I would like to briefly introduce myself first – my name is Porus Pavri, a solo practitioner in the Assurance services field, with the background of a 16 year career with a Big 4 firm. My sole-practitioner firm, Logos Consultants, has recently commenced operations. I have been serving SMEs throughout the majority of my Assurance career, although small stints with large organizations in the private and public sector have also contributed to my experience in this field.

The following brief submission relates to, and attempts to resolve, the following questions posed by the IESBA:

- **Evolving the Code for continued relevance in a changing global environment**
- **Increasing engagement and cooperation with key stakeholders**
- **Are there any actions not included in the proposed SWP that you believe the Board should consider for the 2014-2018 period? If so, please explain why, and indicate which actions identified should be displaced (i.e. deferred or eliminated).**

In the light of the following submission, my response is irrelevant to the rest of the questions posed by IESBA.

A reader may feel that this submission has not been fine-tuned for niceties of language, and does not follow the formality or structured logic that a formal submission ought to comply with. My attempt here is to introduce the conceptual solutions relating to the profession's ethics, that have been spinning in my head and heart for a long time.

Towards the later phases of my Assurance career, I have VERY keenly wanted to be part of a truly transformational project, which would remove as many of the ethical bottlenecks and barriers that, psychologically, hamper External Assurance providers from giving free and fearless opinions about the state of affairs at a client, with a refreshing sense of freedom, independence and objectivity. It is clichéd to note, but worth repeating, that such caliber of reporting will be beneficial not only for the External Assurance provider, but also for the numerous stakeholders who implicitly rely on his opinion - tax authorities, compliance authorities, potential investors, existing investors, customers, suppliers, bankers, financiers – and who implicitly trust (many a times misplaced) that such opinion has indeed been issued with an independent state of mind, without any kind of overt or tacit pressure whatsoever.

The reality of the current structure however is that the External Assurance provider has to critically examine and comment on the state of affairs of a client, ie. an entity who remunerates him, appoints him and then decides whether he continues to provide his services.

In theory, the External Assurance provider reports to the Owner/s or Board or Audit Committee, who decide his appointment, remuneration and termination, but in practice, close relationship with a member/s of executive management may be instrumental in appointing the External Assurance provider. How independent can an External Assurance provider be in such cases, to fearlessly give his opinion on the real state of affairs of the entity which is managed by the same executive management ?

In enterprises with poor governance, members of executive management often significantly influence the level of remuneration (fee increases, scope increases, etc.) as the Owner/s, Board has very little direct interaction with the service provider and relies on the recommendations of the executive management. How independent can an External Assurance provider be in such cases, to fearlessly give his opinion on the real state of affairs of the entity which is managed by the same executive management?

Poor governance also affects the Assurance provider's independence when it comes to removal, where once again the Owner/s, Boards rely heavily on recommendations from executive management, given that the BoD interacts very little with them. How independent can an External Assurance provider be in such cases, to fearlessly give his opinion on the real state of affairs of the entity which is managed by the same executive management ?

In theory, Boards or even Audit Committees are supposed to be independent of executive management, and discharge their fiduciary duties towards the stakeholders in an impartial manner.

But in practice, we have a gradually increasing number of horror stories being reported globally about how even Board Members and Audit Committee members work hand-in-glove with members of executive management to defraud the organizations they are employed with, and then pile pressure on their External Assurance providers to brush the issues under the carpet. One can well imagine that what is reported is just the tip of the iceberg, and what goes unreported would be even more damning.

Unreported cases which are muzzled or silenced out of fear of retribution, fear of losing out to the competition, fear of losing one's livelihood and seeing one's dependents out on the street. Retribution = services being discontinued, replaced by a more compliant auditor. Losing out to the competition = if we don't comply, our competitors will, so why shouldn't we. Losing one's livelihood = how will we pay our staff, feed our families if we stand our ground, and get "blacklisted" by other "clients" as a result.

This is not to paint everyone with the same brush (auditors and auditees), BUT….Why is the current structure not working, why is there no improvement in ethical standards despite so much oversight and regulation, instead why is it deteriorating day by day ? Because the entire edifice was somehow constructed on the shaky foundation of a human weakness - How on earth am I supposed to freely criticize someone who pays me for my services, who decides my appointment and who holds the power to terminate my services. How on earth can I be disloyal ?

But what if we were to make a fundamental shift in the source of power over the External Assurance provider. What if, just like, members of the public using a public utility, and paying for their services provided by a private sector player, based on a pre-determined tariff, auditee organizations were to use External Assurance services provided by an External Assurance Services Regulatory Authority (EASRA) affliliated to IESBA, who subcontracts the provision of such services to private sector Assurance service providers. The services are paid for under a pre-determined tariff structure, based on "usage" of services. Appointment and termination are also controlled by the EASRA.

The EASRA would comprise representatives of the various stakeholders who utilize, who rely on, who trust on, who need a truly independent, objective, free and fearless opinion of the External Assurance provider. As listed above, this means representatives of government tax and compliance authorities, trade associations who form the network of customers and suppliers, existing shareholders, potential shareholders, bankers, financiers, etc.

This is a very high level, simplified, roughly hewn, way of presenting the concept. The mid-level and low-level structure and details are things which need to be worked out. A comprehensive paper has been partially drafted on this, and I would be happy to share, discuss and complete the rest of this paper over the course of face to face meetings with the IESBA, with their input, if called in to do so. One can poke as many holes in this concept, and dismiss it, either outright, or without a comprehensive think-through / brainstorming process, but the fact of the matter is that it is insanity to expect different results, by continuing to do more of the same.

The above revised structure breaks the "power hold" between the auditor and auditee, and enables all External Assurance providers, globally, to provide a genuinely valuable opinion to the stakeholders associated with the auditee, fully complying with the ethics of the noble profession that it was meant to be, and which when practiced globally, also benefits all auditees in the achievement of their strategic objectives on a surer, firmer footing.