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Monitoring Group Reports on Progress to Implement Recommendations to Strengthen the International Audit and Ethics Standard-Setting System

The Monitoring Group (MG) is responsible for the overall governance of the international audit and ethics standard-setting system, including conducting periodic effectiveness reviews. In July 2020, the MG issued its recommendations [Strengthening the International Audit and Ethics Standard-Setting System](#) (Recommendations, MG Recommendations, or MG Reforms).

The MG is on track to implement the Recommendations within the established timeframe

In June of 2021, the MG reported on the development of its transition plan¹ to implement the MG Recommendations. Since then, the MG, with strong multi-stakeholder support, has faithfully worked to implement the Recommendations, using the objectives agreed upon in 2020 as its guiding principle. The objectives of the MG Recommendations are the implementation of an independent and inclusive multi-stakeholder standard-setting structure that is responsive to the public interest in the development of timely, high-quality ethics, independence, audit, and assurance standards. The MG, the Public Interest Oversight Board (PIOB), the International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA) (collectively Standard-Setting Boards or SSBs), and the International Federation of Accountants (IFAC) have worked collaboratively to faithfully implement the MG Recommendations. The collective efforts have focused on key implementation steps across six broad work streams,² while attempting to minimize the disruption to the SSBs as they execute their strategic priorities and work plans, including the development of assurance, ethics and independence standards over sustainability reporting. In order to limit the disruption to the SSBs' work plans, the appropriate sequencing of implementation steps is of utmost importance.

¹ [Monitoring Group Reports on Progress to Implement Recommendations to Strengthen the International Audit and Ethics Standard-Setting System](#)

² The six work streams include: Nominations and Transition of the Boards, Legal Structure, Staffing Needs and Costs, Funding, Skills Matrices and Conflict of Interest Policies, and Operating Procedures.

MEMBERS

International
Organization of
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Basel Committee on
Banking Supervision

European Commission

Financial Stability Board

International Association
of Insurance Supervisors

International Forum of
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Regulators

The World Bank Group

Strengthening PIOB Oversight

Under the leadership and oversight of the MG, critical implementation steps have been taken to enhance the independence and inclusiveness of the standard-setting system. Implementation efforts have focused on the responsibilities of the PIOB to exercise its independent oversight and governance role.

To do so, the MG implemented a new global, robust nominations process to appoint gender, geographically, and experientially diverse PIOB members. The newly developed PIOB skills framework was the compass in ensuring the PIOB is collectively made up of independent individuals with diverse experiences. An objective and diverse PIOB will be able to more effectively provide independent

oversight of the standard-setting process to ensure international ethics, independence, audit, and assurance standards are responsive to the public interest and are developed in accordance with the Public Interest Framework.³

To strengthen the PIOB's oversight further, the SSBs' nominations process has been transitioned to the PIOB. This process started with the creation of the Interim Nominating Committee for the appointment of the IESBA Chair in 2021.⁴ Next, the PIOB established the Standard-Setting Boards Nominations Committee,⁵ which successfully completed the appointment, and reappointment, of SSB members for terms beginning in 2023.⁶ The board members appointed by the PIOB are individuals who will further enhance the multi-stakeholder and experientially diverse composition of the SSBs as envisaged in the MG Recommendations.

Funding and Staffing

The MG has made strides on two other important works streams: the implementation of the resource and costing plans for the SSBs and the launch of the new independent legal entity which will house the Standard-Setting Boards. While implementation in these two areas is in the early stages, key stakeholders have worked collectively to make significant progress.

³ The Monitoring Group published its [Recommendations to Strengthen the International Audit and Ethics Standard-Setting System](#) in July 2020. These included a Public Interest Framework for the Development of International Audit-Related Standards (Appendix D, pages 18-25) to establish and oversee that the audit-related standards are responsive to the public interest.

⁴ [Establishment of the Monitoring Group Nominating Committee and Publication of the Open call for Applications to the Public Interest Oversight Board](#)

⁵ [Monitoring Group Reports on the Establishment of the Public Interest Oversight Board's Standard-Setting Boards Nominating Committee](#)

⁶ [Monitoring Group Welcomes the Appointment of Board Members to the IESBA and the IAASB](#)

As noted earlier, the proper sequencing of the implementation steps is of the utmost importance to limit disruption to the SSBs' work plans. Enhancing the technical expertise of the staffing to support the envisaged multi-stakeholder board compositions is an important step which is now well underway. Increasing the size and technical abilities of the staff ensures the technical expertise is available to the Standard-Setting Boards, which will allow the SSB members to take on a more strategic role as envisaged in the MG Recommendations. Ongoing involvement from the profession and national standard setters, including through in-kind contributions, is an important part of ensuring that the SSBs are supported by an expanded and enhanced technical staff that will have the capacity to take forward the development of relevant, timely, high-quality standards in the public interest.

The MG is grateful to the Global Public Policy Committee⁷ and the accountancy profession for its commitment to the reforms and for its willingness to provide financial support for the initial costs of expanding the SSBs' technical staff and to support the launch of the new legal entity. This funding commitment is critical to the success of the continued implementation efforts as it promotes stability and minimizes disruption to the SSBs' work plans. The MG and the PIOB continue to work to secure sustainable, long-term, multi-stakeholder funding to provide sustainable financial support for the MG Reforms, especially as the SSBs progress their important work on assurance over sustainability reporting.⁸ The MG renews its call to all stakeholders in the financial reporting ecosystem who benefit from a single set of high-quality international ethics, independence, audit and assurance standards to support the stability of the standard-setting system through financial contributions.⁹

The MG has full confidence that the ongoing changes made to the governance and oversight of the standard-setting system will continue to create a more independent and inclusive standard-setting structure that enhances the trust and confidence of all stakeholders in the standard-setting process. A structure that is capable of setting high-quality ethics, independence, audit, and assurance standards that are responsive to the rapidly changing environment while still being responsive to public interest. The MG remains committed to transparently reporting to all stakeholders as the reforms are implemented, and will issue further communications as other implementation activities occur.

⁷ The Global Public Policy Committee (GPPC) brings together senior partners from the six large international accounting networks (BDO, Deloitte, EY, Grant Thornton, KPMG and PwC). The GPPC is focused on professional matters of global scope deemed to be priorities by their respective networks' CEOs, such as the enhancement of quality in auditing and corporate reporting. The GPPC's primary objectives are to participate constructively in matters concerning global public policy to advance the public interest and to enhance public confidence in the profession.

⁸ [IOSCO encourages standard-setters' work on assurance of sustainability-related corporate reporting](#)

⁹ ["The Value of High Quality Audits and the Importance of Funding an Independent Multi-stakeholder International Standard-setting Structure"](#)

Jean-Paul Servais, Co-Chair of the MG stated: *“I am very pleased with progress that has been made to date and we are eager to complete the implementation of the MG Recommendations. The progress made has only been possible because of the dedication and contributions from the MG members and our key stakeholders. I would like to say thank you to all of those who have worked so diligently on the implementation to date. While much has been accomplished, there is more work to be done and we will continue to work collaboratively with all stakeholders until the implementation of the MG Recommendations is finalized.”*

Paul Munter, Co-Chair of the MG stated: *“I would like to express my gratitude to all of the key stakeholders who have worked so diligently with us on the implementation of the MG Recommendations to date. Each one of these steps would not have been possible without the continued collaboration and collective efforts from all of those involved. I thank all who have contributed intellectually, financially, and through in-kind talent to support the implementation of the Recommendations to ensure a smooth process and transfer of knowledge.”*

Who we are

The Monitoring Group (MG) is a group of international financial institutions and regulatory bodies committed to advancing the public interest in areas related to international audit-related standard-setting and audit quality. This publication is part of its ongoing global effort to promote high-quality international auditing and ethical standards. Further information can be obtained from the IOSCO website at

https://www.iosco.org/about/?subsection=monitoring_group

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