on revisions to the Statements of Membership Obligations and membership admission.
Multi-stakeholder governance and standard-setting boards

The clarity of the role and accountability of those charged with governance and standard-setting responsibilities is also an important factor driving high quality in international audit-related standard-setting. Given the changes in demographics and technology, I believe the feasibility of a broader set of stakeholders should be evaluated, possibly reformulating the structure for composition and background to better reflect the global stakeholders and range of stakeholder perspectives needed to address the needs of international audit-related standards in the coming years.

Also, there are various advisory bodies, such as the consultative advisory groups that inform the standard-setting boards. The structure of the standard-setter should also consider ways to gather input and advice from stakeholders, such as:

- **Preparers and auditors.** Preparers of financial information and the auditors who gather evidence about that information are well positioned, for example, to identify the effect of changes in technology and operations, and provide input to the standard-setters on the implications for audit standards and their application by auditors.

- **Audit committees or others charged with governance.** Those charged with governance over financial reporting, for example, are well positioned to identify the nature and frequency of auditor communications to those charged with governance that are useful in evaluating selection and retention of auditors, and oversight of an auditor’s performance at an engagement team level.

- **Investors, lenders, and asset managers.** These stakeholders are well positioned, for example, to address the balance of the costs of audit (and related standard-setting alternatives) in relation to the benefits promised by an audit and the related standard-setting alternatives.

- **National standard-setters, stock exchanges, academics, and regulators.** These stakeholders are well positioned, for example, to continue sharing good practices and approaches to standard-setting, application of standards, and geographic and jurisdictional level insights that collectively foster consistency in audit requirements and reduce risks.

It takes a lot of people working together to develop a standard from the first ideas to final publication, so that the standard:

- responds to a need in the market created by, for example, changes in commerce and technology;

- is based on experts from all over the world, and not any one or only a few jurisdictions;

- is developed through a multi-stakeholder process that includes not only experts from the accounting profession, but also, for example, others who can bring the experience of investors and other users, preparers, audit committees, and academics; and

- takes into account input and comments from all stakeholders.

The standard-setter is best served by an inclusive approach to identifying members who individually have different perspectives, yet who, collectively, have knowledge of investment, audit, finance, business, education, and research. The standard-setting process should incorporate accountability, due process, and transparency in its structure to safeguard the quality of input and decisions from any single individual or group.
With respect to the CP's question about establishing a single independent board to develop and adopt auditing and assurance standards and ethical standards for auditors, I recognize there are potential advantages and disadvantages to a single versus separate boards. I support, however, the retention of separate boards for auditing and assurance and ethics. Importantly, among other reasons related to differences between audit standard-setting and ethics standard-setting, separate boards are more likely to have sufficient time and resources to accomplish the necessary work in setting high-quality standards and to have the ability to address key issues on a timely basis.

The transparency in the standard-setting process that exists today should not be compromised if the role of the technical staff is expanded. In addition, the MG should continue to consider the optimum size for the standard-setting boards as it evaluates feedback from stakeholders on this consultation and the subsequent impact assessment.

In that regard, it is important to recognize that the principles guiding standard-setting are interrelated and should be carefully balanced as they work in tandem with each other to establish and sustain an effective standard-setting model. It is important to understand how changes to one characteristic may impact other characteristic(s) and the overall structure of the model. The need to balance these guiding principles should be a key element of the MG’s impact assessment of potential changes to the standard-setting structure and governance to be included in a second consultation.

**Composition of the Monitoring Group**

The composition of the MG provides for accountability in the form of cooperation among public authorities. Given this accountability, I believe the MG should review, with a public consultation, its mandate and composition, recognizing the importance of the MG's role in setting a clear and consistent tone for accountability to investors in local capital markets. In doing so, and while balancing effectiveness and workability, I believe the MG should propose for public consultation a transition toward greater representation of capital markets authorities that have enforcement responsibilities for audit quality.

**Develop an approach for independent, stable funding, before a potentially more expensive structure is established**

The MG has indicated that a second consultation will request input about funding any such structure. Funding is a core question, and should be front and center in any discussions about changes to the governance, structures, processes, and mechanisms for international audit-related standard-setting.

I support further consideration of a funding approach based on covering expenses and building reserves through, for example, publication revenues and market-oriented funding arrangements with national standard-setters, such as a membership fee for national standard-setters to participate in an international forum of standard-setters sponsored by the international audit-related standard-setter. This multi-stakeholder, market-based approach is one way of establishing a more market-driven direct connection between funding and the quality of the standard-setting processes. Whether this approach or others is feasible should be subject to further consultation; a secure, stable source of funds should be resolved prior to changes being implemented.

**Establish and communicate an expectation for ongoing, periodic reviews that aid in continued innovation and effectiveness of the standard-setting structure**

If the standards promulgated by the international audit-related standard-setters are not viewed as being of high quality, investors and other users of financial statements will discount them and their value will diminish. Accordingly, the strength of a strategy, measures of effectiveness, and governance should depend in large part on the degree to which the standard-setting structure provides an environment conducive to achieving its objectives for high-quality audit-related standards.
It is within this context that I support periodic reviews that continue to advance the role of the standard-setting structure and governance so that international audit-related standards keep current with other, sometimes rapid, changes in the global financial architecture. Standard-setting models are influenced by the wide variety of national legislative contexts, the number and nature of organizations responsible for implementing oversight, and external factors, such as requirements at regional and international levels.

These periodic reviews of the international audit-related standard-setters, including of their strategy, structure, and governance, are necessary so that standard-setting can remain fit for purpose and should draw on the existing structure, which, even if credible, relevant, and working, can always be evaluated for opportunities for strengthening in order to address standard-setting needs in ways that are orderly and lead to better outcomes.

**Establish a transition plan that avoids uncertainty of incremental approaches and the stability of a comprehensive plan and transition**

The MG's, the PIOB's, and the standard-setting boards' transition planning is also important for developing a strategic plan for modifying the international audit-related standard-setters' policies, procedures, and processes to move the organization as a whole from the current state to a "to be" state. To foster effective, long-term, and sustainable results, I believe there should be a transition plan during which the required changes are introduced, tested, understood, and accepted. The plan should define how each tier of the organization will close gaps that are bound to occur during implementation.

**MG's process for public consultation**

The MG's processes in conducting these consultations and any transition are important. Stakeholders and other interested parties should be able to follow the development of the proposal from considerations of alternatives to final positions. Furthermore, by allowing for a diversity of stakeholders' input, the public can evaluate competing views against the overarching objectives that the standard-setting structure is meant to achieve.

I believe that without appropriate consultation, dialogue, transparency, and due diligence on these matters, there is undue risk that the process and the changes could set back — and not advance — international audit-related standards. This point is made especially in this case because I understand there may currently be a lack of broad consensus about the "Options for Reform."

**Closing**

As noted, I have concerns with the limited scope and breadth of the CP and some of the options in the CP. If reform efforts are not done with consensus, cooperation, and collaboration, jurisdictions may place more emphasis on national-based standard-setting and jurisdictional carve outs, which is not a desired outcome.

I look forward to hearing the views and input from other stakeholders. Changes in one part of the standard-setting model may also affect my views on other parts of the model, given the interrelationship between the elements and the current uncertainties concerning a public interest framework, funding sources, and mechanisms for standard-setting.

It follows from the importance that I place on the role of international audit-related standard-setting and broad input, thoroughly considered, that I support and applaud the MG's commitment to further consultation, prior to implementing any changes to the current structure and governance for the international audit-related standards. In my view, changes are not of such urgency to justify setting aside this critical due diligence.

Thank you, again, for the opportunity to submit my comments regarding these important matters. Since you have indicated that some letters may not be made public at the request of the commenter, please
note that this letter should be made available to the public. Should you have any questions, please do not hesitate to contact me at (202) 551-5300.

Sincerely,

[Signature]

Wesley R. Bricker
Chief Accountant
U.S. Securities and Exchange Commission